STATE OF RHODE ISLAND

SINGLE AUDIT REPORT

Fiscal Year End June 30, 2025

David A. Bergantino, CPA, CFE

Auditor General

State of Rhode Island

General Assembly

Office of the Auditor General

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July 30, 2026

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, 2025. This audit was required by both state law (sections 22-13-4 and 35-7-10 of the General Laws) and the federal Single Audit Act. The audit was conducted in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). As required, this report is submitted to the Federal Single Audit Clearinghouse for distribution to federal funding agencies.

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

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

The ***Single Audit Highlights*** section on the following pages summarizes (1) COVID-19 federal assistance received by the State to address the continued economic recovery initiatives in response to the global pandemic, (2) key statistics about federal assistance received by the State over the last decade, (3) the federal programs audited in fiscal 2025 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 2025 – Single Audit Highlights

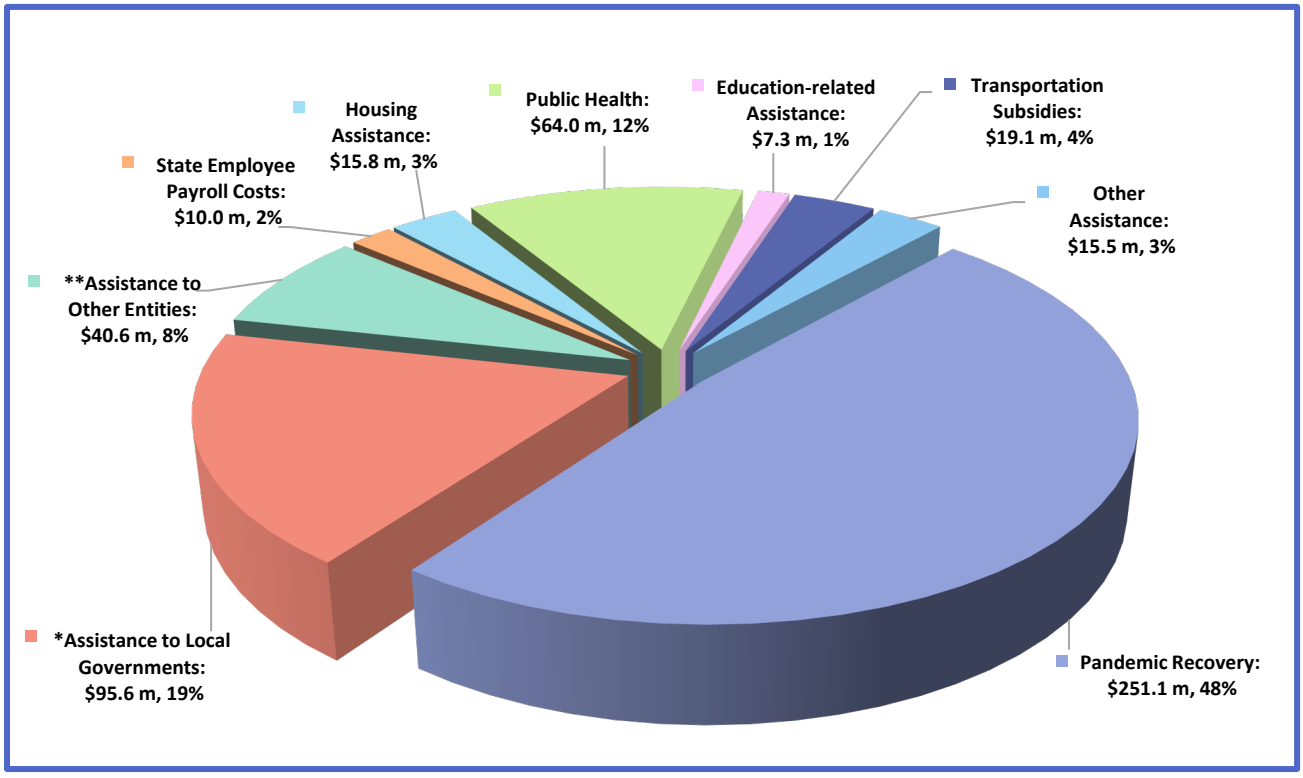
The annual Single Audit is required by federal law and regulation as a condition of continued federal assistance. The report includes the State's financial statements, a detailed schedule of federal award expenditures and our reports outlining internal control deficiencies and noncompliance relating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

Substantial amounts of federal assistance continued to be expended in fiscal 2025. Expenditures of federal awards totaled $7.05 billion in fiscal 2025, of which approximately $519 million was COVID-related. Total expenditures in 2025 increased by $294 million over the prior year, largely driven by growth in the Medicaid Program. The continued decrease in pandemic-related expenditures ($791 million in 2024 and $1.4 billion in 2023) resulted as funding for the Education Stabilization Fund and FEMA Disaster Assistance dwindled, and enhanced funding on health and human services programs expired. Pandemic assistance expenditures are expected to decline through December 31, 2026, the deadline for spending State Fiscal Recovery Funding. The major sources of COVID-19 related funding available during fiscal 2025 and expenditures through June 30, 2025, are detailed below:

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

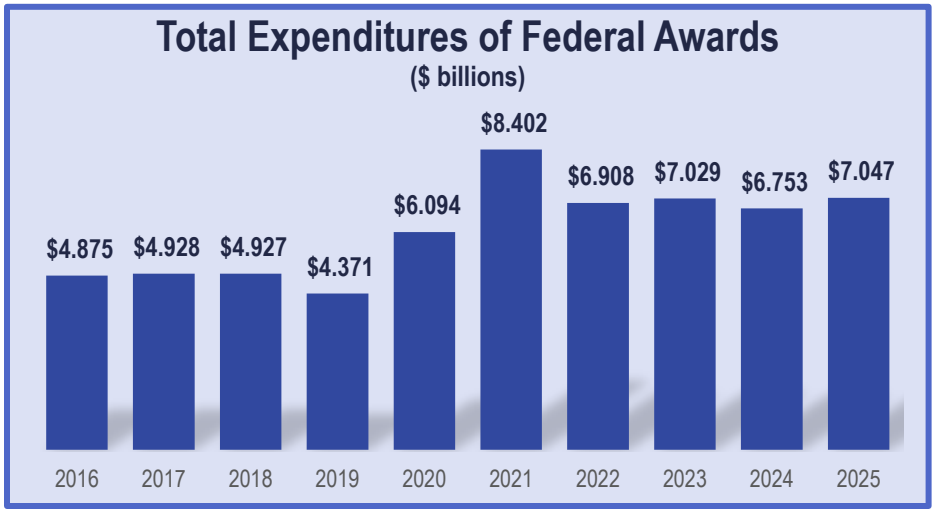
Utilization of federal funding made available for authorized COVID-19 pandemic recovery initiatives under the State Fiscal Recovery Fund continued in fiscal 2025, accounting for almost half of the COVID-19 related spending. Assistance provided to local governments which was used to support education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

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



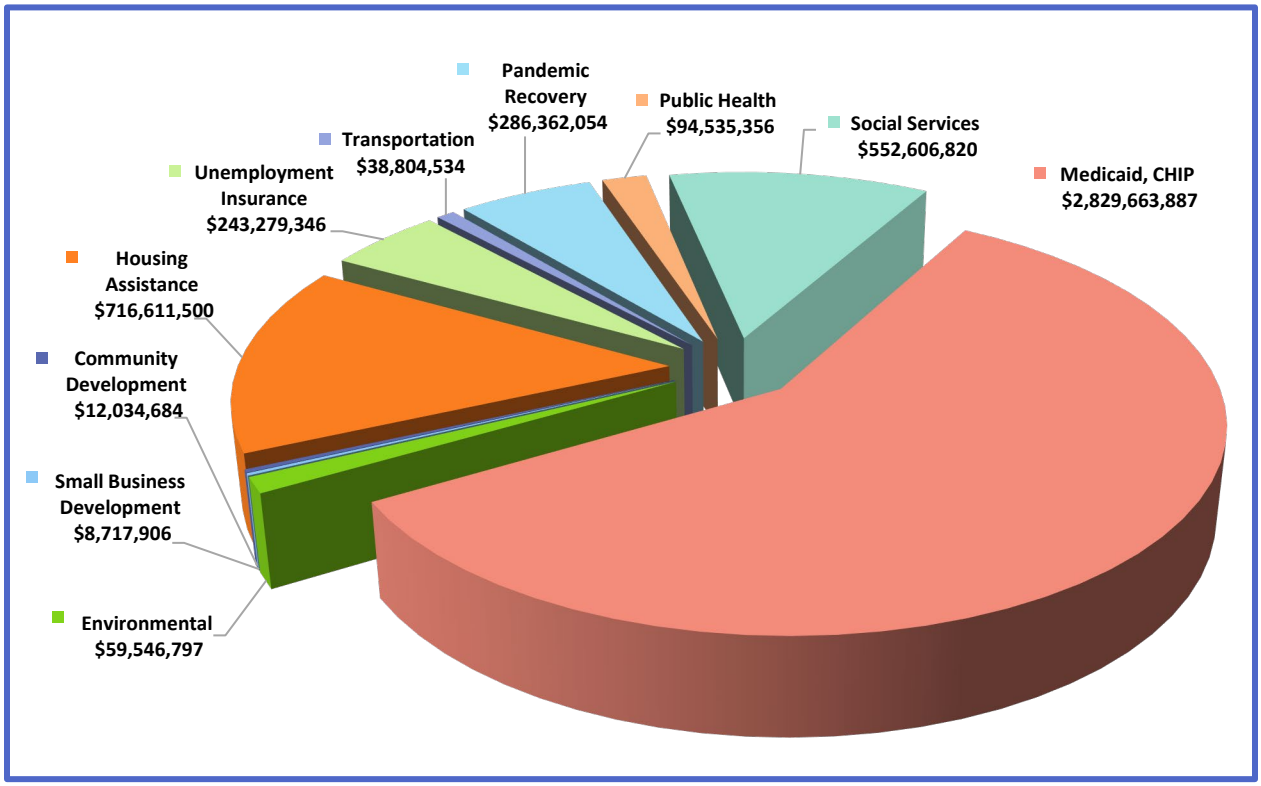
** $56.8m provided for educational aid. ** $14.4m provided for pandemic recovery; $6.2m for housing assistance; $11.3m for education.*

The following graph details the changes in total expenditures of federal awards as reported in the State's *Single Audit Reports* for fiscal years 2016 to 2025. In fiscal years 2020 through 2025, the significantly higher levels of expenditure compared to the period of fiscal 2016 through 2019 are attributable to continued use of COVID-19 federal assistance. In fiscal 2019, the decrease in total expenditures of federal awards largely resulted from the return of federally guaranteed student loans to the federal government.



Federal assistance consists of both direct cash and noncash awards (e.g., loan and loan guarantee programs and donated food commodities). Federal assistance is received under a wide variety of more than 500 individual programs. Many programs are jointly financed with federal and State funding. Medicaid continues to be the single largest program with fiscal 2025 expenditures totaling approximately $4.3 billion - the federal government shared $2.7 billion of that cost. Consistent with federal guidelines, we tested 68% of the total expenditures of federal awards as major programs following risk-based criteria established in the federal Uniform Guidance. Major program expenditures are summarized in the chart below:

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



The Single Audit Report includes 71 findings as summarized in the following table.

Summary of findings included in the 2025 *Single Audit Report*			
	Primary government	**Component units**	**Total**
Findings related to the financial statements			
Material weaknesses in internal control	8	2	10
Significant deficiencies in internal control	17	1	18
Material noncompliance		1	1
Findings related to the administration of federal programs			
Material noncompliance / material weaknesses in internal control	5		5
Noncompliance / material weaknesses in internal control	6		6
Noncompliance / significant deficiencies in internal control	14	1	15
Other reportable compliance matter		1	1
Material weaknesses in internal control	2		2
Significant deficiencies in internal control	13		13
Total	**65**	**6**	**71**

Audit Findings Summary

Financial Statement Findings

The State's financial reporting experienced significant challenges as its new enterprise resource planning (ERP) system became operational with the fiscal 2025 financial closing. Material weaknesses in internal control continued to result in material misstatements and misclassifications within the financial statements that were undetected by management and required adjustment. In addition, certain misstatements were attributable to the ERP transition with errors in the form of inconsistent account mapping from the prior system or user inexperience with the new system, issues not uncommon to complex system implementations.

Management's responsibility for implementing and maintaining a system of internal control is foundational to ensure complete and accurate financial reporting, compliance with federal regulations, and safeguarding assets of the State. This responsibility is defined in State statutes and federal requirements. RI General Law section 35-14-3, *Agency Responsibilities*, under the State's Financial Integrity and Accountability statutes, mandates that "State agency heads are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes: (1) documenting the system; (2) communicating the system requirements to employees; and (3) assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions."

Management focus, training, and implementation resources have been insufficient to ensure that departments and agencies are assessing and documenting internal control consistent with management's overall responsibility for the adequacy of the design and operation of internal control.

The State's implementation of a new ERP system creates a need and opportunity to address this long-standing deficiency. A real commitment to improving the accuracy and timeliness of financial reporting is needed to reverse the current trend and achieve notable improvements in the next few years. A modernized ERP system should allow the State to automate certain finance-related tasks to a greater extent than its previous accounting system. It will, however, take continued resources and agency coordination to achieve those efficiencies. In addition, processes must be implemented to assist agencies in documenting their specific internal controls over critical operations supporting financial activity and federal compliance.

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, 2025. 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. Twenty-nine (29) findings included herein represent issues required to be reported under those standards.

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

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 – approximating $4.3 billion in expenditures or approximately 41% 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.

Controls are lacking to ensure the completeness and accuracy of reported accruals and year-end adjustments in conjunction with the State's fiscal closing. Processes require improvement at the agency level to allow chief financial officers, who are most knowledgeable about the agency's programs and budget, to ensure a complete and accurate fiscal close.

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, including amounts passed through to subrecipients, is accurately reported in accordance with federal Uniform Guidance requirements.

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. Ensuring that the new ERP system, individually or in combination with other applications, increases the automation and effectiveness of Treasury functions will be critical.

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

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

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

The State continues to assess its current cybersecurity readiness, including identifying risk mitigation priorities. Additional resources are needed to mitigate the current risks that have been validated by both internal and contracted cybersecurity assessments. The State's ability to assess, document, and mitigate risks will require continued implementation and maturation of many of the State's current information technology (IT) security initiatives. Those initiatives will need additional resources to achieve and maintain their intended objectives.

The State's security information event monitoring (SIEM) function lacks the maturity, staffing, and technological resources required to support an enterprise of its size. Current SIEM activity exceeds available capacity, hindering timely analysis and remediation.

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

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

Federal Program Findings

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

2025 Major Programs

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

The federal programs tested as major programs (see table above) for the fiscal 2025 Single Audit were selected based on the methodology required by the Uniform Guidance. Our audits of major programs included procedures to (1) gain an understanding of controls established to ensure compliance, (2) test the effectiveness of those controls, and (3) assess compliance with requirements specific to each program.

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

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

Medicaid Cluster and Children's Health Insurance Program (CHIP) – The State should improve controls relating to the identification of third-party insurance coverage to ensure that, when appropriate, Medicaid is the payer of last resort by (a) ensuring that third-party liability (TPL) reported in the MMIS is accurate and up to date, and (b) ensuring that managed care organizations (MCOs) are effectively identifying TPL insurance coverage for Medicaid recipients and cost avoiding for claims covered by other insurance.

Controls over the screening, enrollment, and revalidation of providers within the Medicaid program should be improved to ensure compliance with federal requirements relating to provider eligibility.

Capitation payments to managed care organizations (MCOs) represent approximately 58% of Medicaid benefit expenditures. The Executive Office of Health and Human Services (EOHHS) needs to improve controls over managed care financial activity to ensure compliance with allowable cost principles for related program expenditures.

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

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

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

Medicaid Cluster – Operational and control deficiencies during fiscal 2025 resulted in noncompliance with federal regulations relating to Medicaid eligibility.

Controls need to be improved to ensure that claims from the State Hospital are reimbursed by Medicaid as the payer of last resort.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SNAP Cluster – Controls over SNAP EBT reconciliations require improvement.

SNAP Cluster, Temporary Assistance for Needy Families (TANF), CCDF Cluster, Children's Health Insurance Program, and Medicaid Cluster – The State continued to maintain systems security oversight over systems used to administer multiple federally funded programs. Certain internal control deficiencies should be addressed to improve the State's monitoring of information security over RIBridges and the Medicaid Management Information System (MMIS).

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

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

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

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

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

Section C includes **Independent Auditor's reports** required by *Government Auditing Standards* and federal Uniform Guidance.

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.

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Basic Financial Statements

Section A

Basic Financial Statements

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INDEPENDENT AUDITOR'S REPORT

Finance Committee of the House of Representatives and
Joint Committee on Legislative Services, General Assembly,
State of Rhode Island:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island (State), as of and for the year ended June 30, 2025, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

- the Tobacco Settlement Financing Corporation, a blended component unit which represents less than 1% of the assets and deferred outflows and the revenues of the governmental activities and less than 1% of the assets and 1% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 22% of the assets and deferred outflows and 2% of the revenues of the business-type activities;
- the Ocean State Investment Pool, an investment trust fund, and the HealthSource RI Trust, Rhode Island Higher Education Savings, and ABLE private-purpose trust funds, which collectively represent 20% of the assets and 23% of the revenues, including additions, of the aggregate remaining fund information; and
- all the component units comprising the aggregate discretely presented component units.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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.

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

Emphasis of Matters

As discussed in Note 1(V) of the accompanying financial statements, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The provisions of GASB Statement No. 101 have been applied to the State's Net Position at July 1, 2024. Our opinions are not modified with respect to this matter.

As discussed in Note 2(C-D) of the accompanying financial statements, the financial statements include certain pension and other postemployment benefits trust fund investments, which approximate 22% percent of the total assets of the aggregate remaining fund information. The fair values of those investments have been estimated by management in the absence of readily determinable fair values. Management's estimates are based upon information provided by the fund managers or the general partners. 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.

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

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

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

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

Required Supplementary Information

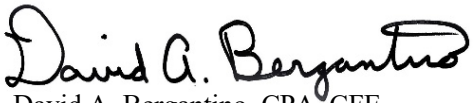
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, and information about the State's Pension and Other Postemployment Benefit Plans, comprising the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying S*chedule of Expenditures of Federal Awards* (Section B), as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the *Schedule of Expenditures of Federal Awards* is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2026 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



David A. Bergantino, CPA, CFE
Auditor General
June 24, 2026

Management's Discussion and Analysis

State of Rhode Island

Fiscal Year Ended

June 30, 2025

Management Discussion and Analysis

This analysis prepared by the Office of Accounts and Control offers readers of the State of Rhode Island financial statements a narrative overview of the activities of the State for the fiscal year June 30, 2025 (FY25). We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal and with the State's financial statements which follow. This analysis is prepared in accordance with Government Accounting Standards Board (GASB), which provides preparers with guidelines on what must be included in and excluded from this analysis. 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 on June 30, 2025 by $4.0 billion. This amount is presented as "net position" on the Statement of Net Position for the Total Primary Government. Of the Net Position amount of $4.0 billion, $2.3 billion was reported as restricted net position, $5.7 billion as net investment in capital assets, and $4.0 billion was reported as a deficit unrestricted net position.

- **Changes in Net Position:** The net increase to the primary government net position of $309.2 million was attributed to an increase in governmental activities of $217.8 million and an increase to net position of $91.4 million during the fiscal year for business-type activities. The increase to governmental activities resulted from revenue and transfers exceeding expenses during fiscal 2025. A significant amount of this excess represented investments in capital assets, mostly infrastructure, which will be depreciated over the useful lives of the underlying assets. The increase to the business-type activities was primarily due to the Employment Security Fund operating at a $71.9 million surplus during the fiscal year ended June 30, 2025.

Governmental Funds

- As of the close of the current fiscal year, governmental funds, reported on a modified accrual basis, have a combined ending fund balance of $3.1 billion. This is a decrease of $212.9 million compared with the previous fiscal year.
- As of June 30, 2025, the General Fund reported an ending fund balance of $1.1 billion, a decrease of $84.9 million (7%) as compared to the prior year fund balance.
- Total General Fund expenditures were $391.7 million greater than prior fiscal year due to greater spending across several categories, the most significant of which are discussed below:
    - The year-over-year decrease of $71.5 million in Education is primarily attributable to $121.1 million reduction in funding from the American Rescue Plan Act (ARPA) - Elementary and Secondary School Emergency Relief (ESSER) program and other direct education award funds to local school districts and state schools to fund recovery from the COVID-19 pandemic.
    - The year-over-year increase of $36.8 million in public safety expenditures is driven by $21.4 million increase in Department of Public Safety, $19.3 million in additional spending by the Department of Corrections, including for custody and security, a $12.3 million increase in expenditures by the Judiciary, and an $8.5 million increase for the Office of the Attorney General, offset by a $25.2 million decrease by the Emergency Management Agency.
    - The year-over-year increase of $349.6 million in Health and Human Services function is primarily attributable to increased expenditures in the Medicaid program Grants to States in the Executive Office of Health and Human Services.

Proprietary Funds

- Rhode Island Lottery transferred $433.6 million to the General Fund to support general revenue expenditures during the fiscal year, an increase of $7.2 million in comparison with the previous fiscal year.
- The Employment Security Fund ended the fiscal year with a net position of $681.1 million, an increase of $71.9 million from the prior fiscal year. Driving this increase were employer premiums received totaling $274.1 million, federal grants totaling $1.7 million, and miscellaneous revenues of $7.8 million. In addition, the Fund recognized $17.7 million in other non-operating revenues. These increases were partially offset by unemployment benefits processed totaling $229.3 million, an increase of approximately $23.6 million from fiscal year 2024.
- The Rhode Island Convention Center Authority (the Authority) ended the fiscal year with a net position of $58.6 million. This was an increase of $19.4 million to the net position when compared with the prior year. The driver of this increase was State appropriations of $32.4 million, which were comprised of $25.3 million from the General Fund for debt service and operations and $7.1 million from Rhode Island Capital Plan Fund (RICAP) for capital improvements.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

- The governmental activities include most State basic services such as public safety, health and human services programs, parks and recreation, and general administration. Most of these activities are funded by taxes, intergovernmental transfers, and federal grants.
- The business-type activities are those activities primarily funded by customer charges. These include the operations of the Rhode Island Lottery, Rhode Island Convention Center Authority, and the Employment Security Trust Fund.
- The discretely presented component units are entities that are legally separate from the State, but for which the State is financially accountable. These entities are listed in Note 1. The financial information for these entities is presented separately from the financial information presented for the primary government included herewith.

Fund Financial Statements

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

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

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

  Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the longer-term impact of the State's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities in the government-wide financial statements.

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported as proprietary funds. Similar to the government-wide statements, proprietary funds use the accrual basis of accounting. The State maintains two categories of proprietary funds - enterprise funds and internal service funds (ISFs). Enterprise funds report activities that provide supplies and services to the general public. The State has three enterprise funds - the Lottery Fund, the Rhode Island Convention Center Authority Fund (RICCA), and the Employment Security Fund. Each of these funds are presented in separate columns on the basic proprietary fund financial statements.

Internal service funds report activities that provide supplies and services for the State's other programs and activities. The ISFs are reported as governmental activities on the government-wide statements, since the services they provide predominantly benefit governmental activities. The ISFs are reported within the basic proprietary fund financial statements in a single combined column. Individual fund data is provided in the form of combining statements and can be found within the supplementary information section of this ACFR.

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

Discretely Presented Component Units

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided for the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the discretely presented component units financial statements.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information, including information concerning the State pension and other post-employment benefit obligations. This section also includes a budgetary comparison schedule for the General Fund and Intermodal Surface Transportation fund which have a legally enacted budget.

Other Supplementary Information

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

Government-Wide Financial Analysis

Net Position

Net position may serve as a useful indicator of a government's financial position. The State's combined net position for governmental and business-type activities totaled $4.0 billion at the end of fiscal year 2025, compared to a net position of $3.8 billion for the prior fiscal year. Governmental activities reported an unrestricted deficit net position of $4.0 billion.

A portion of the State's net position includes 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, 2025 and 2024
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Current and other assets	$ 4,941,538	$ 5,342,719	$ 818,536	$ 755,127	$ 5,760,074	$ 6,097,846
Capital assets	6,329,286	5,732,701	153,035	145,400	6,482,321	5,878,101
Total assets	11,270,824	11,075,420	971,571	900,527	12,242,395	11,975,947
Deferred outflows of resources	633,474	582,043	4,556	5,138	638,030	587,181
Current liabilities	2,003,129	2,135,006	83,137	84,155	2,086,266	2,219,161
Long-term liabilities outstanding	6,159,929	6,055,272	141,279	164,304	6,301,208	6,219,576
Total liabilities	8,163,058	8,190,278	224,416	248,459	8,387,474	8,438,737
Deferred inflows of resources	435,334	339,774	29,767	26,667	465,101	366,441
Net position (deficit):						
Net investment in capital assets	5,635,681	5,057,342	50,660	29,674	5,686,341	5,087,016
Restricted	1,644,537	1,860,153	682,779	614,174	2,327,316	2,474,327
Unrestricted	(3,974,312)	(3,790,084)	(11,495)	(13,309)	(3,985,807)	(3,803,393)
Total net position (deficit) - as restated	$ 3,305,906	$ 3,127,411	$ 721,944	$ 630,539	$ 4,027,850	$ 3,757,950

As indicated above, the State reported a deficit balance in unrestricted net position of $4.0 billion as of June 30, 2025. Several factors, which are discussed below, contributed to this deficit.

As required by generally accepted accounting principles (GAAP), the State recognizes the net pension liability or asset for the pension plans for which it has funding responsibility. In addition, the State has recognized the net other post-employment benefit (OPEB) liability or asset for the retiree health care plans for which it has funding responsibility. Recognition of these liabilities has had a significant adverse impact to unrestricted net position. At June 30, 2025, the net pension liability related to governmental activities was $3.0 billion, inclusive of net pension liability-special funding situation, and the net pension liability related to business-type activities was $17.8 million. In addition, the net OPEB liability related to governmental activities was $125.8 million and the net OPEB liability related to business-type activities was $1.3 million.

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

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

- Certain transportation projects funded with bond proceeds that do not meet the State's criteria for capitalization as infrastructure;
- Construction of facilities at the State's university and colleges, which are reported as capital assets of those discretely presented component units;
- Water resources projects including the acquisition of sites for future water supply resources, various water resources planning initiatives, and funding to upgrade local water treatment facilities;
- Environmental programs to acquire, develop, and rehabilitate local recreational facilities and ensure that open space is preserved;
- Municipal School construction projects funded through Rhode Island Health and Educational Building Corporation (RIHEBC); and
- Affordable housing opportunities and development as well as revitalization of urban areas.

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

- *Tobacco Settlement Asset-Backed Bonds and Accreted Interest* - The Tobacco Settlement Financing Corporation (TSFC), a blended component unit, has issued Tobacco Asset-Backed Bonds that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement, the Consent Decree and Final Judgment. The bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC. Other monies of the TSFC do not constitute a general, legal, or moral obligation to the State or any political subdivision thereof and the State has no obligation to satisfy any deficiency or default of any payment of the bonds. As of June 30, 2025, approximately $472.8 million of principal and $202.0 million of accreted interest are included in the State debt.

- *Historic Tax Credit Bonds* - The R.I. Commerce Corporation (RICC), on behalf of the State, issued revenue bonds under the Historic Structures Tax Credit Financing Program. The bonds do not constitute a debt, liability, or obligation to the State or any political subdivision thereof. The State is obligated under a Payment Agreement to make payments to the trustee. This obligation is subject to annual appropriations by the General Assembly. The proceeds of the bonds are being used to provide funds for redemption of Historic Structures Tax Credits. As of June 30, 2025, approximately $27.9 million of such bonds are outstanding.

- *Certificates of Participation (COPs)* - COPs proceeds are sometimes used to benefit certain entities outside of the primary government; for example, by the State's university and colleges for energy conservation projects or by local school districts to improve technology infrastructure on a state-wide basis. Obligations of the State to make payments for COPs is subject to and dependent upon annual General Assembly appropriations. As of June 30, 2025, approximately $43.0 million of net obligations are outstanding.

- *State Appropriation-Backed Revenue Bonds* - Proceeds from this debt are dedicated to the construction of a new high school for the City of Central Falls (City). The high school will be owned by the City and reported as a capital asset in their financial statements. As of June 30, 2025, approximately $86.7 million in debt remains outstanding for these bonds.

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

Changes in Net Position

Governmental Activities

The State's overall net position related to governmental activities increased by $217.8 million for fiscal year 2025.

Total revenues and transfers totaled $11.8 billion, a net increase of $438.6 million compared to fiscal 2024. This increase was largely attributed to increases in operating and capital grants, mostly federal assistance, totaling $196.8 million. In addition, increases in taxes and net transfers totaling $223.5 million and $16.2 million, respectively. Increases in tax revenue were largely attributed to personal income and sales and use taxes.

The State's expenses, which cover a wide range of services, had an increase of $814.2 million. The expense increase was driven by $2.5 billion of expenses in Education activities, an increase of $56.5 million compared to prior fiscal year, and $6.0 billion expenses in Human Services, an increase of $366.5 million compared to prior fiscal year. Partially contributing to this change was an increase of $205.8 million in General Government expenses, respectively.

The increase to Education expenses of $56.5 million had an increase of $82.1 million in financial support to public schools and public school students through state aid, $54.6 million increase in pension and retirement expense for state teachers, and a $33.2 million increase in funding for the construction, renovation, and rehabilitation of the State's public schools. These increases were partially offset by a $121.1 million less in funding from American Rescue Plan Act Elementary and Secondary School Emergency Relief (ESSER) and other direct award funds for education aid to local school districts and state schools as a response to the COVID-19 pandemic recovery.

The increase in Health and Human Services expenses of $366.5 million is attributable to increased expenditures in the Medical Assistance (Medicaid) program in the Executive Office of Health and Human services.

The General Government expenses had an increase of $205.8 million during fiscal year 2025 compared to the previous fiscal year. The increase can be attributed to a $55.2 million increase in expenses for the Central Falls school construction project, a $37.5 increase in the State's Fiscal Recovery Fund expenses, a $32.6 million increase in pension expense for the State Employees' Retirement Benefits Fund Trust, a $27.0 million increase in employee benefit expenses on the Active State Employee Health Fund, a $25.9 million increase regarding tangible property tax reimbursements, a $20.0 million increase in the State's small business credit initiative, and a $15.0 million increase in the general fund's transfer of excess funds to the Employees' Retirement System of Rhode Island.

Business-Type Activities

- The Employment Security Fund net position increased year over year. Employer premiums of $274.1 million was the significant driver of this increase. Offsetting these increases were benefits paid from the fund totaling $229.3 million, an increase of approximately $23.6 million from prior fiscal year.
- The Rhode Island Lottery's transfer to the General Fund totaled $433.6 million, an increase of $7.2 million compared to prior fiscal year. The increase was primarily driven by continued growth in iGaming revenue. This growth was partially offset by declines in jackpot driven games, video lottery, table games, and the sportsbook operations during fiscal year 2025.

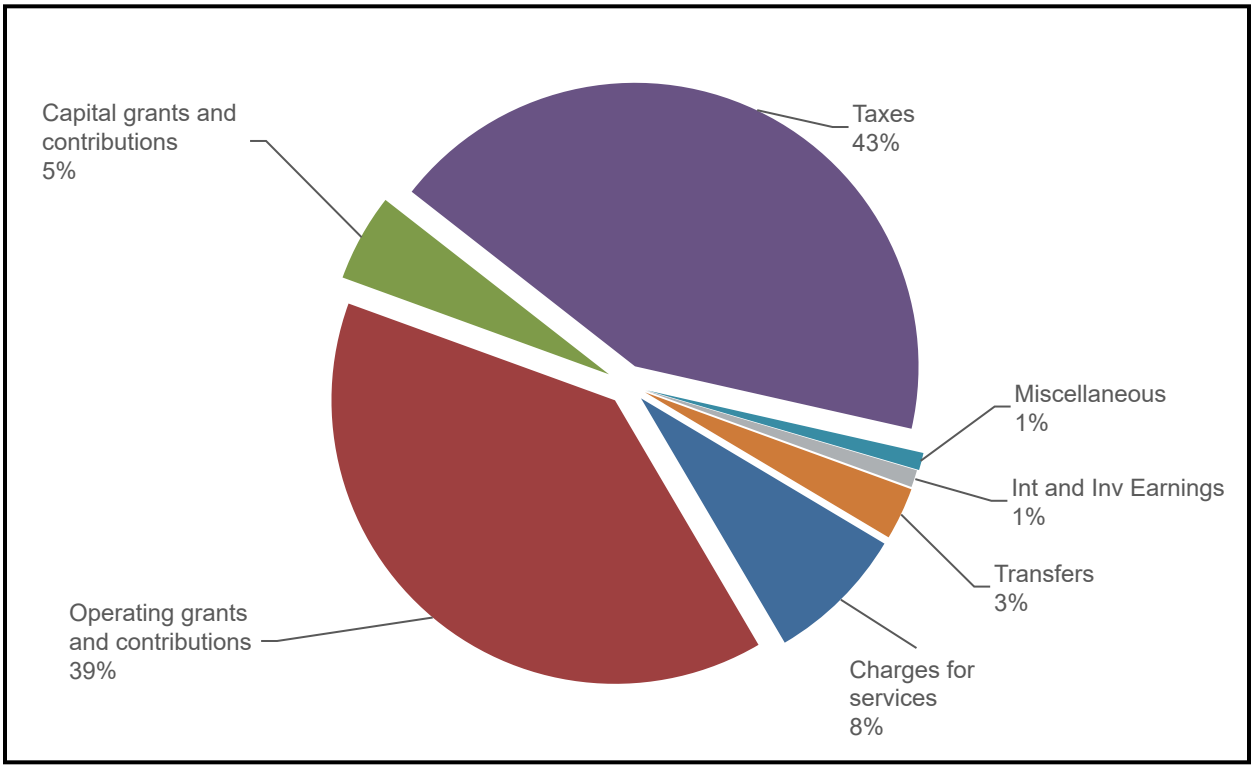
A more detailed analysis of changes in revenues and program expenses for both governmental activities and business-type activities is as follows:

State of Rhode Island Changes in Net Position
For the Fiscal Years Ended June 30, 2025 and 2024
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	$ 888,577	$ 851,813	$ 1,792,348	$ 1,933,247	$ 2,680,925	$ 2,785,060
Operating grants and contributions	4,600,439	4,562,473	1,662	1,455	4,602,101	4,563,928
Capital grants and contributions	558,309	399,490	—	—	558,309	399,490
General revenues:						
Taxes	5,097,852	4,874,324	—	—	5,097,852	4,874,324
Interest and investment earnings	138,068	165,103	5,499	5,535	143,567	170,638
Miscellaneous	111,039	118,866	23,011	15,311	134,050	134,177
Gain on sale of capital assets	156	—	—	—	156	—
Total revenues	11,394,440	10,972,069	1,822,520	1,955,548	13,216,960	12,927,617
Program expenses:						
General government	1,575,736	1,369,932	—	—	1,575,736	1,369,932
Health and human services	6,014,759	5,648,268	—	—	6,014,759	5,648,268
Education	2,453,387	2,396,887	—	—	2,453,387	2,396,887
Public safety	743,424	668,253	—	—	743,424	668,253
Natural resources	130,904	116,723	—	—	130,904	116,723
Transportation	554,086	459,964	—	—	554,086	459,964
Interest and other charges	105,442	103,462	—	—	105,442	103,462
Lottery	—	—	1,046,475	1,215,120	1,046,475	1,215,120
Convention Center	—	—	54,164	52,789	54,164	52,789
Employment Security	—	—	229,339	205,701	229,339	205,701
Total expenses	11,577,738	10,763,489	1,329,978	1,473,610	12,907,716	12,237,099
Excess (deficiency) before transfers	(183,298)	208,580	492,542	481,938	309,244	690,518
Transfers (net)	401,137	384,929	(401,137)	(384,929)	—	—
Change in net position	217,839	593,509	91,405	97,009	309,244	690,518
Net position (deficit) - Beginning	3,127,411	2,533,902	630,539	533,530	3,757,950	3,067,432
Cumulative effect of prior period adjustments	(39,344)	—	—	—	(39,344)	—
Net position (deficit) - Beginning, as restated	3,088,067	2,533,902	630,539	533,530	3,718,606	3,067,432
Net position (deficit) - Ending	$ 3,305,906	$ 3,127,411	$ 721,944	$ 630,539	$ 4,027,850	$ 3,757,950

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2025.

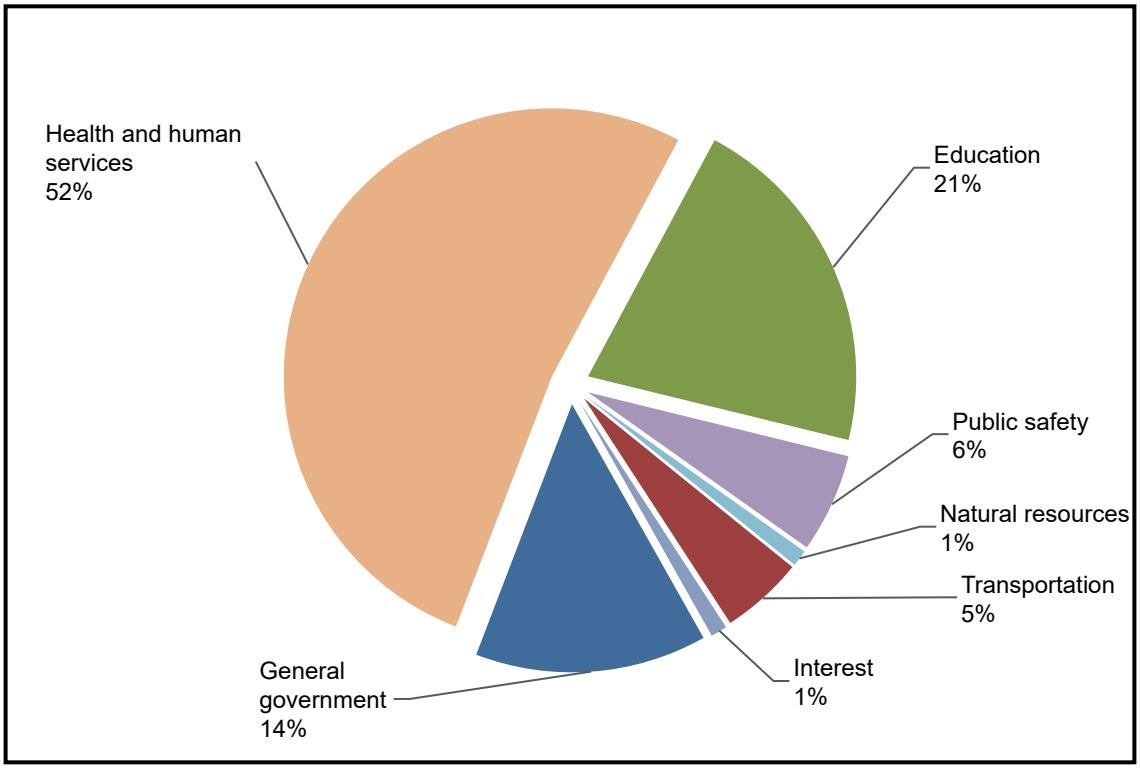
Chart 1 - Revenues and Transfers - Governmental Activities



The relative mix of revenue and transfers by source for governmental activities remained fairly consistent during fiscal 2025 versus the prior fiscal year. Taxes represent the largest sources of revenue at 43% of the total followed by Operational grants and contributions at 39%.

Chart 2 depicts the purposes for which program expenses related to Governmental Activities were expended during the fiscal year ended June 30, 2025.

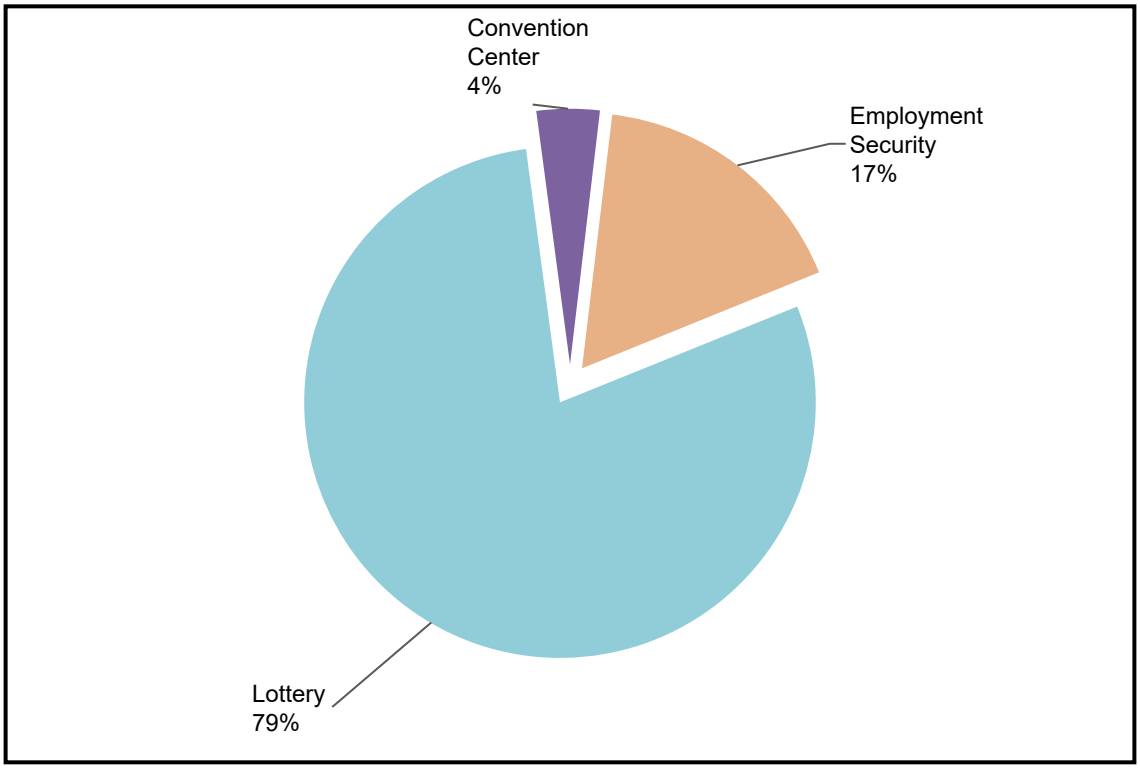
Chart 2 - Program Expenses - Governmental Activities



The relative mix of program expenses for governmental activities remained about the same in fiscal year 2025 as for the prior fiscal year.

Chart 3 depicts the program expenses related to Business Type Activities during the fiscal year ended June 30, 2025.

Chart 3 - Program Expenses - Business Type Activities



Unemployment benefits in the Employment Security Fund increased of $23.6 million or 11.5% compared to fiscal 2024. Lottery gross profit from gaming activities increased by $6.7 million or 1.5% over the prior year. Expenses to operate the Convention Center Authority increased slightly from fiscal year 2024.

Financial Analysis Funds

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

Governmental Funds

The focus of the State's governmental funds is to provide information about near-term inflows, outflows, and balances of spendable resources. Such information is useful when assessing the State financing requirements. At the end of the current fiscal year, the governmental funds reported a combined ending fund balance of approximately $3.1 billion, a decrease of $212.9 million from prior fiscal year. A breakdown of the components follows (expressed in thousands):

	2025	2024	2025 vs 2024 Change	Percent
Governmental Funds				
Nonspendable	$ 181,679	$ 164,852	$ 16,827	10.2 %
Restricted	2,229,254	2,357,270	(128,016)	(5.4)%
Unrestricted				
Committed	209,223	208,590	633	0.3 %
Assigned	275,253	318,765	(43,512)	(13.7)%
Unassigned	192,282	251,086	(58,804)	(23.4)%
Total	$ 3,087,691	$ 3,300,563	$ (212,872)	(6.4)%

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

- *Nonspendable fund balance* - amounts that cannot be spent because they are either (a) not in spendable form, for example: fund balance associated with inventories, or (b) legally or contractually required to be maintained intact.

- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by constitutional provisions or by law through enabling legislation enacted by the General Assembly.

- *Committed fund balance* - amounts that can only be used for specific purposes determined by the enactment of legislation by the General Assembly, and that remain binding unless removed in the same manner. The underlying action that imposed the limitation must occur no later than the close of the fiscal year and must be binding unless repealed by the General Assembly.

- *Assigned fund balance* - amounts that are constrained by stated intent that they be used for specific purposes. The intent is generally established by legislation enacted by the General Assembly and is implemented at the direction of the Governor.

- *Unassigned fund balance* - within the General Fund, the residual classification for amounts not contained in the other classifications. Other than the General Fund, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Significant changes in fund balance:

- *Nonspendable* - net increase of $16.8 million is primarily related to the reduction in the prepayment of Medicaid Capitation payments at June 30th for July health coverage for individuals enrolled in managed care.

- *Restricted* - net decrease of $128.0 million primarily relates to the spend down of a significant amount of the proceeds relating to the 2024 issuance of $93.5 million in State-appropriation backed revenue bonds, reported in the COPS fund. The proceeds were utilized for the construction of a new high school in the City of Central Falls. In addition, RICAP expenditures and transfers relating to capital projects outpaced new appropriations from the General Fund reducing fund balance by approximately $50.4 million. Restricted fund balance also experienced a net increase in the bond capital fund as the issuance of General Obligation bonds in fiscal 2025 exceeded capital outlay expenditures.

- *Committed* - net increase of $633.0 thousand results from an increase in the balance in the RI Highway Maintenance Account of $22.7 million committed to infrastructure maintenance in the IST fund at June 30, 2025. Offsetting this increase was a significant reduction in the general fund committed fund balance, resulting from a 2025 transfer of $21.6 million from the supplemental budget reserve balance that had been statutorily designated for pension funding at June 30, 2024. Fiscal 2025 operations did not result in a required commitment of an amount for those purposes.

- *Assigned* - net decrease of $43.5 million primarily resulted from the decrease in the amount of assigned fund balance allocated to fund subsequent year's budget.

- *Unassigned* - net decrease of $58.8 million primarily attributable to the resulting loss on general fund operations which reduced unassigned fund balance.

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):

	2025	2024	2025 vs 2024 Change	Percent
Nonspendable	$ 181,505	$ 164,678	$ 16,827	10.2 %
Restricted	409,550	386,773	22,777	5.9 %
Unrestricted				
Committed	19,106	41,188	(22,082)	(53.6)%
Assigned	274,024	317,639	(43,615)	(13.7)%
Unassigned	192,342	251,183	(58,841)	(23.4)%
Total	$ 1,076,527	$ 1,161,461	$ (84,934)	(7.3)%

Revenues and other sources of the General Fund totaled $10.6 billion in fiscal year 2025, an increase of $229.2 million, 2.2%, as compared to the previous year. The revenues from various sources and the change from the previous year are shown in the following table (expressed in thousands):

	2025	2024	Increase (decrease) from 2024 Amount	Percent
Revenues				
Taxes:				
Personal income	$ 1,967,874	$ 1,815,219	$ 152,655	8.4 %
Sales and use	1,811,791	1,775,545	36,246	2.0 %
General business	670,628	711,243	(40,615)	(5.7)%
Other	104,335	66,239	38,096	57.5 %
Subtotal	4,554,628	4,368,246	186,382	4.3 %
Federal grants	4,551,647	4,513,493	38,154	0.8 %
Restricted revenues	387,011	391,363	(4,352)	(1.1)%
Licenses, fines, sales, and services	480,530	454,190	26,340	5.8 %
Other revenues	121,976	150,179	(28,203)	(18.8)%
Subtotal	5,541,164	5,509,225	31,939	0.6 %
Total revenues	10,095,792	9,877,471	218,321	2.2 %
Other sources				
Proceeds from forward delivery bond agreement	—	—	—	–
Lease Financing	5,468	7,877	(2,409)	(30.6)%
Subscription-based IT financing	11,583	9,147	2,436	26.6 %
Transfer from Lottery	433,595	426,420	7,175	1.7 %
Other transfers	89,729	86,006	3,723	4.3 %
Total revenues and other sources	$ 10,636,167	$ 10,406,921	$ 229,246	2.2 %

Significant Drivers of Revenue

The State's unemployment rate rose to 4.4% during fiscal year 2025, according to Moody's Analytics, up 0.8 percentage points from the 3.6% rate realized during fiscal year 2024. Nominal personal income growth decreased to 4.7% during fiscal year 2025 from 5.5% growth for fiscal year 2024. The forecast produced by Moody's Analytics and adopted as the Consensus Economic Forecast at the May 2026 Revenue Estimating Conference projects a tapering in the growth of personal income, from 5.2% in fiscal year 2026 to 3.6% in fiscal year 2029.

The State saw a strong 8.4% increase in personal income tax collections for fiscal year 2025, exceeding growth in personal income. Fiscal year 2025 personal income taxes increased by $152.7 million from fiscal year 2024 levels. Much of the growth was due to personal income tax withholding payments, which rose by 6.6% compared to fiscal year 2024.

Interpreting the other components of personal income tax requires additional context due to the delayed tax filing deadline for tax year 2024. When a federal disaster declaration required the IRS to push back the federal filing deadline to July 15, 2024, for certain Rhode Island counties, the Rhode Island Division of Taxation followed suit, broadening the automatic extension to all filers for purposes of state taxes. As a result, and according to estimates provided by the Division of Taxation to the November 2024 Revenue Estimating Conference, approximately $37.3 million in tax year 2024 personal income tax payments that would have normally been received in fiscal year 2024 were received in fiscal year 2025. This revenue was recorded as a receivable in fiscal year 2024.

General sales and excise tax revenues posted an increase of 2.0% for fiscal year 2025 compared to fiscal year 2024. This growth decreased from the 3.1% increase observed for fiscal 2024 over 2023. The largest component in this block of revenues is sales and use tax, which saw a 2.3% increase in fiscal year 2025, trailing the projected consumer spending increase of 6.0% for the fiscal year. Cigarette and other tobacco product taxes declined 1.7% in fiscal year 2025, significantly lower than the 10.7% decline in fiscal year 2024. This shallower decline was due partially to a new tax on electronic nicotine delivery systems (also known as e-cigarettes), which yielded $2.2 million in fiscal year 2025. Finally, alcoholic beverages taxes were up 5.1% in fiscal year 2025.

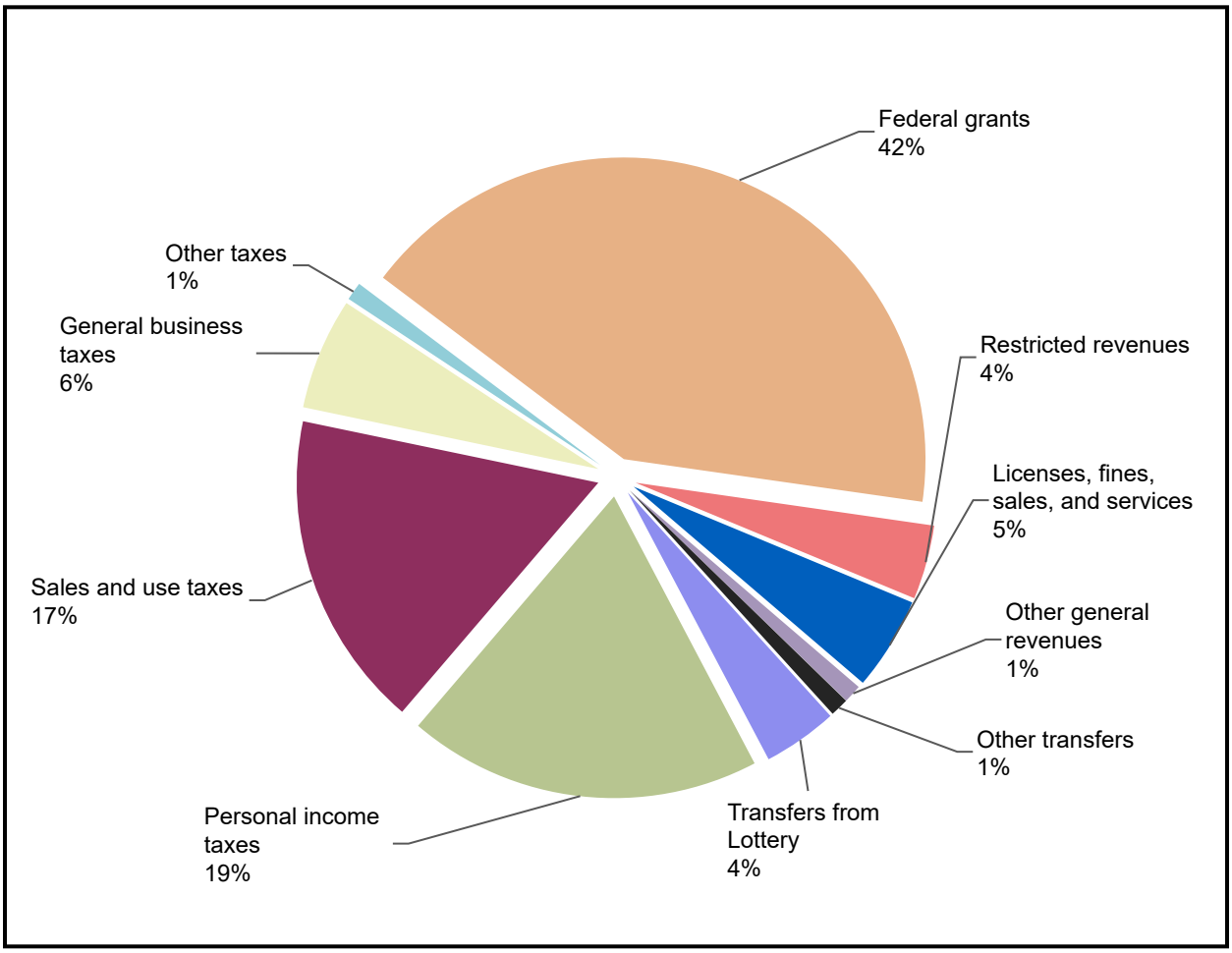
General business tax revenues decreased by 5.7% for fiscal year 2025. Business taxes saw declines in fiscal year 2025, most notable business corporations tax and financial institutions tax. Business corporations tax declined by 10.4% in fiscal year 2025, driven by an increase in refunds. Of the $60.6 million year-over-year increase in refunds and adjustments, approximately half was likely due to a one-time procedural change of the Division of Taxation that required taxpayers paying the elective pass-through entity tax to claim refunds. Financial institutions tax also declined, decreasing by 84.1% in fiscal year 2025. While this tax is volatile, some of the decrease was attributed to a law change that allowed these taxpayers to change how they apportion their income to the State.

Other taxes increased by 57.5% from fiscal year 2024. The largest driver of this increase was the estate tax, which rose by 70.3%. The increase in other taxes also includes a 19.3% increase in realty conveyance taxes, as home values continued to appreciate.

For fiscal 2025, the increase of 1.7% in the Lottery's 2025 transfers to the general fund as compared to fiscal 2024 largely reflected the first full year of iGaming revenue. In fiscal year 2025, iGaming yielded $19.3 million for the State, compared to $3.0 million in fiscal year 2024. The other lottery component with growth was sports wagering, which grew 3.1% in fiscal year 2025 compared to the prior year. All other components showed a decline.

Chart 4 illustrates the fiscal year 2025 General Fund Revenue and transfers.

Chart 4 - Revenues and Other Sources - General Fund



Expenditures and transfers out totaled $10.7 billion during fiscal year 2025, an increase of $282.5 million, or 2.7%, from the previous year. Changes in expenditures and other uses by function from the previous year are shown in the following tabulation (expressed in thousands):

			Increase (decrease) from 2024	
	2025	2024	Amount	Percent
General government	$ 1,106,013	$ 1,033,841	$ 72,172	6.98 %
Health and human services	6,041,606	5,691,998	349,608	6.14 %
Education	2,256,314	2,327,796	(71,482)	(3.07)%
Public safety	748,964	712,176	36,788	5.17 %
Natural resources	126,800	103,586	23,214	22.41 %
Debt Service:				
Principal	176,257	191,988	(15,731)	(8.19)%
Interest	67,055	69,969	(2,914)	(4.16)%
Total expenditures	10,523,009	10,131,354	391,655	3.87 %
Transfers out	198,092	307,297	(109,205)	(35.54)%
Total expenditures and transfers out	$ 10,721,101	$ 10,438,651	$ 282,450	2.71 %

Significant Drivers of Expenditures

The year-over-year increase of approximately $72.2 million to the General Government function is largely attributed to increases in the State's Fiscal Recovery Fund expense in fiscal year 2025.

The year-over-year increase of $349.6 million in Health and Human Services function spending is primarily attributable to increased expenditures in the Medicaid program in the Executive Office of Health and Human Services.

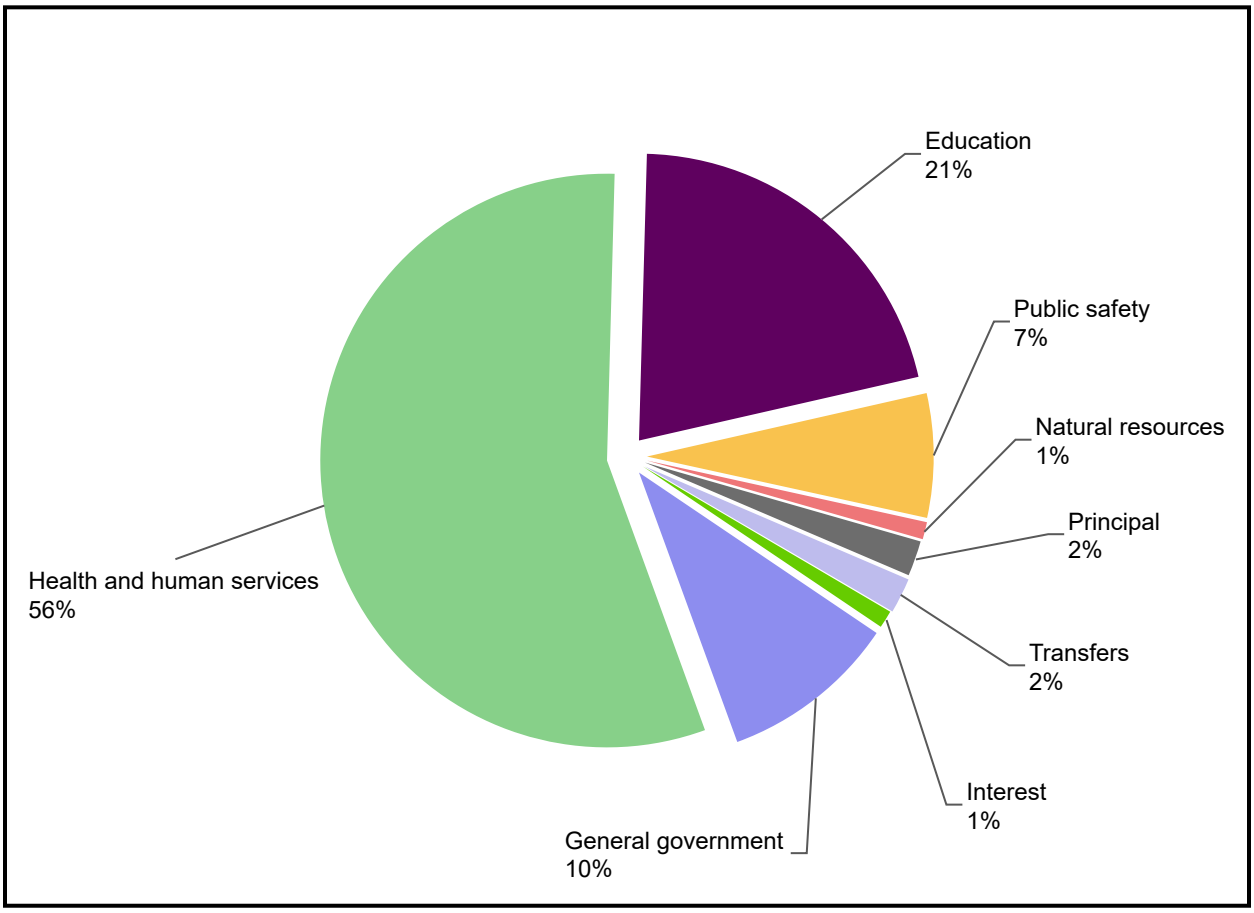
The year-over-year decrease to the Education function expenditures of $71.5 million is primarily the result of $148.5 million less funding from the American Rescue Plan Act Elementary and Secondary School Emergency Relief (ESSER) and other direct award funds for education aid to local school districts and state schools as a response to the COVID-19 pandemic recover.

The year-over-year increase of $36.8 million in Public Safety function expenditures is driven by a $21.4 million increase in Department of Public Safety, $19.3 million in additional spending by the Department of Corrections, including for custody and security, a $12.3 million increase in expenditures by the Judiciary, and a $8.5 million increase for the Office of the Attorney General, offset by a $25.2 million decrease by the Emergency Management Agency.

The year-over-year increase to the Natural Resources function expenditures of $23.2 million is attributable to a $22.8 million decrease in Department of Environmental Management for the bureau of Natural resources and the Office of Director programs.

Chart 5 depicts the General Fund expenditures and other uses for fiscal year 2025.

Chart 5 - Expenditures and Other Uses - General Fund



Intermodal Surface Transportation Fund

The Intermodal Surface Transportation Fund (IST) is a special revenue fund that accounts for the collection of gasoline tax, motor vehicle registration and licensing fees, federal grants, and bond proceeds that are used for maintenance, upgrading, and construction of the State's surface transportation systems. It also accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, the I-195 Redevelopment District Commission bonds, and related expenditures. The components of the fund balance of the IST fund are as follows (expressed in thousands):

			Increase (decrease) from 2024	
	2025	2024	Change	Percent
Restricted	$ 206,975	$ 158,190	$ 48,785	30.84 %
Unrestricted				
Committed	189,887	167,186	22,701	13.58 %
Assigned	830	744	86	11.56 %
Total	$ 397,692	$ 326,120	$ 71,572	21.95 %

The net increase of $22.7 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 fiscal year 2025, RI Highway Maintenance Account revenue is being collected at a quicker rate than expended creating a carryforward into the next fiscal year. All funding is allocated in the 10-year transportation improvement plan for projects.

Rhode Island Capital Plan

The Rhode Island Capital Plan (RICAP) Fund is a capital projects fund that accounts for resources appropriated by the General Assembly to finance the acquisition, construction, renovation, and improvement of state-owned facilities and infrastructure. RICAP funding supports a broad range of capital investments, including higher education facilities, public safety projects, environmental initiatives, information technology improvements, and other statewide infrastructure projects. During fiscal year 2025, the fund balance decreased by $132.2 million, from $938.3 million to $806.1 million. The decrease was primarily attributable to the continued advancement of authorized capital projects throughout the State. As projects progressed from the planning and design phases into active construction and implementation, expenditures increased, resulting in the planned use of resources accumulated in prior years. The decrease reflects the State's ongoing investment in capital infrastructure and is consistent with the long-term nature of the capital planning process, whereby resources are accumulated and subsequently expended as projects move forward through various stages of completion.

General Fund Budgetary Highlights - General Revenue Sources

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

At the issuance of these financial statements, the enacted fiscal year 2026 budget (RIGL 35-6-1(e)) requires 50% of all general revenues received, net of the transfer to the state budget reserve and cash stabilization account, in excess of those estimates adopted for the year as contained in the final enacted budget to be transferred to the new Supplemental State Budget Reserve; and 50% to be transferred to the Employee's Retirement System of the State of Rhode Island. The current fiscal year’s general revenue estimates are established by the State’s revenue estimating conference. If actual general revenue is less than the projection, appropriations have to be reduced or additional revenue sources must be identified. Certain agencies have federal programs that are entitlements, which continue to require state funds to match the federal funds. Agencies may get additional appropriation from the General Assembly, provided a need is established. The General Assembly typically ends a fiscal year with a surplus, which under Rhode Island law is re-appropriated to the following fiscal year.

Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations (expressed in thousands) are listed below.

General Fund Budgetary Highlights
General Revenue Sources
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual (*)	Final Budget vs. Actual Variance
Revenues and other sources:				
Taxes:				
Personal income	$ 1,913,500	$ 1,950,600	$ 1,972,280	$ 21,680
General business	705,000	698,200	677,535	(20,665)
Sales and use	1,840,500	1,821,500	1,811,791	(9,709)
Other taxes	83,400	97,900	104,335	6,435
Departmental revenue	543,500	556,976	541,682	(15,294)
Other sources:				
Lottery transfer	424,000	431,100	433,595	2,495
Unclaimed property	21,300	33,600	31,003	(2,597)
Miscellaneous	25,400	34,400	33,717	(683)
Total revenues and other sources	5,556,600	5,624,276	5,605,938	(18,338)
Expenditures and other uses:				
General government	838,229	819,028	801,924	(17,104)
Health and Human services	2,171,502	2,157,192	2,123,820	(33,372)
Education	1,908,819	1,917,670	1,907,279	(10,391)
Public safety	615,465	643,737	626,948	(16,789)
Natural resources	60,846	59,972	59,944	(28)
Total expenditures and other uses	5,594,861	5,597,599	5,519,915	(77,684)
Excess of revenues and other sources over expenditures and other uses	$ (38,261)	$ 26,677	$ 86,023	$ 59,346

(*) See Notes on the General Fund Budgetary Comparison Schedule

The increase in tax collections, Lottery transfers, unclaimed property, and miscellaneous revenue, led to a substantial increase of $67.7 million between the original budget and the final budget.

The majority of the revenue variance noted in the table above is related to personal income tax, general business taxes, sales and use tax, and departmental revenue. Personal income tax was boosted by higher than expected growth in withholding and estimated payments. The May 2025 Revenue Estimating Conference assumed fiscal year 2025 withholding growth would be 6.3%, while actual growth was 6.6%.

Lower business tax revenue was largely the result of business corporation tax and financial institutions tax deviating from expectations. Business corporation tax saw a lower level of estimated and final payments at the end of fiscal year 2025 compared to expectations set at the May 2025 Revenue Estimating Conference. The June 2025 Cash Collections report notes that the initial refund and adjustment assumption for 2025 was approximately $30.0 million; however, this amount was $90.0 million due in part to procedural and form changes for pass-through entity filers made by the Division of Taxation. Additionally, as discussed in the “Significant Drivers of Revenue” section, financial institutions tax was impacted by a law change that lowered revenue.

The lower revenue in sales and use taxes represents typical forecast uncertainty regarding May and June collections, along with a small negative net accrual. Finally, some of the lower revenue in departmental revenue was due to an accounting change for written-off checks, which were changed from a positive revenue to a negative expenditure.

The positive general revenue expenditure variance for the General Government function of approximately $17.1 million was primarily due to less than enacted expenditures occurring in the General Assembly of $10.7 million, the Department of Administration of $3.4 million, and the Office of the General Treasurer of $1.0 million.

The positive expenditure variance of $10.7 million by the General Assembly is primarily attributable to surpluses of $7.2 million occurring in Joint Committee on Legislative Services program. The positive expenditure variance of $3.4 million by the Department of Administration is primarily attributable to surpluses occurring for statewide personnel and operations for FEMA reserve and contingencies operations of $1.1 million. The remaining positive variance is attributable to operating surplus across multiple agencies in the General Government function.

The positive variance of $33.4 million in the Health and Human Services function is primarily attributable to a positive variance of $13.4 million and $7.7 million experienced at the Executive Office of Health and Human Services and the Department of Human Services, respectively. This surplus reflects lower expenditures of $3.9 million for the Retail Supplemental Nutritional Assistance (SNAP) Incentives Pilot program and $2.3 million for the Office of Veterans Services program.

The positive variance in the EOHHS was primarily attributable to lower expenditures of $9.8 million occurring for Medicaid benefits for nursing facilities.

The positive variance to the Education function of approximately $10.4 million is driven by a surplus of $10.2 million in the Department of Elementary and Secondary Education. Approximately $1.1 million of this surplus stems from savings in both the Early Childhood Demonstration and reduced breakfast and lunch subsides. Additionally, a favorable variance of $4.4 million is evidenced in the Teacher Retirement program, which finances 42.5% of the employer cost of annual retirement contributions for public school teachers enrolled in the Employees' Retirement System of Rhode Island (ERSRI).

The positive expenditure variance of $16.8 million in the public safety function is mostly attributable to $14.8 million of savings that occurred in the Department of Public Safety, including positive variances for the body worn camera statewide project; and $1.8 million attributable to the Judiciary, including savings within the Superior, Supreme, and Family Courts.

Capital Assets and Debt Administration

Capital Assets

The State investment in capital assets for its governmental and business-type activities as of June 30, 2025 amounts to $6.5 billion, net of accumulated depreciation of $5.1 billion. This investment in capital assets includes land, buildings, improvements, equipment, intangibles, infrastructure, computer systems, and construction in progress. The total increase in the State investment in capital assets for the current fiscal year was approximately 10.3% 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 $915.0 million for the fiscal year. Of this amount, $602.0 million was used to construct or reconstruct highways. Depreciation charges for the fiscal year totaled $305.2 million.

State of Rhode Island Capital Assets as of June 30, 2025 and 2024
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2025	2024	2025	2024	2025	2024
Capital assets not being depreciated or amortized						
Land	$ 428,561	$ 424,671	$ 46,808	$ 46,808	$ 475,369	$ 471,479
Works of Art	5,843	5,673		—	5,843	5,673
Intangibles	200,253	191,029	—	—	200,253	191,029
Construction in progress	1,352,439	1,348,256	13,878	7,027	1,366,317	1,355,283
Subscription-based IT asset (in dev)	58,156	23,241	—	705	58,156	23,946
Total capital assets not being depreciated or amortized	2,045,252	1,992,870	60,686	54,540	2,105,938	2,047,410
Capital assets being depreciated or amortized						
Land improvements	11,436	11,436	—	—	11,436	11,436
Buildings	899,558	889,783	290,100	288,220	1,189,658	1,178,003
Building improvements	616,306	589,716	—	—	616,306	589,716
Equipment	454,518	420,770	64,161	57,600	518,679	478,370
Intangibles	339,834	339,453	—	—	339,834	339,453
Intangibles: right to use lease assets	101,927	98,798	1,322	1,337	103,249	100,135
Intangibles: subscription-based IT assets	57,531	26,508	1,330	—	58,861	26,508
Infrastructure	6,624,206	5,896,665	—	—	6,624,206	5,896,665
	9,105,316	8,273,129	356,913	347,157	9,462,229	8,620,286
Less: Accumulated depreciation or amortization	4,821,282	4,533,298	264,564	256,297	5,085,846	4,789,595
Total capital assets being depreciated or amortized, net	4,284,034	3,739,831	92,349	90,860	4,376,383	3,830,691
Total capital assets (net)	$ 6,329,286	$ 5,732,701	$ 153,035	$ 145,400	$ 6,482,321	$ 5,878,101

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 $2.7 billion, of which $1.6 billion is general obligation debt, $614.2 million is special obligation debt and $472.8 million is debt for the blended component units. Additionally, accreted interest of $202.0 million has been recognized for debt of one blended component unit, which is not scheduled to be paid until year 2052. On an overall basis the State total bonded debt increased by $146.2 million during fiscal year 2025. This increase consists of a $104.5 million increase to general obligation debt, an increase of $66.0 million in special obligation debt, and a decrease of $24.4 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 $155.4 million and $1.2 billion are supported by pledged revenue; these obligations are discussed in Notes 7 and 13.

In September 2024, the Rhode Island Commerce Corporation, on behalf of the RI Department of Transportation, issued $123.9 million of Grant Anticipation Bonds. The premium paid on these bonds was $18.5 million. The bonds mature in 2032 to 2039 and have yields ranging from 2.92% to 3.32%. The bonds were issued to provide funding for certain costs of the Washington Bridge Project, and will be repaid with federal funds. The obligation of the State to make payments to the trustee of future federal aid revenues and future pledged motor fuel taxes is subject to annual appropriation by the General Assembly.

In June 2025, the State issued $223.9 million of general obligation bonds with interest rates from 4.4% to 5.5%, maturing from 2026 to 2045. The total premium paid on these bonds was $14.9 million. In accordance with certain bond statutes, net premiums of $1.4 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects and $12.6 million was transferred to Rhode Island Capital Plan Fund.

The State also issued $49.4 million of general obligation refunding bonds with an interest rate of 5.0%, maturing from 2026 to 2027. The premium paid on these bonds was $1.5 million. These bonds, combined with the premium, were deposited in an irrevocable trust to advance refund $49.8 million of series 2014RD and 2015RA bonds with interest rates from 3.0% to 5.0%. The refunding resulted in a reduction of debt service of $1.4 million from 2026 through 2028 and there was an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1.4 million. The advance refunding resulted in a deferred gain (difference between the reacquisition price and the net carry amount of the old debt) of approximately $635 thousand that was recorded as a deferred inflow of resources.

The State's assigned general obligation bond ratings are as follows: AA (Stable) and Aa2 (Stable) by Standard & Poor's Ratings Services (S&P) and by Moody's Investor Service, Inc; and AA+ rating by Fitch Ratings.

At June 30, 2025, general obligation bonds authorized by the voters and unissued amounted to approximately $591.2 million. In accordance with the General Laws, unissued bonds are subject to extinguishment seven years after the debt authorization was approved, unless extended by the General Assembly. In addition to the debt authorized by the voters for which the full faith and credit is pledged, the General Assembly has authorized the issuance of other debt that is subject to annual appropriation.

Additional information about the State's debt administration can be found at Note 7 to the financial Statements.

Economic Outlook and Fiscal Year 2026 Budget

The second half of the fiscal year 2025 saw significant policy shifts under the new presidential administration beginning in January 2025. Rhode Island's unemployment rate however, rose to 4.8% in June 2025 as companies largely held onto workers but slowed new hiring. The new administration fundamentally changed U.S. trade policy by imposing frequently changing tariffs, increasing economic uncertainty for businesses, and fueling renewed inflation concerns. Changes to federal immigration policy and reductions to federal spending impacted some industries and workers.

The State budget office prepared the second quarter report for fiscal year 2026 which contains estimates of annual expenditures based upon analysis of expenditures through the second quarter as compared to general revenue resources adopted at the November 2025 Caseload and Revenue Estimating Conferences. The projected fiscal year 2026 balance, based upon these assumptions, is estimated to reflect a $64.9 million general revenue surplus at year end to the General Fund.

The second quarter report projected surplus is the result of an opening surplus of $241.6 million combined with an adjusted appropriated surplus of $38.8 million, estimated revenues of $5.8 billion and a transfer of $181.1 million of budget reserve and cash stabilization, offset by estimated expenditures of $5.8 billion.

The second quarter projected expenditures of $5.8 billion are revised upward by $15.6 million from enacted appropriations. The revisions are primarily due to an appropriated surplus of $38.8 million and a net decrease in other agency spending of $14.1 million, as well as a $9.1 million decrease in adopted estimates from the November 2025 Caseload Estimating Conference.

The May 2026 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 $183.8 million, up from $5.8 billion to $5.9 billion compared with the enacted fiscal year 2026 estimate. The largest factor is an expected increase to taxes of $139.5 million, driven by stronger-than-expected growth in personal income tax (particularly withholding collections). Estimates for estate tax and the lottery transfer were also upwardly revised based on year-to-date performance. These estimates include the revenue losses associated with H.R.1 (also known as the "One Big Beautiful Bill Act" or P.L. 119-2), which are discussed in the "Conditions Expected to Affect Future Operations" section below. Despite these expected H.R.1 revenue losses being concentrated in corporate tax, business corporations tax was upwardly revised at the May 2026 Revenue Estimating Conference due to strong year-to-date performance.

The economic forecast used to generate those estimates was provided by Moody's Analytics. Employment growth is expected to decline by 0.3% in fiscal year 2026, with the unemployment rate expected to be at 4.5% for the year. Growth in total wages is expected to outpace inflation, with those growth rates forecasted at 5.2% and 2.8%, respectively. Nominal growth in personal consumption expenditures is estimated at 5.1%, down from 6.0% in fiscal year 2025. Moody's noted that payroll employment peaked in May 2025, with recent weakness in the government, retail, and private education sectors.

There has been a recent uptick in hospitality and healthcare employment, although federal policy changes related to immigration and health funding may limit future growth. Moody's also noted some upside to the defense-related manufacturing sector in the near term given increased federal funding and Rhode Island's existing concentration of those firms.

Conditions Expected to Affect Future Operations

American Rescue Plan - State Fiscal Recovery Funding

During fiscal year 2021, the federal American Rescue Plan Act (ARPA) awarded the State of Rhode Island $1.1 billion through the State Fiscal Recovery Fund (SFRF) included in the act. The State has fully appropriated the $1.1 billion award and had until December 31, 2024, to obligate its SFRF funding. As of the end of fiscal year 2025, $1.1 billion had been obligated in accordance with U.S. Treasury's definition of obligation, and $935.0 million had been expended. Per federal law and U.S. Treasury regulations, 42 USC 803: Coronavirus local fiscal recovery fund; CFR § 35.5(C) , all expenditures of SFRF must be fully completed by December 31, 2026. In general, ARPA provides that states utilize the funding for certain purposes including but not limited to responding to the pandemic and its negative health and economic impacts; preventing cuts in public services caused by pandemic-induced revenue losses; investing in water, sewer, or broadband infrastructure; and supporting surface transportation projects.

Federal Tax Legislation

Rhode Island has seen significant impacts from federal tax legislation, starting with the 2017 Tax Cuts and Jobs Act (TCJA) and continuing through the pandemic-era stimulus bills. Any changes at the federal level that impact individual or corporate taxable income can flow down to those entities' Rhode Island tax return (in contrast to federal tax rate or tax credit changes, which only apply to federal returns). In October 2025, the Rhode Island Department of Revenue released a report quantifying the revenue impact from the latest large federal tax bill, H.R.1. The H.R.1 report notes a projected revenue loss of $34.7 million in fiscal year 2026 and $36.4 million in fiscal year 2027, and by an average of $15.0 million over the next three years, resulting from the enactment of this federal legislation. Most of this impact relates to business tax provisions, predominately accelerated expensing. This is expected to decrease state revenue by $12.2 million in fiscal year 2028, growing to a loss of $150.9 million in fiscal year 2032. Because H.R.1 allows businesses to accelerate expensing, this revenue loss fades over time.

A separate report released by the Rhode Island Executive Office of Health and Human Services looks at one tax-related provision that leads to an increasing state revenue loss in future years. H.R.1 capped the allowable state tax rate for provider taxes, such as taxes on managed care organizations and hospitals. The federal legislation lowers this allowable rate from 6% to 3.5% by 2032.

Lottery Revenue

During October 2025, the State commissioned a study by Christiansen Capital Advisors (CCA) forecasting lottery revenue under the status quo and potential future scenarios. The study looked at the possibility of the expansion of online gaming in Massachusetts, through the adoption of iGaming (online casino games). CCA estimated that Massachusetts iGaming would cost the State $26.0 million per year.

More impactful is the expansion of land-based gaming, either through the addition of table games at the existing Plainridge Park in Plainville, Massachusetts, or the construction of a new tribal casino in Taunton, Massachusetts. Tables at Plainridge Park are estimated to cost the State $1.4 million per year, while a Taunton casino reduces revenue by $10.5 million per year. There has been no recent action on gaming expansion at Plainridge Park. However, in early 2025 the Mashpee Wampanoag Tribe opened a Welcome Center that currently has 250 gaming machines as a prelude to a larger casino. The impact of this Welcome Center has been incorporated into current state revenue estimates.

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

Rhode Island continues to advance significant transportation infrastructure investments through the RhodeWorks initiative and the federal Infrastructure Investment and Jobs Act (IIJA). Since the enactment of RhodeWorks in 2016, the State has created a 10 year State Transportation Improvement Plan (STIP) that addresses deteriorating roads and bridges, improve traffic flow, and modernize critical infrastructure statewide.

To date, the Rhode Island Department of Transportation (RIDOT) has completed more than 230 major transportation projects under RhodeWorks, including the repair or replacement of approximately 276 bridges statewide. The total value of projects completed or underway through RhodeWorks now exceeds $4.2 billion. As a result of these investments, Rhode Island's bridge sufficiency rating has improved from approximately 77% in 2016 to approximately 90% as of 2025.

A major focus of the State's current transportation efforts is the reconstruction of the Washington Bridge along Interstate 195 between Providence and East Providence following the emergency closure of the westbound span in late 2023. RIDOT has initiated construction of a new bridge structure that is expected to remain in service for approximately 100 years and improve traffic capacity and safety along one of the State's busiest transportation corridors. The project is estimated to cost approximately $428.0 million and is supported in part by approximately $221 million in federal grant funding secured through the IIJA and other federal transportation programs. Construction is expected to continue through 2028.

In addition, Rhode Island secured a $251.0 million federal grant agreement in 2025 for the “15 Bridges” project along the Interstate 95 and Route 10 corridors. This initiative represents one of the largest infrastructure projects in state history and is intended to rehabilitate or replace 15 bridges between Providence and Warwick, improving safety and mobility along a critical freight and commuter corridor.

The State also continues to invest in municipal transportation infrastructure through the RhodeRestore program, formerly known as the Municipal Road Grant Program. The program has approved more than 1,000 local projects involving roadway resurfacing, bridge repairs, sidewalk construction, stormwater improvements, and pedestrian safety enhancements across all 39 municipalities.

Beyond roads and bridges, IIJA funding is supporting investments in public transit, airport infrastructure, electric vehicle charging networks, broadband expansion, drinking water systems, and climate resiliency initiatives. These investments are intended to strengthen Rhode Island’s transportation network, support economic growth, improve public safety, and modernize infrastructure necessary to meet the State’s long-term environmental and economic objectives.

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

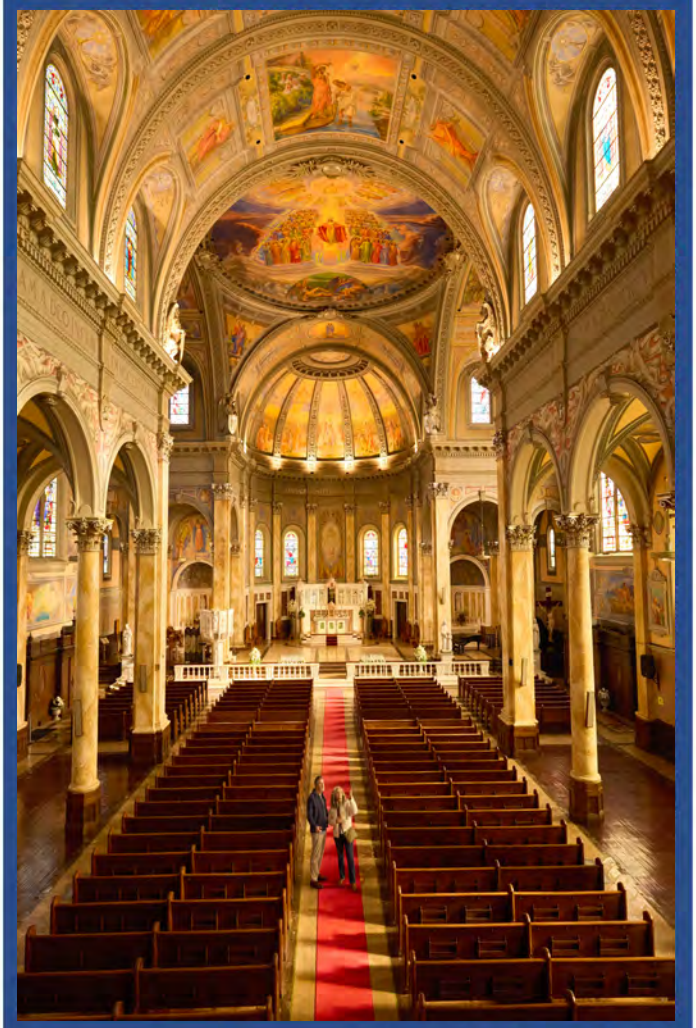
The School Building Authority continues to work closely with municipalities and school districts to modernize educational facilities and improve school infrastructure throughout the State. These investments are intended to create modern learning environments that support students’ academic achievement, social and emotional development, career readiness, and long-term success in the 21st century.

The State of Rhode Island is committed to providing high-quality educational opportunities for all public-school students. The School Building Authority Capital Fund is used to repair and improve public school facilities throughout the State. Funds are distributed on a priority basis to ensure the greatest impact on facility gaps in the State’s priority areas. In Fiscal Year 2026, $6.0 million is available for projects in addition to the $115.0 million allocated for Housing Aid commitments and the two Statewide School Construction Bonds.

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, 2025

State of Rhode Island
Statement of Net Position
June 30, 2025
(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	$ 2,682,931	$ 68,829	$ 2,751,760	$ 556,486
Funds on deposit with fiscal agent	250,825	599,151	849,976	—
Investments	—	—	—	99,796
Receivables (net)	1,022,853	101,791	1,124,644	210,530
Lease receivables	1,089	2,025	3,114	2,488
Restricted assets:				
Cash and cash equivalents	48,592	21,959	70,551	1,297,408
Investments	—	—	—	87,335
Receivables (net)	—	—	—	97,682
Other assets	—	—	—	138,364
Due from primary government	—	—	—	39,247
Due from component units	7,704	—	7,704	1,363
Internal balances	4,989	(4,989)	—	—
Due from other governments and agencies	504,811	1,999	506,810	394
Inventories	2,921	996	3,917	8,325
Other assets	190,044	1,021	191,065	38,694
Total current assets	4,716,759	792,782	5,509,541	2,578,112
Non-current assets:				
Investments	—	—	—	374,800
Receivables (net)	95,874	—	95,874	38,923
Due from other governments and agencies	36,213	—	36,213	—
Restricted assets:				
Cash and cash equivalents	—	—	—	78,770
Investments	—	—	—	2,210,844
Receivables (net)	—	—	—	1,290,284
Other assets	—	—	—	1,344,750
Due from component units	18,233	—	18,233	—
Net pension asset	8,186	—	8,186	12,347
Net OPEB asset	45,875	—	45,875	—
Capital assets - non-depreciable	1,987,096	60,686	2,047,782	658,719
Intangibles: Subscription-based IT assets (in dev)	58,156	—	58,156	—
Capital assets - depreciable (net)	4,205,455	90,906	4,296,361	2,251,762
Right to use lease assets (net)	45,573	325	45,898	—
Subscription-based IT assets (net)	33,006	1,118	34,124	—
Lease receivables	20,398	25,701	46,099	57,319
Other assets	—	53	53	333,649
Total non-current assets	6,554,065	178,789	6,732,854	8,652,167
Total assets	11,270,824	971,571	12,242,395	11,230,279
Deferred outflows of resources	633,474	4,556	638,030	87,042

(Continued)

State of Rhode Island
Statement of Net Position
June 30, 2025
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business - Type Activities	Total	Component Units
Liabilities and deferred inflows of resources				
Current liabilities:				
Accounts payable	$ 1,062,121	$ 26,616	$ 1,088,737	$ 131,009
Notes payable	—	—	—	69,441
Loans payable	—	—	—	1,169
Due to primary government	—	—	—	7,704
Due to component units	38,839	—	38,839	1,340
Due to other governments and agencies	—	7,750	7,750	—
Accrued expenses	—	6,757	6,757	50,276
Current portion of long-term lease liability	16,774	344	17,118	3,839
Subscription-based IT liability	13,252	111	13,363	8,501
Unearned revenue	228,360	—	228,360	82,740
Other current liabilities	259,977	1,272	261,249	584,457
Current portion of long-term liabilities	383,806	28,992	412,798	152,878
Obligation for unpaid prize awards	—	11,295	11,295	—
Total current liabilities	2,003,129	83,137	2,086,266	1,093,354
Non-current liabilities:				
Due to primary government	—	—	—	18,233
Net pension liability	1,945,017	17,838	1,962,855	253,167
Net pension liability-special funding situation	1,014,429	—	1,014,429	—
Net OPEB liability	125,768	1,274	127,042	98,390
Unearned revenue	—	23,554	23,554	728
Notes payable	—	—	—	313,955
Loans payable	—	—	—	19,036
Certificates of Participation	36,115	—	36,115	—
Lease liability	32,342	1	32,343	96,031
Subscription-based IT liability	12,655	357	13,012	9,628
Compensated absences	33,162	1,255	34,417	51,579
Bonds payable	2,830,686	97,000	2,927,686	3,680,714
Other liabilities	129,755	—	129,755	480,446
Total non-current liabilities	6,159,929	141,279	6,301,208	5,021,907
Total liabilities	8,163,058	224,416	8,387,474	6,115,261
Deferred inflows of resources	435,334	29,767	465,101	369,407
Net position (deficit)				
Net investment in capital assets	5,635,681	50,660	5,686,341	2,166,034
Restricted for:				
Capital Projects	801,463	—	801,463	—
Debt	67,450	1,684	69,134	421,339
Employment security programs	221,978	681,095	903,073	—
Infrastructure Bank loan programs	—	—	—	1,087,845
General government operations	211,920	—	211,920	—
Health and human services	185,912	—	185,912	—
Other	101,579	—	101,579	324,231
Net Pension Asset	8,186	—	8,186	2,854
Net OPEB Asset	45,875	—	45,875	—
Nonexpendable	174	—	174	470,219
Unrestricted (deficit)	(3,974,312)	(11,495)	(3,985,807)	360,131
Total net position	$ 3,305,906	$ 721,944	$ 4,027,850	$ 4,832,653

(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, 2025
(Expressed in Thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating grants and contributions	Program Revenues: Capital grants and contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental activities	Primary Government: Business-type activities	Primary Government: Totals	Component Units
Primary government:								
Governmental activities:								
General government	$ 1,575,736	$ 366,663	$ 302,883	$ 6,520	$ (899,670)	$ —	$ (899,670)	$ —
Health and human services	6,014,759	344,263	3,727,235	55,757	(1,887,504)	—	(1,887,504)	—
Education	2,453,387	66,971	328,325	335	(2,057,756)	—	(2,057,756)	—
Public safety	743,424	47,650	74,655	6,702	(614,417)	—	(614,417)	—
Natural resources	130,904	34,781	39,207	10,048	(46,868)	—	(46,868)	—
Transportation	554,086	28,249	128,134	478,947	81,244	—	81,244	—
Interest and other charges	105,442	—	—	—	(105,442)	—	(105,442)	—
Total governmental activities	11,577,738	888,577	4,600,439	558,309	(5,530,413)	—	(5,530,413)	—
Business-type activities:								
State Lottery	1,046,475	1,470,802	—	—	—	424,327	424,327	—
Convention Center	54,164	39,690	—	—	—	(14,474)	(14,474)	—
Employment Security	229,339	281,856	1,662	—	—	54,179	54,179	—
Total business-type activities	1,329,978	1,792,348	1,662	—	—	464,032	464,032	—
Total primary government	$ 12,907,716	$ 2,680,925	$ 4,602,101	$ 558,309	$ (5,530,413)	$ 464,032	$ (5,066,381)	$ —
Component units:	$ 1,897,481	$ 928,851	$ 934,117	$ 362,461				$ 327,948
	General Revenues:							
	Taxes:							
	Personal income				1,968,584	—	1,968,584	—
	General business				666,183	—	666,183	—
	Sales and use				1,810,486	—	1,810,486	—
	Gasoline				172,357	—	172,357	—
	Other				480,242	—	480,242	—
	Interest and investment earnings (losses)				138,068	5,499	143,567	169,628
	Miscellaneous revenue				111,039	23,011	134,050	75,178
	Net gain (loss) on sale of capital assets				156	—	156	(1,270)
	Transfers (net)				401,137	(401,137)	—	—
	Total general revenues and transfers				5,748,252	(372,627)	5,375,625	243,536
	Change in net position				217,839	91,405	309,244	571,484
	Net position - beginning as restated				3,088,067	630,539	3,718,606	4,261,169
	Net position - ending				$ 3,305,906	$ 721,944	$ 4,027,850	$ 4,832,653

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

State of Rhode Island
Balance Sheet
Governmental Funds
June 30, 2025
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Rhode Island Capital Plan	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 945,028	$ 217,048	$ 830,942	$ 660,539	$ 2,653,557
Funds on deposit with fiscal agent	—	196,104	—	54,720	250,824
Restricted cash equivalents	—	—	—	48,592	48,592
Receivables (net)	988,586	16,567	31	100,721	1,105,905
Due from other funds	—	7,493	2,152	13	9,658
Due from other governments and agencies	392,529	142,568	—	—	535,097
Loans to other funds	3,487	—	—	—	3,487
Lease receivables	18,443	2,839	—	204	21,486
Other assets	183,316	519	—	—	183,835
Total assets	2,531,389	583,138	833,125	864,789	4,812,441
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	877,461	115,368	11,627	21,331	1,025,787
Due to other funds	2,981	—	—	18,622	21,603
Due to component units	7,559	6,479	10,665	12,344	37,047
Loans from other funds	—	—	—	8	8
Unearned revenue	228,090	—	—	—	228,090
Other liabilities	224,518	30,475	4,692	4,949	264,634
Total liabilities	1,340,609	152,322	26,984	57,254	1,577,169
Deferred inflows of resources	114,253	33,124	—	204	147,581
Fund Balances					
Nonspendable	181,505	—	—	174	181,679
Restricted	409,550	206,975	806,141	806,588	2,229,254
Committed	19,106	189,887	—	230	209,223
Assigned	274,024	830	—	399	275,253
Unassigned	192,342	—	—	(60)	192,282
Total fund balances	1,076,527	397,692	806,141	807,331	3,087,691
Total liabilities, deferred inflows of resources and fund balances	$ 2,531,389	$ 583,138	$ 833,125	$ 864,789	$ 4,812,441

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, 2025
(Expressed in Thousands)

Fund balance - total governmental funds			$ 3,087,691
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital Assets used in the governmental activities are not financial resources and therefore are not reported in the funds.			
	Capital assets	10,921,572	
	Accumulated depreciation	(4,734,867)	
			6,186,705
	Right to use lease assets	101,927	
	Accumulated depreciation	(56,353)	
			45,574
	Subscription-based IT assets	90,443	
	Accumulated depreciation	(13,085)	
			77,358
Deferred outflows of resources			633,474
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	(161,991)	
	Bonds payable	(2,876,777)	
	Net premium/discount on Bonds	(161,939)	
	Certificates of Participation	(40,845)	
	Premium on Certificates of Participation	(2,200)	
	Lease Liability	(49,116)	
	Subscription-based IT liability	(15,217)	
	Interest payable	(19,576)	
	Net pension liabilities	(2,959,446)	
	Net OPEB liabilities	(125,768)	
	Other liabilities	(131,340)	
			(6,544,215)
Other long-term assets and unearned revenue are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
	Receivables	5,927	
	Due from component units	23,148	
	Net OPEB asset	45,875	
	Net pension asset	8,186	
	Unavailable revenue	126,160	
			209,296
Deferred inflows of resources			(413,912)
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.			23,935
Net position - total governmental activities			$ 3,305,906

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, 2025
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Rhode Island Capital Plan	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 4,554,628	$ 251,522	$ —	$ 296,742	$ 5,102,892
Licenses, fines, sales, and services	480,530	25,886	—	1,743	508,159
Departmental restricted revenue	387,011	2,310	—	—	389,321
Federal grants	4,551,647	590,880	—	—	5,142,527
Income (loss) from investments	47,546	16,728	39,463	31,909	135,646
Other revenues	74,430	2,739	—	38,418	115,587
Total revenues	10,095,792	890,065	39,463	368,812	11,394,132
Expenditures:					
Current:					
General government	1,106,013	—	—	271,415	1,377,428
Health and human services	6,041,606	—	—	—	6,041,606
Education	2,256,314	—	—	—	2,256,314
Public safety	748,964	—	—	—	748,964
Natural resources	126,800	—	—	—	126,800
Transportation	—	960,000	—	3,749	963,749
Capital outlays	—	—	219,972	312,266	532,238
Debt service:					
Principal	176,257	50,261	—	24,400	250,918
Interest and other charges	67,055	27,881	—	20,410	115,346
Total expenditures	10,523,009	1,038,142	219,972	632,240	12,413,363
Excess (deficiency) of revenues over (under) expenditures	(427,217)	(148,077)	(180,509)	(263,428)	(1,019,231)
Other financing sources (uses):					
Issuance of bonds and notes	—	123,915	—	223,865	347,780
Issuance of bond refundings	—	—	—	49,385	49,385
Lease financing	5,468	397	—	—	5,865
Subscription-based IT financing	11,583	6,487	—	—	18,070
Debt issuance premiums	—	18,484	—	16,442	34,926
Transfers in	523,324	129,302	185,400	3,727	841,753
Payment to advance refunded bonds escrow agent	—	—	—	(50,804)	(50,804)
Transfers out	(198,092)	(58,936)	(137,028)	(46,560)	(440,616)
Total other financing sources (uses)	342,283	219,649	48,372	196,055	806,359
Net change in fund balances	(84,934)	71,572	(132,137)	(67,373)	(212,872)
Fund balances - beginning	1,161,461	326,120	938,278	874,704	3,300,563
Fund balances - ending	$ 1,076,527	$ 397,692	$ 806,141	$ 807,331	$ 3,087,691

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, 2025
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ (212,872)
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	870,091	
Net Loss of Disposition	(59)	
Depreciation expense	(291,486)	
		578,546
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	250,166	
Debt defeased in refunding	49,780	
Accrued interest and other charges	725	
Proceeds from sale of debt	(397,165)	
Refunding Gain/Loss Deferral	(636)	
Lease and SBITA financing	(23,935)	
Deferral of premium/discount	(34,926)	
Amortization of premium/discount	28,854	
Accreted interest	(17,630)	
Amortization of refunding gains/losses	(1,875)	
		(146,642)
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	(25,204)	
Pension expenses, net of related deferred outflows	(3,626)	
OPEB expenses, net of related deferred outflows	58,146	
Arbitrage	(6,841)	
Program expenses	(23,631)	
Program and miscellaneous revenue	(12,218)	
Operating and capital grant revenue	16,201	
General revenue - taxes	(5,040)	
		(2,213)
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.		1,020
Change in net position - total governmental activities		$ 217,839

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, 2025
(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	$ 54,366	$ 12,780	$ 1,683	$ 68,829	$ 29,373
Restricted assets	—	21,959	—	21,959	—
Funds on deposit with fiscal agent	—	—	599,151	599,151	—
Receivables (net)	11,320	2,063	88,408	101,791	13,849
Due from other funds	—	93	103	196	18,856
Due from other governments	—	—	1,999	1,999	—
Due from other component units	—	—	—	—	997
Loans to other funds	—	—	—	—	1,177
Lease receivables	89	1,936	—	2,025	—
Inventories	996	—	—	996	2,922
Other assets	360	661	—	1,021	5,203
Total current assets	67,131	39,492	691,344	797,967	72,377
Non-current assets:					
Capital assets - non-depreciable	94	60,592	—	60,686	1,067
Capital assets - depreciable (net)	141	90,765	—	90,906	4,781
Right to use lease assets (net)	317	8	—	325	—
Subscription-based IT assets (net)	—	1,118	—	1,118	13,802
Lease receivables	2,063	23,638	—	25,701	—
Other assets	—	53	—	53	—
Total non-current assets	2,615	176,174	—	178,789	19,650
Total assets	69,746	215,666	691,344	976,756	92,027
Deferred outflows of resources	3,959	597	—	4,556	—
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	16,300	7,817	2,499	26,616	36,338
Due to other funds	5,185	—	—	5,185	1,922
Due to other governments	—	—	7,750	7,750	—
Loans from other funds	—	—	—	—	4,656
Lease liability	337	7	—	344	—
Accrued expenses	6,757	—	—	6,757	—
Unearned revenue	1,386	4,850	—	6,236	—
Subscription-based IT liability	—	111	—	111	5,821
Other current liabilities	788	484	—	1,272	3,847
Bonds payable	—	21,975	—	21,975	—
Compensated absences	781	—	—	781	7,820
Obligation for unpaid prize awards	11,295	—	—	11,295	—
Total current liabilities	42,829	35,244	10,249	88,322	60,404
Non-current liabilities:					
Net pension liability	17,838	—	—	17,838	—
Net OPEB liability	1,274	—	—	1,274	—
Unearned revenue	23,554	—	—	23,554	—
Subscription-based IT liability	—	357	—	357	4,869
Bonds payable	—	97,000	—	97,000	—
Compensated absences	1,255	—	—	1,255	2,819
Lease liability	—	1	—	1	—
Total non-current liabilities	43,921	97,358	—	141,279	7,688
Total liabilities	86,750	132,602	10,249	229,601	68,092
Deferred inflows of resources	4,678	25,089	—	29,767	—
Net Position (deficit)					
Net investment in capital assets	215	50,445	—	50,660	8,960
Restricted for:					
Debt	—	1,684	—	1,684	—
Employment insurance programs	—	—	681,095	681,095	—
Unrestricted	(17,938)	6,443	—	(11,495)	14,975
Total net position (deficit)	$ (17,723)	$ 58,572	$ 681,095	$ 721,944	$ 23,935

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, 2025
(Expressed in Thousands)

	Business-type Activities-Enterprise Funds				Governmental Activities
	R.I. Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Operating revenues:					
Charges for services	$ —	$ 36,313	$ —	$ 36,313	$ 559,648
Employer premiums	—	—	274,063	274,063	—
Lottery sales	305,479	—	—	305,479	—
Video lottery (net)	519,218	—	—	519,218	—
Lease revenue	—	2,933	—	2,933	—
Table games (net)	127,185	—	—	127,185	—
iGaming (net)	44,994	—	—	44,994	—
Sports book	472,922	—	—	472,922	—
Federal grants	—	—	1,662	1,662	—
Miscellaneous	1,004	444	7,793	9,241	—
Total operating revenues	1,470,802	39,690	283,518	1,794,010	559,648
Operating expenses:					
Personnel services	15,669	21,206	—	36,875	67,323
Supplies, materials, and services	398,525	17,997	—	416,522	486,679
Prize awards, net of prize recoveries	631,886	—	—	631,886	—
Depreciation and amortization	395	8,034	—	8,429	5,265
Benefits paid	—	—	229,339	229,339	—
Total operating expenses	1,046,475	47,237	229,339	1,323,051	559,267
Operating income (loss)	424,327	(7,547)	54,179	470,959	381
Non-operating revenues (expenses):					
Interest revenue	3,578	1,921	—	5,499	782
Other non-operating revenues (expenses)	5,738	(428)	17,701	23,011	(143)
Interest expense	—	(6,927)	—	(6,927)	—
Total non-operating revenue (expenses)	9,316	(5,434)	17,701	21,583	639
Income (loss) before transfers	433,643	(12,981)	71,880	492,542	1,020
Transfers in	94	32,364	—	32,458	—
Transfers out	(433,595)	—	—	(433,595)	—
Change in net position	142	19,383	71,880	91,405	1,020
Net position (deficit) - beginning - as restated	(17,865)	39,189	609,215	630,539	22,915
Net position (deficit) - ending	$ (17,723)	$ 58,572	$ 681,095	$ 721,944	$ 23,935

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, 2025
(Expressed in Thousands)

	Business-type Activities-Enterprise Funds				Governmental Activities
	R.I. Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Cash flows from operating activities:					
Cash received from gaming activities	$ 1,480,134	$ —	$ —	$ 1,480,134	$ —
Cash received from customers	—	36,286	—	36,286	540,635
Cash received from employer premiums	—	—	268,423	268,423	—
Cash received from grants	—	—	1,662	1,662	—
Cash payments for gaming activities	(1,026,385)	—	—	(1,026,385)	—
Cash payments to suppliers	(11,579)	(16,144)	—	(27,723)	(483,458)
Cash payments to employees	(14,418)	(21,132)	—	(35,550)	(65,045)
Cash payments for benefits - Employment Security Fund	—	—	(228,288)	(228,288)	—
Other operating revenue (expense)	—	(366)	3,114	2,748	—
Net cash provided by (used for) operating activities	427,752	(1,356)	44,911	471,307	(7,868)
Cash flows from non-capital financing activities:					
Loans from other funds	—	—	—	—	5,793
Loans to other funds	—	—	—	—	(3,001)
Repayment of loans from other funds	—	—	—	—	1,167
Repayment of loans to other funds	—	—	—	—	(150)
Transfers in	—	32,335	—	32,335	—
Transfers out	(434,704)	—	—	(434,704)	—
Cash overdraft	(33)	—	—	(33)	—
Net transfers from (to) fiscal agent	—	—	(53,374)	(53,374)	—
Net cash provided by (used for) non-capital financing activities	(434,737)	32,335	(53,374)	(455,776)	3,809
Cash flows from capital and related financing activities:					
Principal paid on capital obligations	—	(21,225)	—	(21,225)	—
Principal and interest under leases	(324)	3,325	—	3,001	(6,111)
Interest paid on capital obligations	—	(6,342)	—	(6,342)	(197)
Acquisition of capital assets	(93)	(12,967)	—	(13,060)	(2,658)
Net cash provided by (used for) capital and related financing activities	(417)	(37,209)	—	(37,626)	(8,966)
Cash flows from investing activities:					
Interest on investments	3,578	1,396	—	4,974	837
Net cash provided by investing activities	3,578	1,396	—	4,974	837
Net increase (decrease) in cash and cash equivalents	(3,824)	(4,834)	(8,463)	(17,121)	(12,188)
Cash and cash equivalents, July 1	58,190	39,573	10,146	107,909	41,561
Cash and cash equivalents, June 30	54,366	34,739	1,683	90,788	29,373
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	424,327	(7,547)	54,179	470,959	381

(Continued)

State of Rhode Island
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Business-type Activities-Enterprise Funds				Governmental Activities
	R.I. Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	395	8,034	—	8,429	5,265
Other revenue (expense) and transfers in (out)	4,447	(3,321)	(2,456)	(1,330)	—
Net changes in assets and liabilities:					
Receivables (net)	3,725	(1,014)	(5,639)	(2,928)	(19,011)
Lease receivables	84	—	—	84	—
Inventory	411	—	—	411	(596)
Deferred outflows of resources	(76)	—	—	(76)	—
Prepaid items	—	21	—	21	(132)
Due to / due from transactions	84	—	711	795	—
Accounts and other payables	(5,088)	1,906	(1,884)	(5,066)	3,658
Accrued expenses	2,852	—	—	2,852	2,567
Net pension liability	77	—	—	77	—
Net OPEB liability	(637)	—	—	(637)	—
Deferred inflows of resources	410	—	—	410	—
Unearned revenue	—	565	—	565	—
Prize awards payable	(3,259)	—	—	(3,259)	—
Total adjustments	3,425	6,191	(9,268)	348	(8,249)
Net cash provided by (used for) operating activities	$ 427,752	$ (1,356)	$ 44,911	$ 471,307	$ (7,868)
Supplemental disclosure of noncash financing activities:					
Proprietary Funds					
Subscription Based Assets					$ 16,368
RI Convention Center					
Recognition of lease receivable and related deferred lease revenues and interest		$ 5,444			
Recognition of right-to-use subscription assets and related subscription liabilities		$ 576			

(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, 2025
(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	$ 28,625	$ —	$ 7,659	$ 3,558
Deposits held for others	—	—	—	53,005
Receivables:				
Contributions	37,528	—	—	—
Due from State for teachers	26,444	—	—	—
Due from other plans	3,074	—	—	—
Other	1,644	—	—	80,999
Miscellaneous	—	—	1,107	—
Total receivables	68,690	—	1,107	80,999
Prepaid expenses	561	—	—	—
Investments, at fair value:				
Equity in short-term investment fund	—	84,548	—	—
Equity in pooled trusts	12,900,961	—	—	—
Other investments	2,469,160	—	4,042,144	—
Total investments	15,370,121	84,548	4,042,144	—
Total assets	15,467,997	84,548	4,050,910	137,562
Liabilities				
Accounts payable	8,603	40	11,763	—
Due to other plans	3,074	—	—	—
Incurred but not reported claims	1,154	—	—	—
Other	10,721	—	—	—
Unclaimed property claims	—	—	—	1,768
Due to inmates and beneficiaries	—	—	—	675
Total liabilities	23,552	40	11,763	2,443
Net position				
Restricted for:				
Pension benefits	14,692,038	—	—	—
Other postemployment benefits	752,407	—	—	—
External investment pool participants	—	84,508	—	—
Tuition savings program	—	—	4,026,889	—
Individuals, organizations and other governments	—	—	—	135,119
Other	—	—	12,258	—
Total fiduciary net position	$ 15,444,445	$ 84,508	$ 4,039,147	$ 135,119

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, 2025
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts	Custodial Funds
Additions				
Contributions				
Member contributions	$ 250,519	$ —	$ —	$ —
Employer contributions	662,455	—	—	—
Additional employer contributions	1,430	—	—	—
Supplemental employer contributions	21,727	—	—	—
State contributions for teachers	130,172	—	—	—
Interest on service credits purchased	313	—	—	—
Service credit transfers	5,886	—	—	—
From program participants	—	340,998	346,276	—
Total contributions	1,072,502	340,998	346,276	—
Other income	2,977	—	—	—
Investment income				
Change in fair value	1,296,060	—	184,921	1,179
Interest	127,596	4,765	—	—
Dividends	59,167	—	165,514	—
Other investment income	—	—	166	—
	1,482,823	4,765	350,601	1,179
Less: Investment Expense	(155,992)	(124)	—	—
Net investment income (loss)	1,326,831	4,641	350,601	1,179
Unclaimed property	—	—	—	58,271
Deposits for patients, clients and inmates	—	—	—	9,051
Miscellaneous		—	—	60,240
Total additions	2,402,310	345,639	696,877	128,741
Deductions				
Retirement benefits	1,054,771	—	—	—
Death benefits	3,235	—	—	—
Distributions	71,018	305,246	—	—
Program participant redemptions	—	—	747,579	—
Refund of contributions	8,391	—	—	—
Administrative expense	13,637	—	13,734	—
Service credit transfers	5,887	—	—	—
OPEB benefits	34,421	—	—	—
Return of unclaimed property	—	—	—	48,652
Payments made on behalf of individuals in State care	—	—	—	9,114
Miscellaneous	—	—	—	5,384
Total deductions	1,191,360	305,246	761,313	63,150
Change in net position restricted for:				
Pension benefits	1,122,338	—	—	—
Other postemployment benefits	88,612	—	—	—
External investment pool participants	—	40,393	—	—
Tuitions savings program	—	—	(66,783)	—
Other	—	—	2,347	65,591
Fiduciary net position - beginning	14,233,495	44,115	4,103,583	69,528
Fiduciary net position - ending	$ 15,444,445	$ 84,508	$ 4,039,147	$ 135,119

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, 2025
(Expressed in Thousands)

	RIAC	RICC	I-195 RDC	RIPTA	RITBA
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents	$ 46,606	$ 23,228	$ 2,189	$ 12,011	$ 1,427
Investments	53,990	—	—	2,124	—
Receivables (net)	25,814	2,518	125	8,825	264
Lease receivables	2,386	—	—	—	—
Restricted assets:					
Cash and cash equivalents	20,296	241,933	7,668	—	14,584
Investments	—	1,668	—	—	9,635
Receivables (net)	—	56	—	—	1,246
Other assets	—	—	—	—	—
Due from primary government	72	907	17	8,338	1,181
Due from other governments	—	—	—	—	—
Due from other component units	488	350	—	—	—
Inventories	—	—	—	1,784	146
Other assets	387	296	219	336	690
Total current assets	150,039	270,956	10,218	33,418	29,173
Non-current assets:					
Investments	—	302	—	2,602	—
Receivables (net)	—	7,164	—	—	—
Lease receivables	56,004	—	—	—	—
Restricted assets:					
Cash and cash equivalents	56,001	5,874	—	—	13,132
Investments	5,775	911	—	—	141,294
Receivables (net)	1,932	9,093	—	—	—
Other assets	—	—	—	—	—
Net pension asset	—	2,251	—	—	—
Capital assets - non-depreciable	157,181	8,271	5,319	93,921	3,426
Capital assets - depreciable (net)	410,937	1,286	153	119,167	207,666
Other assets	2,392	—	643	2,239	—
Total non-current assets	690,222	35,152	6,115	217,929	365,518
Total assets	840,261	306,108	16,333	251,347	394,691
Deferred outflows of resources	118	2,767	—	22,695	—

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2025
(Expressed in Thousands)

	RIAC	RICC	I-195 RDC	RIPTA	RITBA
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	15,909	10,336	1,279	8,147	1,008
Notes payable	—	—	—	—	—
Loans payable	—	—	—	—	—
Due to primary government	—	—	—	2,711	45
Due to other component units	—	—	—	—	—
Due to other governments	—	—	—	—	—
Lease liability	—	394	—	—	—
Subscription-based IT liability	—	—	—	241	—
Accrued expenses	11,859	—	200	4,806	5,387
Unearned revenue	9,930	24,850	576	1,320	7,349
Other current liabilities	6,705	2,322	132	1,080	—
Compensated absences	—	—	13	3,132	—
Current portion of long-term debt	11,769	1,668	—	—	7,235
Total current liabilities	56,172	39,570	2,200	21,437	21,024
Non-current liabilities:					
Due to primary government	—	—	—	4,733	—
Unearned revenue	—	584	—	—	—
Notes payable	—	—	—	—	—
Loans payable	—	—	—	—	—
Lease liability	—	320	—	—	—
Subscription-based IT liability	—	—	—	176	—
Net pension liability	900	—	—	80,070	—
Net OPEB liability	66	—	—	68,606	—
Other liabilities	—	259	—	11,963	—
Compensated absences	—	—	—	9,397	—
Bonds payable	182,095	1,799	—	—	175,714
Total non-current liabilities	183,061	2,962	—	174,945	175,714
Total liabilities	239,233	42,532	2,200	196,382	196,738
Deferred inflows of resources	56,894	3,632	—	16,202	—
Net position (deficit)					
Net investment in capital assets	392,486	9,558	4,177	203,526	52,029
Restricted for:					
Debt	34,689	—	—	—	145,772
Program purposes	—	—	—	—	—
Other	10,721	—	7,060	299	—
Nonexpendable	11,695	219,986	—	—	—
Net Pension Asset	—	2,251	—	—	—
Net OPEB Asset	—	—	—	—	—
Unrestricted	94,661	30,916	2,896	(142,367)	152
Total net position (deficit)	$ 544,252	$ 262,711	$ 14,133	$ 61,458	$ 197,953

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2025
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents	$ 233,159	$ 57,397	$ 49,295	$ 131,174	$ 556,486
Investments	43,682	—	—	—	99,796
Receivables (net)	131,196	5,909	6,644	29,235	210,530
Lease receivables	—	—	59	43	2,488
Restricted assets:					
Cash and cash equivalents	—	—	—	1,012,927	1,297,408
Investments	—	—	—	76,032	87,335
Receivables (net)	—	—	—	96,380	97,682
Other assets	—	—	2,258	136,106	138,364
Due from primary government	7,770	2,802	2,879	15,281	39,247
Due from other governments	—	—	—	394	394
Due from other component units	—	—	—	525	1,363
Inventories	1,570	—	147	4,678	8,325
Other assets	2,428	3,308	5,753	25,277	38,694
Total current assets	419,805	69,416	67,035	1,528,052	2,578,112
Non-current assets:					
Investments	314,395	50,177	7,324	—	374,800
Receivables (net)	9,818	780	—	21,161	38,923
Lease receivables	—	—	224	1,091	57,319
Restricted assets:					
Cash and cash equivalents	3,249	436	—	78	78,770
Investments	—	—	—	2,062,864	2,210,844
Receivables (net)	—	—	—	1,279,259	1,290,284
Other assets	10,090	1,221	2,019	1,331,420	1,344,750
Net pension asset	—	—	—	10,096	12,347
Capital assets - non-depreciable	113,183	6,709	33,489	237,220	658,719
Capital assets - depreciable (net)	804,830	231,167	62,464	414,092	2,251,762
Other assets	1,562		—	326,813	333,649
Total non-current assets	1,257,127	290,490	105,520	5,684,094	8,652,167
Total assets	1,676,932	359,906	172,555	7,212,146	11,230,279
Deferred outflows of resources	29,151	9,359	8,591	14,361	87,042

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2025
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	41,848	11,661	10,573	30,248	131,009
Notes payable	—	—	—	69,441	69,441
Loans payable	104	—	—	1,065	1,169
Due to primary government	1,930	2,150	781	87	7,704
Due to other component units	—	—	—	1,340	1,340
Lease liability	834	7	5	2,599	3,839
Subscription-based IT liability	6,547	839	874	—	8,501
Accrued expenses	23,092	1,962	—	2,970	50,276
Unearned revenue	26,114	3,727	4,733	4,141	82,740
Other current liabilities	6,234	—	—	551,979	568,452
Compensated absences	2,678	5,519	4,276	387	16,005
Current portion of long-term debt	13,416	568	—	118,222	152,878
Total current liabilities	122,797	26,433	21,242	782,479	1,093,354
Non-current liabilities:					
Due to primary government	10,400	3,100	—	—	18,233
Unearned revenue	—	—	—	144	728
Notes payable	—	—	—	313,955	313,955
Loans payable	186	—	—	18,850	19,036
Lease liability	5,325	28	10	90,348	96,031
Subscription-based IT liability	5,786	1,152	2,514	—	9,628
Net pension liability	89,275	28,596	25,161	29,165	253,167
Net OPEB liability	6,764	2,260	1,984	18,710	98,390
Other liabilities	4,568	350	—	463,306	480,446
Compensated absences	33,328	171	4,042	4,641	51,579
Bonds payable	221,079	8,681	—	3,091,346	3,680,714
Total non-current liabilities	376,711	44,338	33,711	4,030,465	5,021,907
Total liabilities	499,508	70,771	54,953	4,812,944	6,115,261
Deferred inflows of resources	30,249	14,453	10,781	237,196	369,407
Net position (deficit)					
Net investment in capital assets	666,261	219,434	92,054	526,509	2,166,034
Restricted for:					
Debt	—	—	—	240,878	421,339
Program purposes	—	—	—	1,087,845	1,087,845
Other	185,960	29,786	7,512	82,893	324,231
Nonexpendable	206,348	24,455	7,735	—	470,219
Net Pension Asset	—	—	—	603	2,854
Unrestricted	117,757	10,366	8,111	237,639	360,131
Total net position (deficit)	$ 1,176,326	$ 284,041	$ 115,412	$ 2,176,367	$ 4,832,653

(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, 2025
(Expressed in Thousands)

	RIAC	RICC	I-195 RDC	RIPTA	RITBA	URI	RIC	CCRI	Other Component Units	Totals
Expenses	$ 85,305	$ 74,385	$ 2,565	$ 158,886	$ 35,173	$ 702,028	$ 172,547	$ 156,019	$ 510,573	$ 1,897,481
Program revenues:										
Charges for services	91,298	5,020	970	19,045	30,640	375,919	64,365	33,237	308,357	928,851
Operating grants and contributions	—	23,924	2,248	118,997	461	354,643	110,327	120,131	203,386	934,117
Capital grants and contributions	54,350	—	3,055	27,662	436	86,033	46,162	9,850	134,913	362,461
Total program revenues	145,648	28,944	6,273	165,704	31,537	816,595	220,854	163,218	646,656	2,225,429
Net (expenses) revenues	60,343	(45,441)	3,708	6,818	(3,636)	114,567	48,307	7,199	136,083	327,948
General revenues:										
Interest and investment earnings (losses)	8,454	10,992	236	599	6,900	42,856	7,435	2,451	89,705	169,628
Miscellaneous revenues	2	51,883	—	4,355	15,759	—	937	—	2,242	75,178
Gain (loss) on sale of capital assets	—	—	110	—	(1,419)	—	—	—	39	(1,270)
Total general revenue	8,456	62,875	346	4,954	21,240	42,856	8,372	2,451	91,986	243,536
Change in net position	68,799	17,434	4,054	11,772	17,604	157,423	56,679	9,650	228,069	571,484
Net position (deficit) - beginning as restated	475,453	245,277	10,079	49,686	180,349	1,018,903	227,362	105,762	1,948,298	4,261,169
Net position (deficit) - ending	$ 544,252	$ 262,711	$ 14,133	$ 61,458	$ 197,953	$ 1,176,326	$ 284,041	$ 115,412	$ 2,176,367	$ 4,832,653

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

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Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

The accompanying financial statements include all funds of the State and its component units. GASB defines component units as legally separate organizations for which the elected officials of the primary government (such as the State) are financially accountable.

Blended Component Units

A component unit is reported as part of the primary government and blended into the appropriate funds when the following circumstances are met:

- The component unit provides services entirely or almost entirely to the primary government, or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it; or
- The component unit's governing body is substantively the same as the governing body of the primary government and (a) there is a financial benefit or burden relationship between the primary government and the component unit, or (b) management of the primary government has operational responsibility for the component unit; or
- The component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government.

For each blended component unit the potential exists for a financial burden or benefit to be imposed on the State as a result of the existence of the component unit. Also, for the blended component units included in the State Annual Comprehensive Financial Report (ACFR), the State, generally acting through the Governor, appoints a voting majority of the component units' governing boards.

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

Rhode Island Convention Center Authority (RICCA)

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

Tobacco Settlement Financing Corporation (TSFC)

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

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

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

Rhode Island Public Rail Corporation (RIPRC)

This corporation was created and established for the purpose of enhancing and preserving the viability of commuter rail operations in the State. Currently, its primary purpose, as outlined in Rhode Island General Laws (RIGLs), is to provide indemnity for rail service operating within the State. The State is fully responsible for reimbursing RIPRC for all costs associated with the purchase of such insurance coverage. RIPRC provides services exclusively to the State. Separately issued financial statements are not available for RIPRC.

Discretely Presented Component Units

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

For each discretely presented component unit the potential exists for a financial burden or benefit to be imposed on the State as a result of the existence of the component unit. For the discretely presented component units included in the State's ACFR, the State, generally acting through the Governor, appoints a voting majority of the component units' governing boards. These discretely presented component units primarily serve or benefit those outside of the primary government.

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

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

Major Component Units

Rhode Island Airport Corporation (RIAC)

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

Rhode Island Commerce Corporation (RICC)

This corporation was created in 1995 to promote economic development, and its purpose is to promote and encourage the preservation, expansion, and sound development of new and existing industry, business, commerce, agriculture, tourism, and recreational facilities in the State. RICC has the power to issue tax-exempt bonds to accomplish its corporate purpose. RICC has one component unit, the Small Business Loan Fund Corporation, which was created for the purpose of granting secured and unsecured loans to Rhode Island's small business community. RICC's activities are largely supported by State appropriations and RICC has used its debt issuance authority to finance various economic development initiatives on behalf of the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Commerce Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02908, or at www.commerceri.com.

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

This commission was created in 2011 by the Rhode Island General Assembly to oversee, plan, implement, and administer the development of land reclaimed from the Interstate 195 relocation project and the Washington Bridge project. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, I-195 Redevelopment District, 315 Iron Horse Way, Suite 101, Providence, RI 02908, or at www.195district.com.

Rhode Island Public Transit Authority (RIPTA)

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

Rhode Island Turnpike and Bridge Authority (RITBA)

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

University and Colleges

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

Non-major Component Units

Central Falls School District

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

Division of Higher Education Assistance (DHEA)

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

Rhode Island Housing and Mortgage Finance Corporation (RIHMFC)

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

Rhode Island Industrial Facilities Corporation (RIIFC)

The purpose of this corporation is to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the State. All bonds and notes issued by RIIFC are payable solely from the revenues derived from leasing or sale of RIIFC projects by RIIFC. The bonds and notes do not constitute a debt or pledge of the faith and credit of RIIFC or the State and, accordingly, have not been reported in the accompanying financial statements. Certain obligations of RIIFC are secured by mortgages which are insured by the Rhode Island Industrial-Recreational Building Authority for which the State's full faith and credit is pledged. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial Facilities Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02908, or at www.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 RIIFC for companies conducting business in the State. RIIRBA's insurance of first mortgages and first security agreements is backed by a pledge of the full faith and credit of the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial-Recreational Building Authority, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at www.commerceri.com.

Rhode Island Resource Recovery Corporation (RIRRC)

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

Quonset Development Corporation (QDC)

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

The Metropolitan Regional Career and Technical Center (The Met)

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

Rhode Island Life Science Hub (RILSH)

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

Rhode Island Infrastructure Bank (RIIB)

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

Rhode Island Health and Educational Building Corporation (RIHEBC)

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

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

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

Sheila C. "Skip" Nowell Leadership Academy (Nowell Academy)

Nowell Academy is an educational institution established to support pregnant, parenting, and underserved youth in grades 9–12. Authorized under state education statutes and operating with approval from the Rhode Island Department of Education, Nowell Academy provides a competency-based, flexible learning environment designed to help students earn high school diplomas while balancing family and personal challenges. The school is governed by a board of trustees, appointed by the Rhode Island Council on Elementary and Secondary Education, and is primarily funded through state education aid, tuition from cities and towns where students reside, and federal grants. It operates on a public-private partnership model and utilizes facilities in Providence, Rhode Island. Nowell Academy integrates academic instruction with wraparound services, including on-site childcare and post-secondary readiness programs, to promote student success in college, career, and family life. For more detailed information, visit the website at www.nowellacademy.org.

Fiduciary Component Units

The following entities qualify as fiduciary component units of the State of Rhode Island:

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

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

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

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

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

Related Organizations

The Rhode Island Student Loan Authority and Narragansett Bay Commission are “related organizations.” The State is responsible for appointing a voting majority of the members of each entity’s board, however, the State’s accountability does not extend beyond the appointments.

C. Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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

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

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

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

Fund Financial Statements

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

The State reports the following fund types:

Governmental Fund Types

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

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

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

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

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

Proprietary Fund Types

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

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

Fiduciary Fund Types

Pension and Other Employee Benefit Trust Funds

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

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

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

Private Purpose Trust Funds

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

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

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

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

Custodial Funds - These funds account for assets held by the State pending distribution to others including confiscated property, assets pledged to the State as required by statute, funds held for the use of hospital patients and individuals with developmental disabilities, workers' compensation insurance bond deposits, funds held for the use of inmates, and unclaimed property.

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

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

Major Funds

Governmental Funds:

General Fund

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

Intermodal Surface Transportation Fund

This special revenue fund accounts for the collection of the gasoline tax, federal grants, bond proceeds, Rhode Island Capital Plan funds, and certain motor vehicle registration and licensing surcharges that are used in maintenance, upgrading, and construction of the State's highway system. It also accounts for the proceeds from the Grant Anticipation Revenue Vehicle (GARVEE) bonds, the RI Motor Fuel Tax (RIMFT) revenue bonds, the Mission 360 Loan Program, RI Bridge Maintenance Fund tolls, and related expenditures. Management considers this a major fund regardless of the above criteria.

R.I. Capital Plan Fund

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

Proprietary Funds:

Rhode Island Lottery

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

Rhode Island Convention Center Authority (RICCA)

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

Employment Security Fund

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

D. Measurement Focus and Basis of Accounting

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period (i.e., earned and collected within the next 12 months). Significant sources of tax revenues susceptible to accrual in the current period are limited to 60 days thereafter and are recorded as taxpayers earn income (personal income and business corporation taxes), as sales are made (sales and use taxes) and as other taxable events occur (miscellaneous taxes), net of estimated tax refunds. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures for principal and interest on long-term debt and compensated absences are recorded when payments come due. Expenditures and liabilities relating to other claims and judgments are recorded to the extent that such amounts are expected to be paid within the current period.

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, liabilities, deferred outflows of resources, and deferred inflows of resources associated with the operations of these funds are included on their respective statements of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position. All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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

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

E. Cash and Cash Equivalents

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

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

F. Funds on Deposit with Fiscal Agent

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

G. Investments

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

H. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience.

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

I. Due From Other Governments and Agencies

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

J. Interfund Activity

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

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

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

Outstanding balances between funds related to services provided and used, transfers, and reimbursements are classified as "due to/due from other funds." Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

K. Inventories

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

L. Capital Assets

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

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

Asset Category	Capitalization Thresholds	Estimated Useful Lives
Capital assets (depreciable)		
Land improvements	$1 million	20 years
Buildings	No minimum	20 - 50 years
Building improvements	$1 million	10 - 20 years
Furniture and equipment	$5 thousand	3 - 10 years
Intangibles (including computer software)	$2 million	5 - 10 years
Intangibles: right to use lease assets	$100 thousand	3 - 10 years
Intangibles: subscription-based IT assets	$5 thousand	2 - 5 years
Infrastructure	$1 million	7 - 75 years

Capital assets acquired in the governmental funds are recorded as capital outlay expenditures in capital projects funds and current expenditures by function in other governmental fund financial statements. Depreciation and amortization are recorded in the government-wide financial statements, proprietary funds, fiduciary funds, and component unit financial statements. Capital assets of the primary government are depreciated using the straight-line method over the estimated useful lives of the assets.

The State has recorded its investment in intangible assets, which includes certain land rights, such as conservation and agricultural easements, as well as certain rights of way obtained by the State. These easements tend to be of a perpetual nature and, thus, are not amortized. Intangible assets also include computer software, which is amortized over a 5-10 year period. The State has included its investment in intangible assets within Note 5. Capital Assets.

Discretely presented component units have adopted estimated useful lives for their capital assets as well as capitalization thresholds. These entities depreciate capital assets using the straight-line method.

M. Bonds Payable

In the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances, bond discounts, premiums, and issuance costs are recognized in the current period. In the government-wide financial statements, bond discounts, premiums, and deferred gains and losses from refundings are deferred and amortized over the term of the bonds using the outstanding principal method.

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

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

N. Leases and Subscription-Based Information Technology Arrangements (SBITAs)

Lessee and SBITA Activities

The State is a lessee for various noncancellable leases for equipment and office facilities. The State also has noncancellable SBITAs for the right to use information technology hardware and software.

For leases and SBITAs that meet the capitalization threshold, the State recognizes a lease or subscription liability, respectively, and an intangible right to use lease asset or subscription asset (capital assets), respectively, on the government-wide Statement of Net Position and on the proprietary fund financial statements.

For governmental fund financial reporting, the initial value of the lease or subscription liability is reported as other financing sources with a corresponding capital outlay expenditure at lease or subscription commencement.

The lease or subscription liability is initially measured at the present value of payments expected to be made during the term. Subsequently, the lease or subscription liability is reduced by the principal portion of lease payments made.

The lease or subscription asset is initially measured as the amount of the lease liability, plus any payments made at or before the commencement date, plus capitalizable implementation costs, less any incentives received at or before the commencement date. Subsequently, the asset is amortized on a straight-line basis over the shorter of the term or the useful life of the underlying asset. If the State is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Generally, the State's incremental borrowing rate is used as the discount rate for leases and SBITAs unless the rate that the lessor or vendor charges is known. The incremental borrowing rate is based on an estimated discount rate at the date of commencement or measurement based on the yield rates from recently issued general obligation bonds relative to U.S. Treasury yield rates on the date of issuance.

The lease or subscription term includes the noncancellable periods of the lease or SBITA, respectively, plus any additional periods covered by either the State or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the State and the lessor have an unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.

Certain payments are evaluated to determine if they should be included in the measurement of the lease and subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

The State monitors changes in circumstances that may require remeasurement of a lease or subscription liability. When certain changes occur that are expected to significantly affect the amount of the liability, it is remeasured, and a corresponding adjustment is made to the lease or subscription asset.

For leases and SBITAs below the capitalization threshold and for leases and SBITAs with a maximum possible term of 12 months or less at commencement, an expense or expenditure is recognized based on the provisions of the contract.

Lessor Activities

The State is a lessor for various noncancellable leases of land, buildings, and other assets, such as communication towers.

For leases that meet the capitalization threshold at lease commencement, the State recognizes a lease receivable and a deferred inflow of resources on the government-wide Statement of Net Position, on the proprietary and fiduciary fund financial statements, and on the governmental funds Balance Sheet. The lease receivable is initially measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the amount of the lease receivable, plus lease payments made at or before the lease commencement date, less any lease incentives paid to, or on behalf of, the lessee at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term.

Generally, the State's incremental borrowing rate for leases is used as the discount rate for lease receivables.

The lease terms include the noncancellable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and the State have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term.

The State monitors changes in circumstances that may require remeasurement of a lease receivable. When certain changes occur that are expected to significantly affect the amount of the lease, the receivable is remeasured, and a corresponding adjustment is made to the deferred inflow of resources.

For leases below the capitalization threshold and leases with a maximum possible term of 12 months or less at commencement, revenue is recognized based on the provisions of the lease contract.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) cost-sharing plan and the single-employer plans administered by the Employees' Retirement System of Rhode Island (System), and the additions to and deductions from the plans fiduciary net position have been determined on the same basis as they are reported by ERS. The State's proportionate share of pension amounts were further allocated to proprietary funds (the Lottery) based on the amount of employer contributions paid by each proprietary fund. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable and in accordance with the benefit terms. Investments are recorded at fair value.

As more fully explained in Note 18, a special funding situation exists with respect to local teachers for which the State funds 40% of actuarial determined contributions to the ERS plan. Accordingly, the financial statements reflect the State's proportionate share of the net pension liability, pension expense, and deferred inflows/outflows related to this special funding situation.

The State administered one non-contributory (pay-as-you-go) plan covering certain retired judges. For the plan, there is no fiduciary net position accumulated to offset the total pension liability, and no employer contributions are made other than the amount needed to provide benefits on a pay-as-you-go basis. See Note 18 for complete details of the State's reporting of this plan.

For certain employees participating in the Laborer's International Union of North America (LIUNA) defined benefit pension plan (a non-governmental union sponsored plan), there is no required employer contribution and no pension expense is recorded in the financial statements. No determination of the proportionate net pension liability, pension expense, or deferred inflows or outflows, if any, is made for this cost-sharing defined benefit pension plan.

P. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Employees' and Electing Teachers OPEB System of the State of Rhode Island (the System), and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost which approximates fair value.

Q. Compensated Absences

Vacation pay may be discharged, subject to limitations as to carry-over from year to year, by future paid leave or by cash payment upon termination of service. Sick pay may be discharged by payment for an employee's future absence caused by illness, or to the extent of vested rights, by cash payment upon death or retirement. Also, an additional category of leave obligation has been established as a result of pay reductions taken by certain classes of employees. For governmental fund types, such obligations are recognized when paid. For the government-wide financial statements and proprietary fund types, they are recorded as liabilities when earned. A liability must be recorded for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off while employed or settled upon separation from employment. Based on this criteria, the following leave qualifies for liability recognition for compensated absences:

- Vacation leave. State employees earn vacation leave that, if not used for paid time off, results in compensation at termination or retirement as dictated by appropriate vesting schedule policy.
- Sick leave. State employees earn sick leave that, if not used for paid time off, can be cashed out according with vested rights when an employee retires or dies. Any accumulated sick leave lapses upon separation from service for other reasons.
- Compensatory time and other miscellaneous leave. Certain state employees earn compensatory time, reduction time, and other miscellaneous leave that accumulates that can either be used for paid time off or may be cashed out in accordance with regulations, collective bargaining agreements, or agency policy, as appropriate.

For government-wide reporting purposes, the state reports compensated absences obligations as liabilities in the applicable governmental or business-type activities columns on the Statement of Net Position. Compensated absences are recognized as an expenditure in governmental funds when the leave is paid, such as when an employee uses the leave for paid time off or when the employee retires. Proprietary and fiduciary fund type accounts recognize the expense and record a liability for vacation leave, sick leave, and other leave types, including related employer costs, as it is earned.

R. Other Assets and Liabilities

Other assets reported within the primary government mainly consist of deposits required by contract with the State healthcare claims administrator. Other liabilities include 1) escrow deposits, accrued salary, and fringe benefits for the governmental fund types; 2) accrued interest payable, accrued salaries, accrued vacation and sick leave for the proprietary fund types; and 3) escrow deposits, landfill closure costs, accrued expenses, and arbitrage and interest payable for the component units.

S. Deferred Outflows of Resources

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

T. Deferred Inflows of Resources

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

U. Fund Balances

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

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

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

V. Recently Issued Accounting Standards

The State adopted the following new accounting standard issued by GASB:

GASB Statement No. 101, *Compensated Absences,* the objective of this statement aims to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This is achieved by aligning recognition and measurement guidance under a unified model which will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. GASB 101 establishes guidance for measuring a liability for leave that has not been used, resulting in a methodology change for measurement of all unused sick leave for State employees. There were no other significant methodology changes as a result of GASB 101, however the implementation requires a restatement of compensated absence liability balances, see Note 10.

GASB Statement No. 102, *Certain Risk Disclosures*, the objective of this statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that are essential to their analyses for making decisions or assessing accountability. While the implementation results in expanded disclosure requirements within the notes to the financial statements, there are no material changes to the State's existing accounting or operational practices, and no restatement of prior period balances was necessary.

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

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

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

GASB Statement No. 105, *Subsequent Events*, was issued in December 2025 and will be effective for fiscal years beginning after June 15, 2026. This statement establishes guidance on recognizing and disclosing events that occur after the reporting period but provide additional information about conditions that existed at year-end or reflect new developments. Its primary objective is to enhance consistency and transparency in financial reporting by clarifying when and how subsequent events should be recognized or disclosed.

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

W. Change in State's Reporting Entity

Sheila C. "Skip" Nowell Leadership Academy (Nowell Academy)

In the current fiscal year, the government added the Sheila C. "Skip" Nowell Leadership Academy as a discretely presented non-major component unit to its financial reporting entity in accordance with RI General Law 16-11.4-4. The addition is reflected by an adjustment to the beginning balance of the primary government's net position, see Note 10. The change is disclosed in the notes to the financial statements to explain the nature, reason, and impact of the change.

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

A. Primary Government-Governmental and Business-Type Activities

Cash Deposits

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

In accordance with Chapter 35-10.1 of the RI General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the cash deposits of the primary government were required to be collateralized at June 30, 2025 pursuant to this statutory provision. However, the State Investment Commission (SIC) has instituted a collateralization requirement for institutions holding State deposits. Financial institutions are required to pledge collateral equal to amounts ranging from 100%-102% of the balance of uninsured deposits. The percentage of collateral required is determined by the underlying classification of the collateral. Additionally, consistent with SIC's guidelines, certain interest-bearing deposit accounts used as short-term investments require collateral ranging from 100%-102% of the outstanding balance. The percentage of collateral required is determined by the underlying collateral classification. The lone exception to the full collateralization requirement is the Ocean State Investment Pool Trust (OSIP or the Trust), which follows the 60 day time deposit rule, but otherwise does not require full collateralization. The investment objective of the OSIP Cash Portfolio is to seek to obtain as high a level of current income as is generally consistent with the preservation of principal and liquidity within the OSIP investment guidelines, which are consistent with GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. While investment in the pool is not guaranteed or fully collateralized, certain investments within the pool are collateralized. At June 30, 2025, of the $1.5 billion invested, $171.4 million were collateralized purchase agreements.

All bank balances of the primary government and its blended component units in FY25 were fully collateralized. This collateralization was achieved through federal depository insurance, securities held by an independent third party in the State or the blended component unit's name, or through a Federal Home Loan Bank Letter of Credit in the State or the blended component unit's name.

Cash Equivalents and Investments

The SIC is responsible for the investment of all State funds. Pursuant to Chapter 35-10 of the RI General Laws, the SIC may, in general, "invest in securities as would be acquired by prudent persons of discretion and intelligence in these matters who are seeking a reasonable income and the preservation of their capital."

The OSIP Cash Portfolio (the Cash Portfolio) is a portfolio of the OSIP Trust, which is an investment pool established by the General Treasurer of the State of Rhode Island under Declaration of Trust dated January 25, 2012. This trust is pursuant to the Rhode Island Local Government Investment Pool Act, G.L. 35-10.2, of the RI General Laws as amended, for the purpose of investing funds of and funds under custody of agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State of Rhode Island. The Cash Portfolio, which began operations on March 6, 2012, is not registered with the Securities and Exchange Commission (SEC) as an investment company but maintains a policy to operate in a manner consistent with GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*.

OSIP has met the criteria outlined in GASB Statement No. 79 to permit election to report its investments at amortized cost which approximates fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool is not to exceed 60 days. OSIP transacts with its participants at a stable net asset value ("NAV") per share. Investments reported at NAV are not subject to the fair value hierarchy. There are no participant withdrawal limitations.

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

A copy of the annual report for the OSIP can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

Fair Value of Financial Instruments

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

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

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

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

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

The following table depicts the State's cash equivalents and investments (expressed in thousands) at June 30, 2025:

Pooled cash equivalents (at amortized cost)		
Commercial Paper	$	695,113
Repurchase Agreements		171,429
U.S.Government Agency - Debt		347,216
U.S. Treasury Obligations		196,548
Certificates of deposit		4,000
Time deposits		69,000
Variable Rate Demand Note		14,475
Total investments		1,497,781
Plus: other assets (liabilities)		166
Total investment pool		1,497,947
Less: funds held by fiduciary funds and discretely presented component units		
Amounts held by fiduciary trust funds:		
Pension trust		17,534
OPEB trust		767
Amounts held by discretely presented component units:		
URI		77,025
RIC		29,402
RIIRBA		2
RIRRC		30,565
RIHEBC		10,103
RIPTA		6,078
Amounts held for external parties		84,508
Primary government pooled cash equivalents		1,241,963
Add: other primary government cash equivalents and investments		
Money market mutual funds		70,789
Total primary government cash equivalents and investments		1,312,752
Cash equivalents and investments		1,312,752
Cash deposits and interest bearing deposits		1,509,559
Total cash, cash equivalents and investments		2,822,311
Statement of Net Position		
Cash and cash equivalents		2,751,760
Restricted cash and cash equivalents		70,551
Total cash, cash equivalents and investments	$	2,822,311

State restricted cash and cash equivalents total approximately $70.6 million at June 30, 2025. Of this total, $48.6 million is held by the Tobacco Settlement Financing Corporation and $22.0 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 are calculated daily. The OSIP pooled trust categorizes the inputs to valuation techniques into a disclosure hierarchy consisting of three levels as described previously. The securities held within the OSIP pooled trust are valued at amortized cost, which approximates fair value. These securities are generally high quality and liquid; however, they are reflected as Level 2 in the hierarchy because the inputs used to determine fair value are not quoted prices in an active market.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either: (a) the counterparty, or (b) the counterparty's trust department or agent but not in the government name. Pursuant to guidelines established by the SIC, securities purchased or underlying collateral are required to be delivered to an independent third party custodian for the investments of the primary government.

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

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

As of June 30, 2025, information about the State's exposure to interest rate risk for pooled cash equivalents and investments (expressed in thousands) is as follows:

			Investment Maturities (in days)			
Investment Type	Fair Value	Amortized Cost	0-30	31-90	91-180	181-397
Commercial Paper	$ 695,113	$ 695,113	$ 404,730	$ 221,079	$ 61,304	$ 8,000
Repurchase Agreements	171,429	171,429	171,429	—	—	—
U.S. Government Agency	347,216	347,216	224,604	122,612	—	—
U.S. Treasury Obligations	196,548	196,548	176,613	19,935	—	—
Certificates of Deposit	4,000	4,000	4,000	—	—	—
Time Deposits	69,000	69,000	69,000	—	—	—
Variable Rate Demand Note	14,475	14,475	14,475	—	—	—
	$ 1,497,781	$ 1,497,781	$ 1,064,851	$ 363,626	$ 61,304	$ 8,000

At June 30, 2025 information on investment ratings for pooled cash equivalents and investments (expressed in thousands) is as follows:

			Quality Ratings [1]	
Investment Type	At Fair Value	Total Amortized Cost	P-1	P-2
Commercial Paper	$ 695,113	$ 695,113	$ 695,113	$ —
Repurchase Agreements	171,429	171,429	171,429	—
Variable Rate Demand Note	14,475	14,475	14,475	—
U.S. Government Agency Debt	347,216	347,216	347,216	—
U.S. Treasury Obligations	196,548	196,548	196,548	—
Certificates of Deposit	4,000	4,000	4,000	—
Time Deposit	69,000	69,000	69,000	
	$ 1,497,781	$ 1,497,781	$ 1,497,781	$ –

[1] *Moody's Investor Service, except where not available Standard & Poor's ratings are used.*

The OSIP has not been assigned credit quality ratings by rating agencies.

As of June 30, 2025, information about the State exposure to interest rate risk and credit risk for non-pooled cash equivalents and investments (expressed in thousands) is as follows:

Issuer	Fair Value (in thousands)	Type of Investment	Moody's Rating	Average Maturities in Days
Fidelity Institutional Money Market Government Portfolio Class I and III	$ 11,742	Money Market	AAA-mf	35
Dreyfus Treasury Securities	10,080	Money Market	AAA-mf	55
Goldman Sachs Financial Square Treasury Instruments Fund	48,967	Money Market	AAA-mf	41
	$ 70,789			

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

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

Funds on Deposit with Fiscal Agent

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

The State funds on deposit with fiscal agent reported in the governmental funds (expressed in thousands) at June 30, 2025 with the breakdown by maturity are as follows:

Investment Type	Fair Value	Less Than 1 year	1-5 years	Quality Rating
U.S. Treasuries	$ 33,531	$ 33,531		—
U.S. Government Agencies	12,605	12,605	—	Aaa
Money Market Funds	149,494	149,494	—	Aaa-mf
Fixed Income	48,087	48,087		See Table
	243,717	$ 243,717	$ —	
Cash/Cash Reserve	7,108			
Funds on Deposit with fiscal agent	$ 250,825			

Cash includes $7.1 million in uninsured and non-collateralized cash reserve funds on deposit with the fiscal agent.

Quality Rating	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	P-1	Total
Fixed Income	$ —	$ 255	$ —	$ —	$ —	$ 232	$ 250	$ 47,350	$ 48,087

The following table (expressed in thousands) represents the fair value of investments by type held by the fiscal agent at June 30, 2025:

	Fair Value 06/30/2025	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
		(Level 1)	(Level 2)
Investments at Fair Value			
U.S. Treasuries	$ 33,531	$ 33,531	$ —
U.S. Government Agencies	12,605	—	12,605
Fixed Income	48,087	—	48,087
Total investments by fair value level	$ 94,223	$ 33,531	$ 60,692
Investments Measured at Net Asset Value (NAV)			
Money Market Mutual Funds	149,494		
Cash/Cash Reserve	7,108		
Total Funds on Deposit with Fiscal Agent	$ 250,825		

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 $599.2 million held by the Federal Unemployment Insurance Trust Fund within the Business-Type Activities-Employment Security Fund.

B. Concentration of Credit Risk

The SIC has adopted limitations for the maximum percentages of the State total short-term investment portfolio that may be invested in a specific investment type or with any one issuer of securities. There is no single issuer exposure that comprises more than 5% of the overall portfolio.

C. Pension Trusts

Summary of Significant Accounting Policies

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

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

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

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

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

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

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

Other investments that are not traded on a national security exchange (primarily private equity, equity options, real estate, hedge funds, infrastructure, and crisis protection class - trend following are valued based on the reported NAV by the fund manager or general partner. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner following U.S. generally accepted accounting principles. Financial Accounting Standards Board ASC Topic 820, Fair Value Measurements and Disclosures, requires the limited partnership general partners for these investment types to value non-publicly traded assets at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information.

Hedge funds, private equity, real estate, and infrastructure represented 6.4%, 21.1%, 5.6%, and 4.2%, respectively, of the total reported fair value of ERSRI's pooled investment trust at June 30, 2025.

Investment Expenses - Investment expenses include investment consultant fees, custodial fees, direct investment expenses paid to managers, and certain indirect expenses allocated by managers to fund or partnership investors. Certain expenses of the Office of the General Treasurer associated with oversight of the pooled investment trust are also allocated and included as investment expenses. When indirect investment expenses for certain types of investments (e.g., hedge funds, private equity, real estate, infrastructure, crisis protection class and equity options), are not reported separately to System management and the investment custodian, additional information is obtained to allow reporting of the System's share of such indirect investment expenses on a gross fee basis.

Net investment income within the defined contribution plan is reported on a net-of-fees basis.

Cash and Cash Equivalents

At June 30, 2025, the carrying amount of pension trust cash deposits and cash equivalents was approximately $20.5 million and the bank balance was approximately $21.0 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, 2025 (excluding the collateralized interest-bearing deposits) pursuant to this statutory provision. However, the SIC has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the deposit amounts that are not insured by federal depository insurance unless Federal Home Loan Bank (FHLB) letters of credit are used as collateral, in which case those are required at 100%. All cash and cash equivalents are collateralized in accordance with SIC policy with the exception of OSIP, which is not subject to the collateralization requirement.

Cash equivalents are invested in the Ocean State Investment Pool (OSIP), an investment pool established by the State General Treasurer. At June 30, 2025, the System had an investment in OSIP totaling $17.5 million which represented less than 2% of the total OSIP Pool Trust at June 30, 2025. Agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State may invest in OSIP. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue – 2nd floor, Warwick, RI 02886.

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, by policy, is not to exceed 60 days. OSIP's investments are high quality and liquid and include U.S. government and government agency obligations, U.S. dollar-denominated money market securities of domestic and foreign issuers such as short-term certificates of deposits, commercial paper, corporate bonds and notes, time deposits, municipal securities, asset-backed securities and repurchase agreements. OSIP transacts with its participants at a stable net asset value (NAV) per share. There are no participant withdrawal limitations.

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

Investments - Pooled Investment Trust

(a). General

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

Investment Policy - The SIC oversees all investments made by the State of Rhode Island, including those made for the System's Pooled Investment Trust. The establishment of the SIC, its legal authority and investment powers are outlined in Chapter 35-10 of the Rhode Island General Laws.

The SIC has adopted a Defined Benefit Investment Policy Statement which includes specific asset allocation targets and asset class policies. The most recent policy statement was adopted by the SIC on December 6, 2023 with an effective date of January 1, 2024 and updated on May 28, 2025. 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, 2025:

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

Consistent with a target asset allocation model adopted by the 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, 2025:

Investment Type	Fair Value (in thousands)
Cash and Cash Equivalents:	
US Cash	$ 10,363
Non-US Cash	11,248
Repurchase Agreements	4,900
Short-Term Collective Investment Funds	199,335
US Government Securities	671,009
US Government Agency Securities	200,956
Collateralized Mortgage Obligations	25,949
Corporate Bonds	1,020,735
Commingled Funds - International Equity	1,184,929
Domestic Equity Securities	3,083,973
International Equity Securities	497,849
Equity Options - Private LLC Investment	212,712
Private Equity	2,557,088
Real Estate	681,839
Hedge Funds	777,610
Crisis Protection Class - Trend Following - Limited partnerships	494,663
Private Real Assets (ex-Real Estate)	515,214
Derivatives:	
Equity and Fixed Income Index Futures	1,778
Credit Default Swaps	1,028
Investments at Fair Value	**$ 12,153,178**
Investment receivable	302,087
Investment payable	(314,097)
Total Pooled Investment Trust	**$ 12,141,168**

(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, 2025	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	$ 3,581,822	$ 3,576,518	$ 4,091	$ 1,213
Fixed Income				
US Government Securities	671,009	671,009	—	—
US Government Agency Securities	200,956	—	200,956	—
Corporate Bonds	1,020,735	—	1,020,735	—
Collateralized Mortgage Obligations	25,949	—	25,949	—
	$ 1,918,649	$ 671,009	$ 1,247,640	$ —
Derivative Investments				
Equity and Fixed Income Index Futures	1,778	1,778	—	—
Credit Default Swaps	1,028	—	1,028	—
	2,806	1,778	1,028	—
Total Investment at Fair Value Level	$ 5,503,277	$ 4,249,305	$ 1,252,759	$ 1,213
Investments Measured at Net Asset Value (NAV)				
Short-Term Collective Investment Funds	$ 199,335			
Commingled Funds - International Equity	1,184,929			
Hedge Funds	777,610			
Private Equity	2,557,088			
Real Estate	681,839			
Private Real Assets (ex-Real Estate)	515,214			
Equity Options - Private LLC Investment	212,712			
Crisis Protection Class - Trend Following	494,663			
	$ 6,623,390			
Cash and Cash Equivalents				
US Cash	10,363			
Non-US Cash	11,248			
Repurchase Agreements	4,900			
	26,511			
Net Investment Payable	(12,010)			
Total Pooled Investment Trust	$ 12,141,168			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Equity securities classified in Level 3 are valued using consensus pricing.

Derivative instruments classified in Level 2 are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (in thousands) and related notes:

	Fair Value	Unfunded Commitments	Redemption (if currently eligible)	Redemption Notice Period
Short-Term Collective Investment Funds [1]	$ 199,335	$ —	daily	none
Commingled Funds - International Equity [2]	1,184,929	—	daily	see note below
Hedge Funds [3]	777,610	—	see note below	see note below
Private Equity [4]	2,557,088	1,120,422	see note below	see note below
Real Estate [5]	681,839	176,440	see note below	see note below
Private Real Assets (ex-Real Estate) [6]	515,214	191,490	see note below	see note below
Crisis Protection Class - Trend Following [7]	494,663	—	see note below	see note below
Equity Options - Private LLC investment [8]	212,712	—	see note below	see note below
	$ 6,623,390	$ 1,488,352		

[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 seven limited partnerships divided into two subcategories: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, 2025. Hedge funds represented 6.4% of the total reported fair value of ERSRI's pooled investment trust at June 30, 2025. Of the underlying holdings within the hedge funds approximately 61% 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, or semiannual basis, and are subject to notice periods which vary by fund and range from 45 days to 75 days. Some funds limit redemptions to 25% of invested capital on any one redemption date.

[4] Private equity – these 141 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. Of the 141 limited partnership funds, 7 were committed to, but no capital called, as of June 30, 2025.

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, 2025. Private equity represented 21.1% of the total reported fair value of ERSRI's pooled investment trust at June 30, 2025. 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 30 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. Of the 30 limited partnership funds, 1 was committed to, but no capital called, as of June 30, 2025.

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, 2025. Real Estate represented 5.6% of the total reported fair value of ERSRI's pooled investment trust at June 30, 2025.

With the exception of six core/core+ open-end funds which allow for quarterly redemptions (with a notice period of between 15 to 90 days), the investments cannot be redeemed. Redemptions from core/core+open-end funds may not be fulfilled in a timely manner due to market conditions. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

(6) Private Real Assets (Ex-Real Estate) – These 17 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. Of the 17 funds, 1 was committed to, but no capital called, as of June 30, 2025. 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, 2025.

Private real assets (ex-real estate) represented 4.2% of the total reported fair value of ERSRI's pooled investment trust at June 30, 2025. With the exception of two open-end core fund which allow for quarterly liquidity (with a notice period of between 45 to 60 days), the investments cannot be redeemed. Redemptions from core/core+ open-end funds may not be fulfilled in a timely manner due to market conditions. 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, 2025. As the Employees' Retirement System of the State of Rhode Island is the sole member, the limited liability company could be liquidated at its option. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

(8) Equity Options – Private LLC Investment – The fund seeks to achieve its goal primarily through a strategy of writing exchange-traded put options on the S&P 500® Index. These options are fully collateralized by short duration U.S. Treasury securities. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in short duration fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

The fair value of this investment has been determined using the NAV per share of the investments as reported by the general partner at June 30, 2025. The underlying investments at June 30, 2025, 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, 2025, 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, 2025	4.53%	3.16%	4.25%	8.17%	5.89%	4.83%	8.27%

(d). Interest Rate Risk

Interest rate risk is the possibility that the value of a fixed income security will decline due to changes in market interest rates. Due to its significant holdings of fixed income securities, the System manages its investment exposure to interest rate risk by comparing its fixed income and cash managers portfolio-level and security-level interest rate sensitivities against a predetermined benchmark index based on that manager's mandate. In general, the System uses duration (in years) to measure interest rate sensitivity. However, for its Liquid Credit managers, the System uses effective duration, which takes into effect the embedded optionality, to measure the sensitivity of its investments to changes in interest rates. In some cases, the System also sets absolute restrictions with respect to effective duration or maturity for individual securities or portfolios for manager portfolios. The interest rate risk policies currently utilized by the System vary by asset class which include Investment Grade Fixed Income, Liquid Credit, Long Duration Treasuries, Inflation-Linked Bonds, CPC Enhanced Cash Portfolio, and Strategic Cash.

The fixed income indices currently used by the System are:

- BofA US HY Index
- JP Morgan CLOIE BB Index
- Bloomberg Barclays Long Duration US Treasury Bond Index
- BofA ML 0-1 Year US Treasury Index
- Bloomberg Barclays US Corporate Bond Index
- Bloomberg Barclays Securitized MBS/ABS/CMBS Index

At June 30, 2025, 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, 2025:

Investment Type	Fair Value (in thousands)	Effective Duration
US Government Agency Securities	$ 200,956	5.99
US Government Securities	671,009	11.34
Collateralized Mortgage Obligations	25,949	2.60
Corporate Bonds	1,020,735	4.14
Total Fixed Income	$ 1,918,649	6.83

At June 30, 2025, the System had investments totaling $199.3 million in short-term collective investment funds. The cash-equivalent type investments held in those funds had a weighted average maturity of 35 days. The fund, by policy, holds only high-grade, highly liquid cash equivalent-type investments.

Repurchase agreements are secured with collateral held at a custodian bank. The System enters into repurchase agreements to earn interest on short-term funds. The System's repurchase agreements outstanding at June 30, 2025 had maturity of one day.

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

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

(e). Credit Risk

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

The System manages exposure to credit risk generally by instructing fixed income managers to adhere to an overall target weighted average credit quality for their portfolios and by establishing limits on the percentage of the portfolios that are invested in non-investment grade securities.

The System's exposure to credit risk as of June 30, 2025 is as follows (in thousands):

Moody's Quality Rating	US Government Agency	CMO	Corporate Bonds	Term Loans	Grand Total
A1	$ —	$ 184	$ 53,133	$ —	$ 53,317
A2	—	—	35,533	—	35,533
A3	—	—	40,961	—	40,961
Aa1	2,432	845	8,589	—	11,866
Aa2	—	2,524	17,855	—	20,379
Aa3	—	886	12,569	—	13,455
Aaa	171,246	19,097	42,921	—	233,264
B1	—	—	74,477	—	74,477
B2	—	—	43,255	—	43,255
B3	—		43,466	—	43,466
Ba1	—	—	67,620	—	67,620
Ba2	—	—	43,091	—	43,091
Ba3	—	—	69,199	—	69,199
Baa1	—	662	68,609	—	69,271
Baa2	—	—	83,375	—	83,375
Baa3	—	559	94,809	—	95,368
Ca	—	—	555	—	555
Caa1	—	—	30,492	—	30,492
Caa2	—	—	6,927	—	6,927
Caa3	—	270	1,660	—	1,930
Not Rated	27,279	920	180,386	—	208,585
WR	—	—	1,251	—	1,251
Grand Total	$ 200,957	$ 25,947	$ 1,020,733	$ —	$ 1,247,637

Ratings provided by Moody's Investors Service

(f). Concentration of Credit Risk

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

(g). Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2025, all securities were registered in the name of Employees' Retirement System Pooled Trust (or in the nominee name of its custodial agent) and were held in the possession of the System's custodial bank, Bank of New York Mellon.

(h). Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Portfolios are diversified to limit foreign currency and security risk. The System may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. The System's exposure to foreign currency risk at June 30, 2025, is detailed in the following table. In addition to the foreign currency exposure highlighted in the following table, certain hedge fund investments may have foreign currency exposure.

Foreign Currency Risk (in thousands)

Currency	Commingled Funds	Equities	Private Equity	Cash	Futures	Corporate Bonds	Total
Australian Dollar	$ 42,245	$ 25,574	$ —	$ 386	$ 7	$ —	$ 68,212
Brazilian Real	18,696	—	—	—	—	—	18,696
Canadian Dollar	—	68,029	—	578	(60)	—	68,547
Chilean Peso	2,223	—	—	—	—	—	2,223
Chinese Yuan	8,925	—	—	—	—	—	8,925
Colombian Peso	608	—	—	—	—	—	608
Czech Republic Koruna	916	—	—	—	—	—	916
Danish Krone	13,886	8,979	—	104	—	—	22,969
Egyptian Pound	409	—	—	—	—	—	409
Euro Currency	220,243	140,261	194,870	4,282	(148)	2,928	562,436
Great Britain Pound	89,166	45,541	19,270	955	37	—	154,969
Hong Kong Dollar	122,971	28,482	—	1,186	2	—	152,641
Hungarian Forint	1,534	—	—	—	—	—	1,534
Indian Rupee	91,401	—	—	—	—	—	91,401
Indonesia Rupiah	5,706	—	—	—	—	—	5,706
Israeli Shekel	3,444	—	—	194	—	—	3,638
Japanese Yen	133,133	82,259	—	1,501	(219)	—	216,674
Kuwaiti Dinar	3,730	—	—	—	—	—	3,730
Malaysian Ringgit	6,288	—	—	—	—	—	6,288
Mexican Peso	9,519	—	—	—	—	—	9,519
New Taiwan Dollar	92,404	—	—	—	—	—	92,404
New Zealand Dollar	1,155	—	—	7	—	—	1,162
Norwegian Krone	3,851	6,840	—	222	—	—	10,913
Philippine Peso	2,262	—	—	—	—	—	2,262
Polish Zloty	5,494	—	—	—	—	—	5,494
Qatari Real	3,591	—	—	—	—	—	3,591
Saudi Riyal	17,109	—	—	—	—	—	17,109
Singapore Dollar	8,239	18,354	—	484	—	—	27,077
Swedish Krona	18,344	14,556	—	766	(2)	—	33,664
Swiss Franc	57,888	58,974	—	584	—	—	117,446
South African Rand	14,454	—	—	—	—	—	14,454
South Korean Won	52,880	—	—	—	—	—	52,880
Thailand Baht	4,833	—	—	—	—	—	4,833
Turkish Lira	2,506	—	—	—	—	—	2,506
United Arab Emirates Dirham	7,480	—	—	—	—	—	7,480
Total	$ 1,067,533	$ 497,849	$ 214,140	$ 11,249	$ (383)	$ 2,928	$ 1,793,316

(i). Derivatives and Other Similar Investments

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

The System's derivative investments include forward foreign currency transactions, futures contracts, credit default swaps, options, rights, and warrants. The System enters into these transactions to enhance performance, rebalance the portfolio consistent with overall asset allocation targets, gain or reduce exposure to a specific market, or mitigate specific risks.

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

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

Buying futures tends to increase the System's exposure to the underlying instrument. Selling futures tends to decrease the System's exposure to the underlying instrument or hedge other System investments. Losses may arise due to movements in the underlying or reference markets.

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

Through commingled funds, the System also indirectly holds derivative type instruments, primarily equity index futures.

Additionally, the System is an investor in a private investment fund that writes collateralized put options on both U.S. indices, including the S&P 500® Index and exchange traded funds. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

The System invests in mortgage-backed securities, which are included in the categories described as collateralized mortgage obligations and U.S. Government Agency Securities. These securities are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the value of these securities.

Additional information regarding interest rate risks for these investments is included in *Interest Rate Risk.*

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

The following summarize the System's exposure to specific derivative investments (in thousands) at June 30, 2025:

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at 06/30/2024	Fair Value at 06/30/2025	Notional Amount
Fixed income futures - long	$ 2,739	$ 2,864	$ 5,603	$ 504,801
Fixed income futures - short	5	(82)	(77)	(7,422)
Equity index futures - long	(59)	342	283	(14,718)
Equity index futures - short	(3,535)	(495)	(4,030)	(240,437)
Credit default swaps	623	405	1,028	—
Total	$ (227)	$ 3,034	$ 2,807	

Foreign Currency Forward Contracts Payable	
Pending (liability)	(461)
Pending receivable (asset)	$ 21
Total	$ (440)

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, 2025 was $21 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 Aa3 (one counterparty), A1 (two counterparties), A3 (one counterparty). The S&P credit ratings of two counterparties were A+ (one counterparty) and A- (one counterparty).

(j). Other Investments - Defined Contribution Plan

The SIC selected various investment options for defined contribution plan participants with the overall objective of offering low-cost, strategic, and long-term oriented investment products. Plan participants can choose one or more of the various options and can change options at any time, Plan participants who do not elect a specific option default to a years-to-retirement asset allocation model currently serving as the plan's default. It is composed of investment options offered in the plan's core investment lineup that also serve as standalone options. Each model is based on a target date strategy and corresponds to a specific range of years to retirement (e.g. 10-12 years to retirement). An individual investment option can be a mutual fund, annuity contract, trust, or any other option that is part of the plan's core investment lineup. The term "investment option" does not include investments available solely through brokerage accounts or investments that otherwise are closed to participant-directed allocations.

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

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2025, all non-annuity assets, including mutual funds, that are traded and held in retirement plans by TIAA were held at TIAA-Trust, N.A., (formerly TIAA-CREF Trust Company, FSB) as custodian/trustee.

The majority of the defined contribution plan investment options are asset allocation models that facilitate investments directly into the individual investment options available within the plan; the models invest in diversified portfolios of securities including equity and fixed-income investments. For investment options that are solely fixed income, weighted-average maturity or duration have been disclosed as a measure of interest rate risk.

Fixed income funds are subject to interest rate, inflation and credit risks. Funds may have exposure to foreign currency risk through investment in non-US denominated securities.

D. OPEB Trusts

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

Summary of Significant Accounting Policies

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

Method Used to Value Investments - Investments are recorded in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are generally carried at cost or amortized cost, which approximates fair value.

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

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

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

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

Other investments that are not traded on a national security exchange (primarily private equity, equity options, real estate, private real assets ex-real estate investments) are valued based on the reported NAV by the fund manager or general partner. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner following U.S. generally accepted accounting principles. Financial Accounting Standards Board ASC Topic 820, Fair Value Measurements and Disclosures, requires the limited partnership general partners for these investment types to value non-publicly traded assets at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information.

Private equity, real estate, and private real assets ex-real estate represented 3.3%, 3.1%, and 1.5%, respectively, of the total reported fair value of all pooled OPEB trust investments at June 30, 2025.

Investment Expenses - Investment expenses include investment consultant fees, custodial fees, direct investment expenses paid to managers, and certain indirect expenses allocated by managers to fund or partnership investors. When indirect investment expenses for certain types of investments (e.g., hedge funds, private equity, real estate, and private real assets (ex-real estate), are not reported separately to System's management and the investment custodian, additional information is obtained to allow reporting of the System's share of such indirect investment expenses on a gross fee basis.

Cash Deposits and Cash Equivalents

At June 30, 2025, the carrying amount of the OPEB System cash deposits was approximately $7.3 million and the bank balance was $7.3 million. The bank and book balances represent the OPEB System's deposits in short-term trust accounts, which include fully insured demand deposit accounts and interest-bearing, collateralized bank deposit accounts.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the System deposits were required to be collateralized at June 30, 2025 (excluding the collateralized interest-bearing deposits). However, the SIC has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the deposit amounts that are not insured by federal depository insurance unless Federal Home Loan Bank (FHLB) letters of credit are used as collateral, in which case those are required at 100%. The percentage of collateral required is determined by the underlying classification of the collateral.

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

The OPEB System also had cash equivalents totaling $767 thousand invested in the Ocean State Investment Pool at June 30, 2025. See Note 2A for details.

Investments - Pool Investment Trust

(a). General

The custodian bank holds assets of the OPEB System in a Pooled Investment Trust and each plan holds units in the trust. The number of units held by each plan is a function of each plans' respective contributions to, or withdrawals from, the trust. The assets of each of the plans are pooled for investment purposes only, and units are assigned to the plans based on their respective share of fair value.

Investment Policy - The SIC oversees all investments made by the State of Rhode Island, including those made for the OPEB System. The establishment of the SIC, its legal authority and investment powers are outlined in Chapter 35-10 of the Rhode Island General Laws.

The SIC has adopted an Investment Policy Statement (IPS) which includes specific asset allocation targets and asset class policies. An investment policy statement was adopted by the SIC on June 22, 2022 and was effective from January 1, 2023 through December 31, 2023. The SIC approved a revised Investment Policy Statement on December 6, 2023 with an effective date of January 1, 2024. The Investment Policy Statements may be amended by a majority vote of SIC members. The SIC's asset allocation policy seeks to achieve the assumed rate of return adopted by the System over the long-term while reducing risk through the prudent diversification of the portfolio across various asset classes.

The System leverages the services of actuaries and consultants to provide guidance regarding actuarial matters, asset allocation, and investment policy development. The SIC manages the investment program pursuant to the investment policy, develops asset class guidelines, monitors and evaluates performance, and makes determinations regarding the retention of managers. Professional investment managers are selected by the SIC to manage portfolios in accordance with investment management agreements.

The SIC adopted the following asset allocation policy targets as of January 1, 2025:

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

Consistent with a target asset allocation model adopted by the SIC, the OPEB System directs its separate-account investment managers to maintain, within the mandate specified by the SIC, diversified portfolios by sector, credit rating and issuer using the prudent person standard. The prudent person standard is the standard of care employed solely in the interest of the participants and beneficiaries of the funds and for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the funds.

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

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

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2025:

Investment Type	Fair Value (in thousands)
US Cash and Cash Equivalents:	
US Cash	$ 56
Non-US Cash	135
Money Market Mutual Funds	3,702
Corporate Bonds	14,436
Derivatives:	
Equity and Fixed Income Index Futures	35
Commingled Funds - International Equity	115,050
Commingled Funds - Domestic Equity Index Funds	523,934
Equity Options	29,346
Private Equity	24,550
Private Credit	8,138
Real Estate	23,403
Private Real Assets ex-Real Estate	11,518
Investment at Fair Value	**754,303**
Net Investment Receivable (Payable)	(63)
Total Pooled Investment Trust	**$ 754,240**

(b). Fair Value Hierarchy

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 includes unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The following table presents the investments measured at fair value at June 30, 2025 (expressed in thousands):

Investments at Fair Value	Fair Value 06/30/2025	Quoted Process in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Fixed Income:			
Corporate Bonds	$ 14,436	$ —	$ 14,436
Derivatives:			
Equity and Fixed Income Futures	35	35	—
Total investments by fair value level	$ 14,471	$ 35	$ 14,436
Investments measured at the net asset value (NAV)			
Commingled Funds - International Equity	115,050		
Commingled Funds - Domestic Equity Index Funds	523,934		
Equity Options	29,346		
Money Market Funds	3,702		
Private Equity	24,550		
Private Credit	8,138		
Real Estate	23,403		
Private Real Assets ex-Real Estate	11,518		
	$ 739,641		
Cash and Cash Equivalents			
US Cash and Cash Equivalents	56		
Non-US Cash	135		
	191		
Net investment receivable (Payable)	(63)		
Total Pooled Investment Trust	**$ 754,240**		

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets for those securities.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (in thousands):

	Fair Value	Unfunded Commitments	Redemption (if currently eligible)	Redemption Notice Period
Commingled Funds - International Equity	$ 115,050	$ —	daily	none
Commingled Funds - Domestic Equity Index Funds	523,934	—	daily	see note below
Equity Options	29,346	—	see note below	see note below
Money Market Fund	3,702	—	see note below	see note below
Private Equity	24,550	20,566	see note below	see note below
Private Credit	8,138	12,815	see note below	see note below
Real Estate	23,403	4,571	see note below	see note below
Private Real Assets ex-Real Estate	11,518	8,461	see note below	see note below
	$ 739,641	$ 46,413		

Commingled Funds – International Equity – consist of 46 international equity index funds which are intended to replicate the performance of a specific index; e.g., MSCI CAD. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the commingled fund managers, which reflects the exchange pricing of the equity holdings within each fund. The international equity commingled funds may be redeemed daily.

Commingled Funds – Domestic Equity – consist of three institutional domestic equity index funds. The fair values of these investments in this type have been determined using the NAV per share of the investments as reported by the commingled fund managers, which reflects the exchange pricing of the equity holdings within each fund. There are no withdrawal limitations for the index funds.

Equity Options – Private LLC Investment – the fund seeks to achieve its goal primarily through a strategy of writing exchange-traded put options on the S&P 500® Index. These options are fully collateralized by short duration U.S. Treasury securities. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in short duration fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

The fair value of the equity options – private LLC investment has been determined using the NAV per share of the investments as reported by the general partner at June 30, 2025. The underlying investments at June 30, 2025, which consist of equity options and fixed income investments were publicly traded.

This investment includes monthly liquidity provisions with 7 business days' notice.

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

Private Equity – these 24 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. Of the 24 limited partnership investments, 5 were committed to but no capital called as of June 30, 2025.

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, 2025. 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.

Private Credit – these seven limited partnership investments invest in non-traded, non-control structured credit, direct lending, and performing debt for which current interest income represents the majority of returns. The Private Credit allocation is anchored by strategies that make direct senior loans to companies across sectors, supplemented by esoteric debt strategies such as specialty finance, hard asset-backed lending, and royalties, among others. Of the seven limited partnership investments, 1 was committed to but no capital called as of June 30, 2025.

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, 2025. The investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Real Estate – these 18 limited partnership investments are comprised of two different private real estate equity components, Core and Non-Core, which generally refer to the relative levels of risk in the underlying assets. Core investments include existing, substantially leased, income-producing properties located principally in economically diversified metropolitan areas. Non-Core investments represent those properties and/or investment strategies that require specialized acquisition and management expertise and skill to mitigate the business and leasing risks that may be associated with individual investments. Non-Core investments, which may be referred to as Value Added and Opportunistic investments, are expected to be held for shorter periods, have greater volatility compared to Core investments, and as such, are expected to provide yields higher than those associated with Core investments. Of the 18 limited partnership investments, one was committed to but no capital called as of June 30, 2025.

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, 2025.

With the exception of six core/core+ open-end funds which allow for quarterly redemptions (with a notice period of between 15 to 90 days), these investments cannot be redeemed. Redemptions from core/core+ open-end funds may not be fulfilled in a timely manner due to market conditions. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Private Real Assets ex-Real Estate – these seven funds provide inflation-protection and current income to the portfolio through investment in facilities and services required for an economy to function including electricity production and distribution, pipelines, sewers and waste management, airports, roads, bridges, ports, railroads, telephone and cable networks, hospitals, farmlands, etc. The fair value of these investments have been determined using the NAV per share of the investment as reported by the general partner at June 30, 2025. Of the seven funds, one was committed to but no capital called as of June 30, 2025.

With the exception of two open-ended core funds which allow for quarterly liquidity (with a notice period of between 45 to 60 days), these investments cannot be redeemed. Redemptions may not be fulfilled in a timely manner due to market conditions and initial lock-up period. The nature of these investments provide for distributions through the liquidation of the underlying assets or net operating cash flows.

(c). Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2025, the annual money-weighted returns on investments within each of the plans, net of investment expense, are shown in the following table:

	State Employees	Teachers	Judges	State Police	Legislators	BOE
Money-weighted rate of return - year ended June 30, 2025	11.21%	10.99%	9.86%	11.11%	10.26%	11.13%

(d). Interest Rate Risk

Interest rate risk is the possibility that the value of a fixed income security will decline due to changes in market interest rates. Due to its significant holdings of fixed income securities, the System manages its investment exposure to interest rate risk by comparing its fixed income and cash managers portfolio-level and security-level interest rate sensitivities against a predetermined benchmark index based on that manager's mandate. In general, the System uses duration (in years) to measure interest rate sensitivity. However, for its credit managers, the OPEB System uses effective duration, which takes into effect the embedded optionality, to measure the sensitivity of its investments to changes in interest rates. In some cases, the System also sets absolute restrictions with respect to effective duration or maturity for individual securities or portfolios for manager portfolios. The interest rate risk policies currently utilized by the System vary by asset class which include US High Yield, US Aggregate Bond, and Collateralized loan obligations.

The fixed income indices currently used by the System is:

- ICE BofA ML US HY Index
- JP Morgan CLOIE BB Index
- Bloomberg US Aggregate Bond Index

At June 30, 2025, no fixed income manager was outside of their policy guidelines.

The following table shows the OPEB System’s fixed income investments by type, fair value and the effective duration at June 30, 2025 (expressed in thousands):

Investment Type:	Fair Value	Effective Duration
Corporate Bonds	$ 14,436	1.96
Total Fixed Income	$ 14,436	

In addition to the fixed income investments shown above, the following table depicts the investment type, fair value and effective duration for two commingled domestic equity fund investments at June 30, 2025 (expressed in thousands):

Investment	Investment Type	Fair Value	Effective Duration
US Agggregate Bond Index NL	Commingled Funds - Domestic Equity	$ 221,136	6.05
US High Yield Bond Index NL	Commingled Funds - Domestic Equity	95,134	2.73

(e). Credit Risk

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

The OPEB System generally manages exposure to credit risk by instructing fixed income managers to adhere to an overall target weighted average credit quality for their portfolios and by establishing limits on the percentage of the portfolios that are invested in non-investment grade securities.

The OPEB System's exposure to credit risk on corporate bonds as of June 30, 2025 is as follows (expressed in thousands):

Quality Rating [1]	Corporate Bonds
Ba1	$ 1,002
Ba3	5,632
B3	19
Not rated	7,783
Fair Value	$ 14,436

[1] **Moody's Investors Service Ratings**

In addition to the exposure to credit risk on corporate bonds shown, the following table depicts credit ratings for two commingled domestic equity fund investments at June 30, 2025 (expressed in thousands):

Investment	Investment Type:	Fair Value	Average Credit Quality	Credit Quality Breakdown
US Agggregate Bond Index NL	Commingled Funds - Domestic Equity	$ 221,136	AA3	Aaa-3.3%, Aa-72.3%, A-11.4%, Baa-11.9%, Below Baa-0.1%, Not rated-1.0%
US High Yield Bond Index NL	Commingled Funds - Domestic Equity	$ 95,134	B1	BBB or higher - 1.8%, BB-50.3%, B-35.0%, CCC or lower-11.9%, Not rated-1.0%

Average Credit Quality for the US Aggregate Bond Index NL reflects market value weight of all the rated securities held by the portfolio (excluding unrated securities) using the middle rating provided by either S&P, Moody's and Fitch or lower if only two agency ratings are available. Information on the methodology for determining average credit quality for the other fund listed was not available.

(f). Concentration of Credit Risk

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

(g). Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the OPEB System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2025, all securities were registered in the name of State of Rhode Island OPEB Systems Trust (or in the nominee name of its custodial agent) and were held in the possession of its custodial bank, Bank of New York Mellon.

(h). Foreign Currency Risk

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

The OPEB System's exposure to foreign currency risk at June 30, 2025, is detailed in the following table:

Currency Code	Currency	Commingled Funds	Private Equity	Cash	Total
AUD	Australian Dollar	$ 5,055	$ —	$ —	$ 5,055
BRL	Brazilian Real	1,521	—	—	1,521
CAD	Canadian Dollar	9,195	—	—	9,195
CLP	Chilean Peso	168	—	—	168
CNY	Chinese Yuan	9,494	—	—	9,494
COP	Colombian Peso	48	—	—	48
CZK	Czech Republic Koruna	63	—	—	63
DKK	Danish Krone	1,629	—	—	1,629
EGP	Egyptian Pound	22	—	—	22
EUR	Euro Currency	26,055	184	4	26,243
GBP	Great Britain Pound	10,483	642	131	11,256
HKD	Hong Kong Dollar	1,482	—	—	1,482
HUF	Hungarian Forint	105	—	—	105
INR	Indian Rupee	6,096	—	—	6,096
IDR	Indonesia Rupiah	435	—	—	435
ILS	Israeli Shekel	731	—	—	731
JPY	Japanese Yen	15,645	—	—	15,645
KWD	Kuwaiti Dinar	273	—	—	273
MYR	Malaysian Ringgit	459	—	—	459
MXN	Mexican Peso	709	—	—	709
TWD	New Taiwan Dollar	6,302	—	—	6,302
NZD	New Zealand Dollar	115	—	—	115
NOK	Norwegian Krone	490	—	—	490
PEN	Peruvian Nouveau Sol	111	—	—	111
PHP	Philippine Peso	168	—	—	168
PLN	Polish Zloty	369	—	—	369
QAR	Qatari Real	268	—	—	268
SAR	Saudi Riyal	1,166	—	—	1,166
SGD	Singapore Dollar	1,291	—	—	1,291
SEK	Swedish Krona	2,710	—	—	2,710
CHF	Swiss Franc	6,825	—	—	6,825
ZAR	South African Rand	1,059	—	—	1,059
KRW	South Korean Won	3,539	—	—	3,539
THB	Thailand Baht	304	—	—	304
TRY	Turkish Lira	184	—	—	184
AED	United Arab Emirates	481	—	—	481
	Total	**$ 115,050**	**$ 826**	**$ 135**	**$ 116,011**

(i). Derivatives and Other Similar Investments

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

The System’s derivative investments include futures contracts. The System enters into these transactions to enhance performance, rebalance the portfolio consistent with overall asset allocation targets, gain or reduce exposure to a specific market, or mitigate specific risks.

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

Buying futures tends to increase the System's exposure to the underlying instrument. Selling futures tends to decrease the System's exposure to the underlying instrument or hedge other System investments. Losses may arise due to movements in the underlying or reference markets.

Additionally, the System is an investor in a private investment fund that writes collateralized put options on both U.S. indices, including the S&P 500® Index and exchange traded funds. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

Additional information regarding interest rate risks for these investments is included in Interest Rate Risk.

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

The following summarizes the System's exposure to specific derivative investments (in thousands) at June 30, 2025:

Investment Derivative Instruments	Change in Fair Value Included in Investment Income	Fair Value at 06/30/2024	Fair Value at 06/30/2025	Notional Amount
Fixed income futures - long	$ 16	$ 15	$ 31	$ 2,800
Fixed income futures - short	—	—	—	208
Equity index futures - long	3	1	4	447
Equity index futures - short	3	(3)	—	123
Total	$ 22	$ 13	$ 35	

E. Private Purpose Trusts

The Tuition Savings Program had investments of approximately $4.0 billion in a number of mutual funds and other investment vehicles as of June 30, 2025. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of investment contracts totaling $569.7 million which are reported at contract value and therefore not subject to the fair value hierarchy.

The Touro Jewish Synagogue Fund had investments of approximately $4.7 million in the Fidelity Balanced Fund as of June 30, 2025. 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, 2025. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of a FDIC-Insured Checking Account which is not subject to the fair value hierarchy.

F. Custodial Funds

As of June 30, 2025, 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, 2025 (expressed in thousands) consist of the following:

Primary Government	Taxes Receivable	Accounts Receivable	Notes and Loans Receivable	Gross Receivables	Less: Allowance for Uncollectibles	Total Receivable, Net	Due from Other Governments and Agencies
Governmental activities receivables	$ 900,486	$ 569,205	$ 404	$ 1,470,095	$ (351,368)	$ 1,118,727	$ 541,024
Less current portion	889,698	468,046	—	1,357,744	(334,891)	1,022,853	504,811
Non-current portion	10,788	101,159	404	112,351	(16,477)	95,874	36,213
Business-type activities receivables	83,766	56,583	—	140,349	(38,558)	101,791	1,999
Less current portion	83,766	56,583	—	140,349	(38,558)	101,791	1,999
Non-current portion	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Within the governmental activities, 62.4% of the net receivables is attributed to net taxes receivable ($202.2 million is uncollectible) and 37.6% to net accounts receivables ($149.1 million is uncollectible). In fiscal year 2025, a significant amount of the account receivables related to the opioid settlement, which totaled $88.4 million and Medicaid accruals, which totaled $44.6 million. These amounts represent 21.0% and 10.6% of the net accounts receivable, respectively.

The due from other governments and agencies include $72.9 million in Medicaid accruals due from the federal government, which represents 13.5% of the total due from other governments.

Receivables related to the Employment Security Fund totaled $88.4 million, which represent 86.9% of the total receivable net for business-type activities.

Note 4. Intra-Entity Receivables and Payables

Intra-entity receivables and payables as of June 30, 2025 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	$ —	$ 2,981	Bond proceeds and internal service billings
Intermodal Surface Transportation	7,493	—	Transportation funding
RI Capital Plan	2,152	—	Project Funding
Total Major Funds	9,645	2,981	
Non-Major Funds			
RI Temporary Disability Insurance	—	3,335	Operating expenses
RI Clean Water Act.	13	—	Investment Interest
Bond Capital	—	4,301	Project funding
Large Systems Initiatives Fund	—	10,986	Project funding
Total Non-Major Funds	13	18,622	
Total Governmental Funds	9,658	21,603	
Proprietary Funds			
Enterprise Funds			
RI Lottery	—	5,185	RI Lottery residual net income transfer to General Fund
RI Convention Center	93	—	Project funding and operating assistance
Employment Security Trust	103	—	Benefit payments
Total Enterprise Funds	196	5,185	
Internal Service Funds	18,856	1,922	Settlement of services rendered
Total Primary Government	$ 28,710	$ 28,710	

Note 5. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2025 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	$ 424,671	$ 5,503	$ (1,613)	$ 428,561
Works of art	5,673	170	—	5,843
Intangibles	191,029	12,111	(2,887)	200,253
Construction in progress	1,348,256	767,151	(762,968)	1,352,439
Intangibles: Subscription-based IT assets (in dev)	23,241	34,915	—	58,156
Total capital assets not being depreciated or amortized	1,992,870	819,850	(767,468)	2,045,252
Capital assets being depreciated or amortized:				
Land improvements	11,436	—	—	11,436
Buildings	889,783	9,989	(214)	899,558
Building improvements	589,716	27,233	(643)	616,306
Furniture and equipment	420,770	33,754	(6)	454,518
Intangibles	339,453	381	—	339,834
Intangibles: right to use lease assets				
Land Improvements	—	320	—	320
Buildings	95,018	5,072	(3,165)	96,925
Furniture and equipment	3,780	2,035	(1,133)	4,682
Intangibles: subscription-based IT assets	26,508	40,579	(9,556)	57,531
Infrastructure	5,896,665	727,541	—	6,624,206
Total capital assets being depreciated or amortized	8,273,129	846,905	(14,718)	9,105,316
Less accumulated depreciation or amortization for:				
Land improvements	5,310	268	—	5,578
Buildings	424,314	16,906	(214)	441,006
Building improvements	294,970	21,302	(32)	316,240
Furniture and equipment	342,397	22,890	(6)	365,281
Intangibles	248,226	32,769	—	280,995
Intangibles: right to use lease assets				
Land improvements	—	46	—	46
Buildings	41,705	14,690	(3,145)	53,250
Furniture and equipment	1,017	2,041	—	3,058
Intangibles: subscription-based IT assets	13,953	15,942	(5,370)	24,525
Infrastructure	3,161,406	169,897	—	3,331,303
Total accumulated depreciation or amortization	4,533,298	296,751	(8,767)	4,821,282
Total capital assets being depreciated or amortized, net	3,739,831	550,154	(5,951)	4,284,034
Governmental activities capital assets, net (*)	$ 5,732,701	$ 1,370,004	$ (773,419)	$ 6,329,286

(*) Net governmental activities capital assets includes ISF net capital assets totaling $19.7 million at June 30, 2025.

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

General government	$ 33,611
Health and human services	40,344
Education	7,022
Public safety	27,728
Natural resources	9,470
Transportation	178,576
Total depreciation or amortization expense - governmental activities	$ 296,751

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	$ 46,808	$ —	$ —	$ 46,808
Construction in progress	7,027	15,439	(8,588)	13,878
Intangibles: Subscription-based IT assets (in dev)	705	625	(1,330)	—
Total capital assets not being depreciated	54,540	16,064	(9,918)	60,686
Capital assets being depreciated or amortized:				
Buildings	288,220	1,880	—	290,100
Machinery and equipment	57,600	6,709	(148)	64,161
Intangibles: right to use lease assets - equipment	1,337	—	(15)	1,322
Intangibles: right to use subscription assets	—	1,330	—	1,330
Total capital assets being depreciated	347,157	9,919	(163)	356,913
Less accumulated depreciation or amortization for:				
Buildings	210,352	5,303	—	215,655
Machinery and equipment	45,266	2,582	(148)	47,700
Intangibles: right to use lease assets - equipment	679	333	(15)	997
Intangibles: right to use subscription assets	—	212	—	212
Total accumulated depreciation or amortization	256,297	8,430	(163)	264,564
Total capital assets being depreciated or amortized (net)	90,860	1,489	—	92,349
Business-type activities capital assets (net)	145,400	17,553	(9,918)	153,035

	Beginning Balance*	Increases	Decreases	Ending Balance
Discretely Presented Component Units				
Capital assets not being depreciated or amortized:				
Land	137,177	526	—	137,703
Construction in progress	356,521	388,468	(224,223)	520,766
Other	250	—	—	250
Total capital assets not being depreciated or amortized	493,948	388,994	(224,223)	658,719
Capital assets being depreciated or amortized:				
Buildings	3,082,770	102,547	(2,032)	3,183,285
Land improvements	366,617	45,437	(288)	411,766
Leasehold improvements	841	201	(3)	1,039
Machinery and equipment	644,798	44,325	(38,033)	651,090
Intangibles: right to use lease assets	67,662	38,813	(176)	106,299
Intangibles: subscription-based IT assets	32,781	17,143	(3,247)	46,677
Infrastructure	394,003	1,721	—	395,724
Total capital assets being depreciated or amortized	4,589,472	250,187	(43,779)	4,795,880
Less accumulated depreciation or amortization for:				
Buildings	1,504,202	96,328	(2,002)	1,598,528
Land improvements	242,350	10,766	(288)	252,828
Leasehold improvements	326	96	(2)	420
Machinery and equipment	456,715	33,732	(35,519)	454,928
Intangibles: right to use lease assets	8,468	2,512	(168)	10,812
Intangibles: subscription-based IT assets	16,102	11,406	(2,453)	25,055
Infrastructure	187,630	13,917	—	201,547
Total accumulated depreciation or amortization	2,415,793	168,757	(40,432)	2,544,118
Total capital assets being depreciated or amortized (net)	2,173,679	81,430	(3,347)	2,251,762
Total capital assets (net)	$ 2,667,627	$ 470,424	$ (227,570)	$ 2,910,481

*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, 2025 are as follows:

Component Units:		
Direct Borrowings		
R.I. Resource Recovery Corporation note payable to the host municipality, payable in equal installments over the next 4 years	$	893
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0% to 6.3% interest, payable through 2049		86,233
		87,126
Less: current portion		66,274
Non-current portion	$	20,852
Other		
R.I. Housing and Mortgage Finance Corporation federal bank note, 2.2% to 4.8% interest, payable from 2054 through 2064.	$	296,270

Direct borrowing – Line of credit arrangements

R.I. Housing and Mortgage Finance Corporation (RIHMFC) - As of June 30, 2025, RIHMFC may borrow up to a maximum of $135.0 million under various revolving loan agreements expiring between August 2025 and January 2026. 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, 2025, the borrowings were $32.0 million and the rate was 4.88%. The remaining line of credit arrangements have fixed rates which range from 4.83% to 4.96%. Outstanding borrowings under these agreements totaled $30.0 million at June 30, 2025.

Note 7. Long-Term Liabilities

A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2025 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						
Bonds Payable						
General Obligation bonds (see section B)	$ 1,483,220	$ 273,250	$ (168,710)	$ 1,587,760	$ 132,595	$ 1,455,165
RICC Grant Anticipation Revenue bonds	411,480	123,915	(41,860)	493,535	43,950	449,585
RICC Rhode Island Motor Fuel Tax Revenue	10,470	—	(4,360)	6,110	4,580	1,530
Tobacco Settlement asset-backed bonds	497,208	—	(24,400)	472,808	14,810	457,998
Accreted interest on TSFC bonds	184,282	17,727	—	202,009	—	202,009
RICC Historic Tax Credit bonds	36,605	—	(8,740)	27,865	9,005	18,860
RIHEBC State Appropriation-Backed Revenue	89,630	—	(2,940)	86,690	3,090	83,600
Net unamortized premium/discount	155,055	34,926	(28,042)	161,939	—	161,939
Bonds payable (net)	2,867,950	449,818	(279,052)	3,038,716	208,030	2,830,686
Certificates of Participation (see section D)	58,295	—	(17,450)	40,845	6,930	33,915
Net unamortized premium/discount	3,012	—	(812)	2,200	—	2,200
Certificates of Participation (net)	61,307	—	(18,262)	43,045	6,930	36,115
Lease liability (see note 15)	61,657	8,208	(20,749)	49,116	16,774	32,342
SBITA liability (see note 15)	9,424	32,287	(15,804)	25,907	13,252	12,655
Net pension liability (see note 18)(**)	1,941,333	17,890	(14,206)	1,945,017	—	1,945,017
Net pension liability-special funding	1,031,708		(17,279)	1,014,429	—	1,014,429
Net OPEB liability (see note 19 D)(**)	188,978	—	(63,210)	125,768	—	125,768
Compensated absences (see section H)(*)(**)	145,948	28,138	(1,455)	172,631	139,469	33,162
Pollution remediation (see section G)	3,493	7,073	(2,756)	7,810	704	7,106
Other liabilities (see section K)	118,414	76,203	(43,295)	151,322	28,673	122,649
Total Governmental Long-term Liabilities	$ 6,430,212	$ 619,617	$ (476,068)	$ 6,573,761	$ 413,832	$ 6,159,929
Business-type Activities						
Revenue bonds (see section B)	$ 140,200	$ —	$ (21,225)	$ 118,975	$ 21,975	$ 97,000
Lease liability (see note 15)	685	—	(339)	346	345	1
SBITA liability (see note 15)	—	577	(109)	468	111	357
Net pension liability(**)	17,762	76	—	17,838	—	17,838
Net OPEB liability (**)	1,911	—	(637)	1,274	—	1,274
Unearned revenue	30,611	565	(1,386)	29,790	6,236	23,554
Compensated absences (see section H)(**)	725	1,311	—	2,036	781	1,255
Total Business-type Long-term Liabilities	$ 191,894	$ 2,529	$ (23,696)	$ 170,727	$ 29,448	$ 141,279
Component Units						
Bonds payable (see section B)	$ 3,163,201	$ 718,518	$ (200,661)	$ 3,681,058	$ 139,467	$ 3,541,591
Bonds payable - direct placements	79,479	—	(12,873)	66,606	5,603	61,003
Net unamortized premium/discount	90,595	11,947	(11,997)	90,545	8,490	82,055
Refunding credits	(5,928)	—	1,305	(4,623)	(688)	(3,935)
Bonds payable (net)	3,327,347	730,465	(224,226)	3,833,586	152,872	3,680,714
Loans payable (see section C)(*)	20,978	16,606	(17,379)	20,205	1,169	19,036
Lease liability(*)	63,635	39,883	(3,647)	99,871	3,840	96,031
SBITA liability	14,202	16,521	(12,594)	18,129	8,501	9,628
Net pension liability(*)(**)	260,434	394	(7,661)	253,167	—	253,167
Net OPEB liability(**)	116,459	621	(17,609)	99,471	1,081	98,390
Compensated absences (see section H)(*)(**)	64,709	5,586	(2,369)	67,926	16,347	51,579
Due to primary government (see section J)	27,802	—	(4,654)	23,148	4,915	18,233
Unearned revenue(*)	27,208	19,825	(6,970)	40,063	39,335	728
Due to component units	896	—	(44)	852	852	—
Other Long-term liabilities						
Arbitrage rebate (see section I)	901	901	(275)	1,527	—	1,527
Pollution remediation (see section G)	12,152	—	(1,275)	10,877	978	9,899
Other liabilities (see section K)	446,429	30,113	(6,638)	469,904	884	469,020
Total Component Units Long-term Liabilities	$ 4,383,152	$ 860,915	$ (305,341)	$ 4,938,726	$ 230,774	$ 4,707,952

(*) The compensated absences, loans payable, lease liability, net pension liability, and unearned revenue were restated as a result of the recognition of Nowell Academy as a component unit and the adoption of GASB Statement No. 101.
(**) 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, 2025, 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
2026	$ 208,030	$ 109,054	$ 21,975	$ 5,560	$ 139,467	$ 146,764	$ 5,603	$ 2,106
2027	196,925	102,483	21,095	4,778	147,303	142,499	7,659	1,869
2028	186,195	93,884	5,960	3,970	166,772	136,967	8,021	1,599
2029	166,720	85,832	6,285	3,647	145,834	130,898	8,299	1,312
2030	173,320	78,123	6,625	3,303	148,887	125,555	8,611	1,018
2031 - 2035	714,170	286,519	39,060	10,600	689,972	215,555	19,964	2,724
2036 -2040	552,130	148,404	12,295	2,837	720,883	147,304	8,449	414
2041 -2045	250,260	60,060	5,680	368	563,180	94,980	—	—
2046 -2050	121,130	30,283	—	—	506,110	52,789	—	—
2051 -2055	105,888	1,411,722 (*)	—	—	427,325	24,139	—	—
2056 -2060	—	—	—	—	18,940	994	—	—
2061 -2065	—	—	—	—	5,475	266	—	—
2061 -2070	—	—	—	—	910	—	—	—
	$ 2,674,768	$ 2,406,364	$ 118,975	$ 35,063	$ 3,681,058	$ 1,218,710	$ 66,606	$ 11,042

(*) 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 June 2025, the State issued $223.9 million of general obligation bonds with interest rates from 4.4% to 5.5%, maturing from 2026 to 2045. The total premium paid on these bonds was $14.9 million. In accordance with certain bond statutes, net premiums of $1.4 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects and $12.6 million was transferred to Rhode Island Capital Plan Fund.

The State also issued $49.4 million of general obligation refunding bonds with an interest rate of 5.0%, maturing from 2026 to 2027. The premium paid on these bonds was $1.5 million. These bonds, combined with the premium, were deposited in an irrevocable trust to advance refund $49.8 million of series 2014RD and 2015RA bonds with interest rates from 3.0% to 5.0%. The refunding resulted in a reduction of debt service of $1.4 million from 2026 through 2028 and there was an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1.4 million. The advance refunding resulted in a deferred gain (difference between the reacquisition price and the net carry amount of the old debt) of approximately $635 thousand that was recorded as a deferred inflow of resources.

At June 30, 2025, general obligation bonds authorized by the voters and unissued amounted to approximately $591.2 million. In accordance with the General Laws, unissued bonds are subject to extinguishment seven years after the debt authorization was approved, unless extended by the General Assembly. In addition to the debt authorized by the voters for which the full faith and credit is pledged, the General Assembly has authorized the issuance of other debt that is subject to annual appropriation.

State Appropriation-Backed Revenue Bonds (Series 2023 Bonds) - The R.I. Health and Education Building Corporation (RIHEBC), on behalf of the State of Rhode Island (the "Borrower") and the City of Central Falls, issued $93.5 million in State appropriations-backed revenue bonds for Central Falls School Projects on August 17, 2023. The bonds were issued with interest rates of 4.00% - 5.00%, maturing through 2043. The premium paid on these bonds was $7.8 million. These bonds, combined with the premium, were deposited in a corporate trust with US Bank to fund construction of Central Falls High School. At June 30, 2025, bonds authorized by the General Assembly pursuant to General Law Chapter 35-18, but not issued for the school construction in the City of Central Falls totaled $50.4 million.

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

R.I. Commerce Corporation Grant Anticipation Bonds and Rhode Island Motor Fuel Tax Revenue Bonds - R.I. Commerce Corporation (RICC), on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Vehicle Bonds are payable solely from future federal aid revenues to be received by the State in reimbursement of federally eligible costs of specific transportation construction projects. Rhode Island Motor Fuel Tax Revenue Bonds are payable solely from certain pledged revenues derived from two cents ($.02) per gallon of the thirty-seven cents ($.37) per gallon Motor Fuel Tax. The bonds provide the State matching funds for the Grant Anticipation Revenue Vehicle Bonds. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof.

In September 2024, the Rhode Island Commerce Corporation, on behalf of the RI Department of Transportation, issued $123.9 million of Grant Anticipation Bonds. The premium paid on these bonds was $18.5 million. The bonds mature in 2032 to 2039 and have yields ranging from 2.92% to 3.32%. The bonds were issued to provide funding for certain costs of the Washington Bridge Project, and will be repaid with federal funds. The obligation of the State to make payments to the trustee of future federal aid revenues and future pledged motor fuel taxes is subject to annual appropriation by the General Assembly.

Pledged revenues were sufficient to fund fiscal year 2025 debt service payments for Grant Anticipation and Motor Fuel Tax Revenue Bonds. These revenues have been pledged for the term of the Grant Anticipation and Motor Fuel Tax Revenue Bonds through fiscal year 2039 and 2027.

Historic Tax Credit Bonds - In fiscal year 2019, the R.I. Commerce Corporation (RICC), on behalf of the State, issued $76.9 million of revenue bonds under the Historic Structures Tax Credit Financing Program. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The State is obligated under a Payment Agreement to make payments to the trustee, subject to annual appropriation by the General Assembly. The proceeds of the bonds are being used to provide funds for redemption of Historic Structures Tax Credits. As of June 30, 2025 there were $27.9 million of revenue bonds outstanding.

Tobacco Settlement Asset-Back Bonds and Accreted Interest - On June 27, 2002, the Corporation issued $685.4 million of Tobacco Settlement Asset-Backed Bonds (2002 Series). The bond proceeds were used to purchase the State’s future rights in the TSRs under the MSA. The bonds accrued interest at rates ranging from 5.9% to 6.3% and matured in varying amounts through June 1, 2042. The bonds were subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the principal amount plus accrued interest, without premium. The 2002 Series bonds were fully redeemed on March 19, 2015.

On June 27, 2007, the Corporation issued $197.0 million of additional Tobacco Settlement Asset-Backed Bonds (2007 Series). The bond proceeds were used to purchase the State's future rights to residual TSRs, which were not purchased under the 2002 purchase agreement. The bonds are Capital Appreciation Bonds, on which no periodic interest payments are made, but which are issued at a deep discount from par and accreting to full value at maturity in the year 2052. At maturity, the bond redemption values represent accreted yields ranging from 6.0% to 6.8%. The bonds are subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the issue amount plus accreted interest, without premium. A portion of the 2007 Series Bonds were redeemed in March 2015 and June 2017.

On March 19, 2015, the Corporation issued $620.9 million of Tobacco Settlement Asset-Backed Bonds (Series A and B) that bear interest at annual rates ranging from 0.6% to 5.0% and mature in varying amounts through June 1, 2050. The bonds are subject to several early redemption provisions, in whole or in part, at the redemption price of 100% of the principal amount plus accrued interest, without premium. Term maturities represent the minimum amount of principal that the Corporation has to pay as of specific dates.

All of the bonds of the Corporation are asset-backed instruments that are secured solely by the TSRs.

The bonds are payable both as to principal and interest solely out of the assets of the Corporation pledged for such purpose, and neither the faith and credit nor the taxing power of the State of Rhode Island or any political subdivision thereof is pledged to the payment of the principal of or the interest on the bonds. The bonds do not constitute indebtedness of or a general, legal, or "moral" obligation of the State or any political subdivision of the State.

During the year ended June 30, 2025, the Corporation utilized $10.4 million of excess collections to early redeem an equal amount of outstanding bonds, consistent with the "turbo redemption" requirements.

Primary Government - *Business-Type Activities*

R.I. Convention Center Authority

The R.I. Convention Center Authority (RICCA) is limited to the issuance of bonds or notes in an aggregate principal amount of $305.0 million. At June 30, 2025, outstanding bond indebtedness totaled $119.0 million.

In November 2017, the 2009 Series A Bonds outstanding in the amount of $64.800,000 were advance refunded via the Authority's issuance of Revenue Refunding Bonds, 2017 Series A (federally taxable) ("2017 Series A Bonds").

Concurrent with the issuance of the RICCA's 2009 Series A Bonds, a financial guaranty insurance policy was issued by Assured Guaranty Corp. The policy provided maximum coverage for principal and interest payments on the 2009 Series A Bonds of $127,472,366. Coverage under the policy terminated with the advance refunding of the 2009 Series A Bonds.

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

During April 2021, RICCA issued its 2021 Series A Bonds in an aggregate amount of $32.2 million for the purpose of refunding RICCA's outstanding 2015 Series A Bonds and to pay the costs of issuance. The 2021 Series A Bonds mature between 2021 and 2026. The net proceeds of $32.0 million (after payment of $157 thousand in issuance costs) were deposited in an irrevocable trust fund under an escrow agreement between the escrow agent and RICCA. The proceeds were used to acquire United States Treasury Securities - State and Local Government Series (SLGS). All investment income on and the maturing principal of the SLGS held in the escrow deposit fund are considered defeased. In May of 2021 and May 2022, $10.3 million and $10.8 million, respectively, of the defeased debt was redeemed. In May 2023, $9.1 million of the defeased debt was redeemed. The Authority refunded the 2015 Series A Bonds to reduce debt service payments in 2021 and 2022 and to provide use restrictions of tax-exempt bonds.

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

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

Each of the bond resolutions contains certain restrictive covenants. During the year ended June 30, 2025, RICC 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, 2025.

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, 2025 revenue bonds outstanding were approximately as follows: URI - $223.3 million, RIC - $9.0 million, and CCRI - $0.

R.I. Airport Corporation

Revenue bonds are issued by R.I. Commerce Corporation (RICC) on behalf of R.I. Airport Corporation (RIAC). The proceeds from these bonds are used to finance construction and related costs of certain capital improvements. These bonds are secured by the net revenues derived from the operation of the airports. As required by the Master Indenture of Trust, RIAC must attain a debt service ratio of 1.25 and meet other nonfinancial covenants. As of June 30, 2025, RIAC was in compliance with all financial covenants.

Per its Master Indenture of Trust and Supplemental Indentures, RIAC has pledged net revenues derived from the operation by RIAC of the Airport and certain general aviation airports to repay approximately $117.5 million in airport revenue and special facility bonds. Proceeds from the bonds were used for various airport improvement projects. Amounts available to pay debt service per the Master Indenture of Trust, including passenger facility charges, were approximately $54.8 million for the year ended June 30, 2025. Principal and interest payments for the year ended June 30, 2025 were approximately $20.3 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 $42.0 million with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The purpose of the Agreement was to reimburse RICC and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the InterLink Facility Project. RIAC was permitted under the Agreement to make requisition of funds for eligible project costs through fiscal year 2013. RIAC began making monthly payments of interest in fiscal year 2012, with interest at a rate of 5.3%. Payments are made on behalf of RICC (the borrower per the Agreement), and debt service payments commenced in fiscal year 2012 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2025, RIAC had approximately $37.9 million in borrowings under this agreement.

Other Component Units

Non-major component units have various bonds outstanding. These revenue bonds were generally issued to fulfill the component unit's corporate purpose. Additional information on each non-major component unit's debt obligations is available in their audited financial statements.

C. Loans Payable

Discretely Presented Component Units

This balance consists of loans payable by the University of Rhode Island and the Quonset Development Corporation of approximately $291 thousand and $19.6 million, respectively.

D. Certificates of Participation

Primary Government

The State has entered into Certificates of Participation (COPs) with financial institutions. These financing arrangements have been used by the State to acquire, construct or renovate facilities and acquire other capital assets. The State's COPs at June 30, 2025, consist of the future debt payments less any funds available in debt service reserve funds. Obligation of the State to make payments under these agreements is subject to and dependent upon annual appropriations being made by the General Assembly.

At June 30, 2025, future debt service requirements for Certificates of Participation were as follows (expressed in thousands):

Fiscal Year Ending June 30	Principal	Interest
2026	$ 6,930	$ 1,847
2027	6,520	1,507
2028	5,690	1,192
2029	5,985	918
2030	3,820	630
2031 - 2035	11,900	993
	$ 40,845	$ 7,087

Each COPs transaction generally covers multiple capital projects supporting multiple functions of the primary government. In general, the amount of capital asset additions funded through COPs is equivalent to the amount of the issuance. The State reports the amortization charge on assets acquired through COPs with depreciation expense on the government-wide financial statements and discloses the amounts in Note 5, Capital Assets. When issuances also fund component unit projects, the State records the full liability and recognizes the related receivable from the component unit for their portion of debt service in the government-wide financial statements.

Assets purchased with Certificates of Participation as of June 30, 2025 (expressed in thousands) are as follows:

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 215,583	$ 87,946	$ 127,637
Building Improvements	86,737	53,182	33,555
Computer Systems	52,395	40,586	11,809
Infrastructure	26,754	11,504	15,250
	$ 381,469	$ 193,218	$ 188,251

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, 2025, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	$ 49,780
Component Units:	
R.I Infrastructure Bank	$ 70,640

F. Conduit Debt

To further economic development in the State, the R.I. Housing and Mortgage Finance Corporation (RIHMFC) issues bonds that provide financing for the acquisition, construction and rehabilitation for multifamily housing for low-income renters. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the developers on the underlying mortgage or promissory notes. In addition, no commitments beyond the collateral, the payments from the developers and maintenance of the tax-exempt status of the conduit debt obligation were extended by RIHMFC for any of those bonds. At June 30, 2025, the bonds have an aggregate outstanding principal amount payable of $188.8 million.

The R.I. Health and Educational Building Corporation (RIHEBC) has issued various series of revenue bonds, notes, and leases to finance capital expenditures for Rhode Island educational institutions, hospitals, and healthcare providers. The bonds, notes and leases are special obligations of RIHEBC, payable from revenues derived solely from the institution for which the project was financed. The bonds, notes, and leases do not constitute a debt or pledge of the faith and credit of RIHEBC or the State, and accordingly are not reflected in the financial statements. The amount of conduit debt outstanding on June 30, 2025 was $4.4 billion.

The R.I. Industrial Facilities Corporation (RIIFC) and the R.I. Commerce Corporation (RICC) issue revenue bonds, equipment acquisition notes, and construction loan notes to finance various capital expenditures for Rhode Island business entities. The bonds and notes issued by the Corporations are not general obligations of the Corporations and are payable solely from the revenues derived from the related projects. They neither constitute nor give rise to a pecuniary liability for the Corporations nor do they represent a charge against their general credit. Under the terms of the various indentures and related loan and lease agreements, the business entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. The payments are not shown as receipts and disbursements of the Corporations, nor are the related assets and obligations included in the financial statements. The amount of conduit debt outstanding on June 30, 2025 was $32.5 million for RIIFC and $849.3 million for RICC.

The Rhode Island Infrastructure Bank (RIIB) has issued conduit bonds for the express purpose of providing capital financing for a specific third party. RIIB has no obligation for the conduit debt beyond resources provided by a loan with the third party on whose behalf the conduit bonds were issued. As of June 30, 2025, RIIB had seven series of conduit bonds outstanding, with an aggregate principal amount payable of $33.8 million.

The Rhode Island Industrial-Recreational Building Authority (RIIRBA) has insured contractual principal and interest payments required under first mortgages and first security agreements principally for land and buildings of manufacturing and distribution entities located throughout Rhode Island. Principal balances outstanding under first mortgages and first security agreements insured by RIIRBA at June 30, 2025 totaled approximately $8.2 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, 2025, 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, as well as vested sick leave credits that are payable upon retirement, subject to certain limitation, and nonvested sick leave credits that are more likely than not to be used by employees as paid time off. Payment is calculated at the employees' current rate of pay as of the date of the financial statements.

I. Arbitrage Rebate & Yield Reduction Liabilities

A liability accrues for income on the investment of debt proceeds determined to be arbitrage earnings in accordance with federal regulations. These accrued amounts are generally payable to the federal government every fifth year after the issuance date of the bonds over the life of the issuance. As of June 30, 2025, the State carries $21.1 million in arbitrage rebate.

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

J. Due to the Primary Government

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

K. Other Long-Term Liabilities

Governmental Activities - the liabilities consist primarily of:

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

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

- Asset Retirement Obligations – General and RI Capital Plan.
- Other long-term liabilities – General and Intermodal Surface Transportation Funds.

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

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

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

The components of the deferred outflows of resources and deferred inflows of resources related to the primary government and its discretely presented component units as of June 30, 2025 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	$ 6,433	$ 597	$ 7,030	$ 7,419
Deferred pension costs - ERS	467,552	3,186	470,738	32,261
Deferred pension costs - single employer plans and other	52,737	—	52,737	21,884
Deferred OPEB costs - multiple employer plans	56,561	773	57,334	25,477
Deferred OPEB costs - single employer plans	12,273	—	12,273	—
Asset Retirement Obligations	37,918	—	37,918	—
Derivatives	—	—	—	1
Total deferred outflows of resources	$ 633,474	$ 4,556	$ 638,030	$ 87,042
Deferred inflows of resources:				
Deferred gain on refunding of debt - Tobacco	$ 21,498	$ —	$ 21,498	$ 1,030
Deferred gain on refunding of debt - GO Bond	629	—	629	—
Deferred pension credit - ERS	198,505	1,098	199,603	20,979
Deferred pension credit - single employer plans and other	18,262	—	18,262	4,459
Deferred OPEB credit - multiple employer plans	135,002	1,472	136,474	65,043
Deferred OPEB credit - single employer plans	40,016	—	40,016	—
Leases	21,422	27,197	48,619	277,807
Derivatives	—	—	—	89
Total deferred inflows of resources	$ 435,334	$ 29,767	$ 465,101	$ 369,407

The components of the deferred inflows of resources related to the governmental funds as of June 30, 2025 are as follows (expressed in thousands):

	General Fund	IST Fund	Other Governmental Funds	Total Governmental Funds
Deferred inflows of resources:				
Taxes	$ 10,788	$ —	$ —	$ 10,788
Other general revenue	7,236	—	—	7,236
Restricted revenue	77,850	—	—	77,850
Federal revenue	—	30,285	—	30,285
Leases	18,379	2,839	204	21,422
Total deferred inflows of resources	$ 114,253	$ 33,124	$ 204	$ 147,581

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):

	Major Funds				
	General Fund	IST Fund	Rhode Island Capital Plan	Other Funds	Total
Fund Balances:					
Nonspendable:					
Prepaid expenditures and permanent funds principal	$ 181,505	$ —	$ —	$ 174	$ 181,679
Restricted for:					
Purposes specified by enabling legislation	409,550	—	—	—	409,550
RI Capital Plan	—	—	806,141	—	806,141
Debt Service	—	14,133	—	67,450	81,583
Capital Projects	—	—	—	430,217	430,217
Temporary Disability Insurance	—	—	—	221,980	221,980
Historic Tax Credit Redemption	—	—	—	86,314	86,314
Transportation-Infrastructure	—	191,146	—	—	191,146
Mission 360 Loan Program	—	1,696	—	—	1,696
Other	—	—	—	627	627
Committed to:					
Transportation-Maintenance	—	189,887	—	—	189,887
Other	19,106	—	—	230	19,336
Assigned to:					
Subsequent Years Expenditures	274,024	830	—	399	275,253
Unassigned:					
Budget Reserve and Cash Stabilization	297,697	—	—	—	297,697
Supplemental Budget Reserve	55,000	—	—	—	55,000
Other	(160,355)	—	—	—	(160,355)
Permanent Fund Principal	—	—	—	(60)	(60)
Totals	$ 1,076,527	$ 397,692	$ 806,141	$ 807,331	$ 3,087,691

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 2025, 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 2025, the Budget Reserve and Cash Stabilization Account had been fully funded.

The State has not adopted any minimum fund balance requirements for any funds beyond the State Budget Reserve and Cash Stabilization Account within the General Fund.

Pursuant to RIGL 35-3-20.2, the Supplemental State Budget Reserve was established at the close of fiscal year 2023 within the General Fund and is administered by the State Controller. The Reserve is intended to be used exclusively to provide funding, as appropriated, for any unanticipated general revenue deficits. Although the Supplemental State Budget Reserve was created in fiscal year 2023, the associated transfers were subsequently reversed for fiscal years 2024 and 2025.

The Supplemental State Budget Reserve Account should consist of: (1) Such sums as the State may from time to time directly transfer to the account as authorized in law; and (2) Any amounts transferred pursuant to 35-6-1(e).

> *(e) Upon issuance of the audited financial statement, the Controller shall transfer fifty percent (50%) of all general revenues received in the completed fiscal year net of transfer to the state budget reserve and cash stabilization account as required by § 35-3-20 in excess of those estimates adopted for that year as contained in the final enacted budget to the employees' retirement system of the* State of Rhode Island *as defined in § 36-8-2 and fifty percent (50%) to the Supplemental State Budget Reserve Account as defined in § 35-3-20.2. Except that excess revenues from fiscal years 2023 and 2024 shall not be transferred to the supplemental state budget reserve account.*

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 $1.6 billion of restricted net position, of which $1.4 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

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

	Governmental Activities	Internal Service Funds	Discretely Presented Component Units
Previously reported at June 30, 2024:			
Net Position	$ 3,127,411	$ 30,655	$ 4,286,211
Restatement due to:			
1) Implementation of GASB Statement No. 101	(39,344)	(7,740)	(21,353)
2) Change in financial reporting entity - URI's Research Foundation	—	—	(4,496)
3) Change in financial reporting entity - Sheila C. "Skip" Nowell Leadership Academy	—	—	807
Restated Beginning Balances at July 1, 2024:			
Net Position	$ 3,088,067	$ 22,915	$ 4,261,169

1) The State had restatements due to the implementation of GASB Statement No. 101 which resulted in a decrease to beginning net position of $(39.3) million for governmental activities, which includes $(7.7) million for internal service funds, and $(21.4) million for discretely presented component units (CCRI, CFSD, RIPTA, and URI).

2) In fiscal year 2025, URI determined that the results of operations and financial position of its Research Foundation were not significant enough to be presented as part of the reporting entity. As a result, discretely presented component units' beginning net position was reduced by $(4.5) million to reflect the change in the financial reporting entity.

3) Additionally, the State recognized Sheila C. "Skip" Nowell Leadership Academy as a component unit, resulting in an increase to discretely presented component units' net position of $807 thousand.

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	$ 1,967,874	$ 1,968,584
General Business Taxes:		
Business Corporations	329,133	324,688
Public Utilities Gross Earnings	116,322	116,322
Financial Institutions	7,604	7,604
Insurance Companies	167,694	167,694
Bank Deposits	5,110	5,110
Health Care Provider Assessment	44,765	44,765
Sub-total - General Business Taxes	670,628	666,183
Sales and Use Taxes:		
Sales and Use	1,672,709	1,671,404
Cigarettes	117,233	117,233
Alcoholic Beverages	21,849	21,849
Sub-total - Sales and Use Taxes	1,811,791	1,810,486
Other Taxes:		
Inheritance and Gift	84,884	84,884
Racing and Athletics	686	686
Realty Transfer	18,765	18,764
Sub-total - Other Taxes	104,335	104,334
Total - General Fund	4,554,628	4,549,587
Intermodal Surface Transportation Fund		
Gasoline	172,357	172,357
RI Highway Maintenance	79,165	79,165
Other Governmental Funds	296,742	296,743
Total Taxes	$ 5,102,892	$ 5,097,852

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 nine programs in place to abate taxes. Of the nine programs, four are managed by the State and five 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 $86.3 million is available in the Historic Tax Credit Fund at June 30, 2025.

The following is a summary of taxes abated during fiscal 2025 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	$ —	$ 2,284	$ —	$ —	$ —	$ —	$ 2,284
Motion Picture Production Tax Credits	3,879	1,327	4,430	4,800	—	—	14,436
Qualified Jobs Incentive Tax Credit	1,168	1,449	—	—	—	—	2,617
Rebuild Rhode Island Tax Credit	1,445	263	5,301	—	—	—	7,009
Historic Preservation Tax Credits	4,406	311	6,597	—	—	—	11,314
Tax Credit for Contributions to Qualified Scholarship Organizations	1,010	—		—	—	—	1,010
Tax Increment Financing (PILOT)	—	—	—	—	232	1,455	1,687
Tax Increment Financing (Traditional)	—	—	—	—	186	1,752	1,938
Small Business Development	—	—	4,300	—	—	—	4,300
Wavemaker Fellowship	83	—	—	—	—	—	83
Total	$ 11,991	$ 5,634	$ 20,628	$ 4,800	$ 418	$ 3,207	$ 46,678

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. Wavemaker fellows have the option of directly receiving their payments. During the fiscal year ended June 30, 2025, direct payments made to Wavemaker fellows totaled approximately $795 thousand.
- Individual taxpayer information is protected by state and federal laws mandating its confidentiality and cannot be disclosed without specific statutory authority. To the extent GASB Statement No. 77 – *Tax Abatements* requires disclosure of such information, the State is legally prohibited from providing disclosures of individual taxpayer information.

The following pages summarize the key provisions of the tax abatement programs authorized by the State at June 30, 2025.

Program Name:	Jobs Development Act	Motion Picture Production Tax Credits
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

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

Program Name:	Tax Increment Financing	Wavemaker Fellowship
Program purpose:	Stimulate business development; retain and attract new business and industry to RI; create good-paying jobs for RI residents; assist with business, commercial, and industrial real estate development; and generate revenues for necessary State and local governmental services.	Promote economic opportunity and bring more and higher-paying jobs to the State; offer educational opportunity and retraining to individuals impacted by job loss, workplace injury, disability or other hardship; keep young people in the State; encourage an entrepreneurial economy in the State.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, Personal Income, Hotel, or Sales and Use.	Personal Income
Authority under which abatements are entered into:	Rhode Island Tax Increment Financing Act of 2015 (RIGL 42-64.21).	Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26).
Criteria to be eligible to receive abatements and commitment of the taxpayer:	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 postgraduate degree holder, and may not exceed the education loan repayment expenses incurred by the selected taxpayer during each service period completed, for up to four (4) consecutive service periods provided that the taxpayer continues to meet the eligibility requirements throughout the eligibility period.
Recapture provisions:	Tax credits may be denied or revoked if applicant's certification or information is found to be willfully false; if the applicant or successor is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the State, any State agency or political subdivision of the State.	Tax credits may be denied or revoked if applicant's certification or information is found to be willfully false; if the applicant or successor is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the State, any State agency or political subdivision of the State.

Program Name:	Tax Credit for Contributions to Qualified Scholarship Organizations	Historic Preservation Tax Credits
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	RIGL 44-62-3	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 $1,600,000 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

Program Name:	The Rhode Island Small Business Development Fund
Program purpose:	To encourage investment in a small business development fund and provide a tax credit to those who do so.
Taxes being abated:	Taxation of Insurance Companies under § 44-17-1 et seq.
Authority under which abatements are entered	R.I. Gen. Laws § 42-64.33
Criteria to be eligible to receive abatements and commitment of the taxpayer:	Small business fund investor makes a capital investment into a small business development fund which has previously been approved by the Rhode Island Commerce Corporation. Small business fund investor earns vested right to the tax credit.
How taxes are reduced:	Taxpayer applies SBDF tax credit certificate issued by the Rhode Island Commerce Corporation against its tax liability.
How abatement is determined:	The amount of tax liability that was offset by the SBDF tax credit certificate.
Recapture provisions:	R.I. Gen. Laws § 42-64.33-5. Tax credit recapture and exit.

Note 13. Pledged Revenue

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

Revenue Bonds-Tobacco Settlement Financing Corporation (TSFC)			
Revenue, cash basis:			
TSFC settlement revenues [a]	$	40,758	
Investment income		2,364	
Total revenues		43,122	
General and administrative expenses, cash basis		73	
Net revenue available for debt service		43,049	
Required debt service payments		33,385	
Coverage ratio before "turbo redemption" principal payments [b]			128.95 %
Turbo redemptions - principal [c]		10,380	
Total annual debt service		43,765	
Total outstanding debt, net of unamortized premium/discount		686,824	
Coverage ratio after "turbo redemption" principal [d]			98.36 %
Term of commitment - through June 2052			
Revenue Bonds-GARVEE (Federal Highway)			
Revenue - FHWA participation		66,505	
Less: operating expenses		—	
Net available revenue		66,505	
Debt service			
Principal		41,860	
Interest		24,791	
Total debt service		66,651	
Total outstanding debt, net of unamortized premium/discount		695,916	
Coverage [b]			99.78 %
Term of commitment - through June 2035			
Revenue Bonds-Motor Fuel (Gas Tax)			
Revenue - 2 cents per gallon of the gasoline tax		8,709	
Less: operating expenses		—	
Net available revenue		8,709	
Debt service			
Principal		4,360	
Interest		524	
Total debt service	$	4,884	
Total outstanding debt, net of unamortized premium/discount		6,706	
Coverage [b]			178.32 %
Term of commitment - through June 2027			

[a] Included for fiscal year 2025 are certain one-time revenue items totaling $2,457,579.

[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, 2025 are presented below (expressed in thousands):

	Transfers	Description
Governmental Funds		
Major Fund		
General		
Major Funds		
Intermodal Surface Transportation	$ 55,209	Debt service and operating assistance
RI Capital Plan	564	Capital expenditures
Non-major Funds		
Historic Tax Credit Financing	11,314	Tax credits claimed
Certificates of Participation	447	Funds paid for debt service costs
Large Systems Initiative Funds	10,966	Interest earnings transfer
Bond Capital	11,229	Interest earnings transfer and debt service
Proprietary Funds		
Lottery	433,595	Net income transfer
Total General Fund	523,324	
Intermodal Surface Transportation		
RI Capital Plan	129,302	Infrastructure funding
Total Intermodal Surface Transportation	129,302	
RI Capital Plan		
General	172,796	Transfer statutory excess in budget reserve
Bond Capital	12,604	Transfer of excess bond premiums
Total RI Capital Plan	185,400	
Non-major Funds		
RI Public Rail Corp		
Intermodal Surface Transportation	3,727	Operating assistance
Total Non-major Funds	3,727	
Total Governmental Funds	**841,753**	
Proprietary Funds		
RI Convention Center		
General	25,296	Debt service and operating assistance
RI Capital Plan	7,068	Capital improvements
Lottery		
RI Capital Plan	94	Capital improvements
Total Proprietary Funds	**32,458**	
Total Transfers Primary Government	**$ 874,211**	

Note 15. Leases and Subscription-Based Information Technology Arrangements

A. Leases

Governmental Activities - Lessee

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

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

At June 30, 2025, the State recorded $101.9 million and $56.4 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 2025. The Lottery leases outdoor advertising structures for display of advertising copy at certain locations throughout the State under a long-term, non-cancelable lease agreement. The lease commenced on June 17, 2022 and expires on June 30, 2026.

At June 30, 2025, the Lottery recorded a right to use asset in the amount of $1.3 million and accumulated amortization in the amount of $951 thousand. There was no variable lease payments related to this lease for fiscal year 2025.

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, 2025, the RICCA recorded $53 thousand and $45 thousand in right to use asset and accumulated amortization, respectively.

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

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2026	$ 16,693	$ 778	$ 344	$ 5	$ 17,820
2027	10,157	544	2	—	10,703
2028	9,492	339	—	—	9,831
2029	8,218	164	—	—	8,382
2030	2,401	57	—	—	2,458
2031 - 2035	2,038	25	—	—	2,063
Total minimum lease payments	**$ 48,999**	**$ 1,907**	**$ 346**	**$ 5**	**$ 51,257**

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

	Governmental Activities	Business-Type Activities	Total
Equipment	$ 4,682	$ 1,322	$ 6,004
Buildings	96,926	—	96,926
Land	319	—	319
Less: accumulated amortization	(56,353)	(996)	(57,349)
	$ 45,574	$ 326	$ 45,900

Governmental Activities - Lessor

The State, acting as lessor, leases land, cellular tower space, and commercial parcel lots under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2082 and provide for five years renewal options. Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

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

During the year ended June 30, 2025, the State recognized $984 thousand and $531 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, 2025, the Lottery recognized $84 thousand in lease revenue, and $56 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, 2025, the Authority recognized $2.9 million and $525 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):

	Governmental Activities		Business-Type Activities		Total
	Principal	Interest	Principal	Interest	
2026	$ 963	$ 514	$ 2,035	$ 641	$ 4,153
2027	1,000	492	2,128	592	4,212
2028	1,039	470	2,147	541	4,197
2029	1,080	446	2,185	491	4,202
2030	1,107	421	1,404	442	3,374
2031 - 2035	5,400	1,729	7,406	1,515	16,050
2036 - 2040	3,194	1,202	5,411	694	10,501
2041 - 2045	2,975	793	4,671	271	8,710
2046 - 2050	2,978	417	350	18	3,763
2051 - 2055	1,357	101	—	—	1,458
2056 - 2060	227	24	—	—	251
2061 and thereafter	43	2	—		45
Total minimum lease payments	**$ 21,363**	**$ 6,611**	**$ 27,737**	**$ 5,205**	**$ 60,916**

Discretely Presented Component Units

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

B. Subscription-Based IT Arrangements (SBITAs)

Governmental Activities

The State has entered into certain SBITAs for various terms under long-term, non-cancelable agreements. The SBITAs expire at various dates through fiscal year 2033 and provide for renewal options of one year.

At June 30, 2025, the State recorded $57.5 million and $24.5 million in right to use subscription asset and accumulated amortization, respectively.

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

	Governmental Activities		Business-Type Activities		
	Principal	Interest	Principal	Interest	Total
2026	$ 13,321	$ 874	$ 111	$ 20	$ 14,326
2027	9,685	426	117	15	10,243
2028	1,162	93	110	10	1,375
2029	304	57	72	5	438
2030	329	47	57	1	434
2031 and thereafter	1,145	75	—	—	1,220
Total minimum SBITA	**$ 25,946**	**$ 1,572**	**$ 467**	**$ 51**	**$ 28,036**

At June 30, 2025, the State had commitments totaling $58.2 million under SBITAs that have not commenced as of the end of the fiscal year.

Business-Type Activities

SBITA arrangements were determined not to be applicable to the Lottery and the Employment Security Trust Fund current agreements.

The RICCA has SBITAs with certain vendors for various terms under long-term, non-cancelable subscription agreements. The SBITAs expire at various dates through April 2030 and provide for renewal options ranging from one to five years.

As of June 30, 2025, the Authority acquired through outstanding SBITAs $1.3 million and $212 thousand in right-to use subscription assets and related accumulated amortization respectfully.

Discretely Presented Component Units

Certain component units, most notably the University of Rhode Island, maintain various subscription-based arrangements. This information is presented separately from the primary government in the financial statements of the discretely presented component units. Refer to the separately issued financial statements of the respective component units for further details.

Note 16. Commitments

Primary Government

The primary government is committed at June 30, 2025 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, 2025, the primary government had transportation infrastructure design, construction and other contract commitments of approximately $1.5 billion, and contract commitments for the design, construction and renovation of buildings of approximately $287.4 million.

At June 30, 2025 the primary government had software development and implementation contract commitments totaling approximately $117.9 million. Of this amount, $35.5 million is associated with two major technology system contractual commitments: the enterprise-wide ERP system ($21.0 million) and the DCYF Comprehensive Child Welfare Information System (CCWIS) ($14.4 million). These commitments will carry forward into fiscal year 2026. These amounts include only purchase orders and related amendments generally processed through June 30, 2025. The State is also committed under multiple contracts for ongoing services which are not included in these commitment amounts.

I-195 Washington Bridge Closure

The Rhode Island Department of Transportation (RIDOT) closed the westbound side of this bridge during December 2023 due to a critical failure of old components. In March 2024, after further inspections and analysis by multiple consultants, it was determined the westbound side of the bridge would need to be replaced.

In April 2024, a new traffic configuration on the eastbound bridge was implemented providing three lanes in each direction. Additionally, the eastbound bridge underwent inspections and analysis to ensure it was safe to handle the additional traffic. In June 2024, RIDOT issued the award for the demolition of the superstructure which was later revised to include the demolition of the sub structure.

The total cost of demolition was $97.9 million and substantial completion of the superstructure demolition was achieved on time in February 2025. Similarly, the substantial completion of the sub structure was achieved on time in December 2025. Another solicitation was put out for the replacement of the bridge. The solicitation was done as a two-step process with the RFQ issued in October 2024. Four highly qualified firms responded to the RFQ and in December 2024, two firms were shortlisted to compete in the RFP phase. The RFP was issued in December 2024. In June 2025, RIDOT issued the award for the replacement project. The total cost of the project is $427.9 million with completion in June 2028 and the bridge being fully operational in November 2029.

In an effort to recover damages associated with the failure of the Washington Bridge, a legal team originally hired by the Governor's administration to represent the State, consisting of Wistow, Sheehan & Lovely, PC and Savage Law Partners, LLP, filed a lawsuit in State superior court on August 16, 2024, as co-counsel with the Rhode Island Attorney General, against certain companies, including Aetna Bridge Company, claimed by the legal team to bear responsibility for the bridge failure. Notwithstanding the foregoing, as noted above, RIDOT awarded the contract for the demolition portion of the project to Aetna Bridge Company, which demolition commenced in July of 2024. The State is requesting a trial by jury, who would serve as the final trier of fact and awards.

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 $322.9 million, per federal law, subject to a self-insured retention of $7.5 million.

City of Pawtucket Downtown Redevelopment Project (Tidewater Soccer Stadium)

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

In February 2021, the RICC certified an award of baseline revenues for the Tidewater Landing Project which is comprised of a soccer stadium and related development. The Pawtucket Redevelopment Agency subsequently issued Series 2024A bonds in February 2024 with a schedule of debt service payments commencing in state fiscal year 2027 but only after the RICC certifies that the project had been placed in service. The project was placed in service on August 18, 2025. At such time, the State segregated baseline revenues generated in the district and deposited them into the Economic Activity Taxes Fund for the purpose of paying debt service on the 2024A bonds. Monies anticipated to pay debt service on the Series 2024A Bonds are subject to annual appropriation by the General Assembly.

The Governor of Rhode Island has covenanted and agreed to include the Narrative Appropriation of State EATs in the Governor’s proposed budget of revenues and appropriations submitted annually to the General Assembly. The Governor has also covenanted and agreed to include in the Governor’s proposed budget for Fiscal Year 2027 and for each Fiscal Year thereafter during which the Series 2024A Bonds are outstanding the Dollar Amount Appropriation equal to the dollar amount designated by the RICC to be made available for the Phase 1A Project for the coming Fiscal Year in the Final Verification’s payment schedule. The Governor has covenanted and agreed to include the full Dollar Amount Appropriation in the Governor’s proposed budget. Consistent with the Statute, the State EATs Agreement provides that nothing in the State EATs Agreement limits the authority of the General Assembly to appropriate revenues of the State other than State EATs to make deposits into the Fund to pay debt service on the Series 2024A Bonds. Accordingly, if Baseline Taxes are insufficient in any Fiscal Year, the Dollar Amount Appropriation could be made from State EATs and/or from any other legally available funds of the State.

In 2025, the PRA, in coordination with the State refinanced the par value $54.3 million Series 2024A bonds with the issuance of par value $59.9 million Series 2025A refunding bonds with the transaction closing December 23, 2025. The State’s appropriation pledge for these bonds has not changed and no new or expanded support was added for the Series 2025A bonds.

	Series 2024A	Series 2025A
Par Value	$ 54,285	$ 59,925
Original Issue Premium (Discount)	(4,451)	4,051
Net Proceeds	**$ 49,834**	**$ 63,976**

United States Department of Justice Consent Decree

The State of Rhode Island entered into a consent decree (Consent Decree) on April 9, 2014 with the United States Department of Justice (USDOJ) relating to the statewide day and employment activity service system for individuals with intellectual and developmental disabilities to remedy any and all violations of the integration mandate of Title II of the Americans with Disabilities Act (ADA) and Olmstead Decision (Olmstead v. L.C.), that were identified as a result of the federal calendar year 2013 investigation of the State's day activity service system.

The Consent Decree is intended to ensure that the State will timely meet the requirements of the integration mandate of the ADA and the Olmstead decision as it pertains to the statewide day activity service system; which require that the State day activity services, including employment and day services, for individuals with intellectual and developmental disabilities be provided in the most integrated setting appropriate to meet their needs. The Consent Decree anticipated that Rhode Island would have been in compliance with the consent decree provisions by the end of state fiscal year 2024. On October 2, 2023, the State entered into an Addendum to the Consent Decree, as ordered by the Federal Court, to be completed by June 30, 2026. The Addendum identifies specific action items the State will need to complete to meet the terms of the Consent Decree.

As the State continues to comply with the terms of the Consent Decree, recent court orders will require a significant future State investment to the operations and underlying infrastructure that support the service system for individuals with intellectual and developmental disabilities. Specifically, the court order required 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, and a self directing support model, funded by the State. The amount of additional investment has been appropriated through fiscal 2026 to address the concerns outlined in the Consent Decree and to move the State toward substantial compliance by utilizing the funds to meet the needs of the population as outlined in the Addendum.

United States Environmental Protection Agency Consent Decree

Rhode Island Department of Transportation (RIDOT) entered into a 10-year Consent Decree with the EPA in 2015 concerning violations of the Clean Water Act by failing to comply with the conditions in the General Permit – Rhode Island Pollutant Discharge Elimination System Storm Water Discharge from Small Municipal Separate Storm Sewer Systems. The Consent Decree requires RIDOT to implement remedial actions necessary in order to address discharges to impaired waters, illicit discharge detection and elimination, street sweeping pollution prevention and catch basin and other drainage system component inspection and maintenance. The State has committed to significant annual investments to implement the remedial actions. The Consent Decree also incorporates stipulated penalties for failure to meet specific compliance deadlines. To date, RIDOT has met all the required milestones and expects to meet all future milestones outlined in the Consent Decree that ended in the 2025 fiscal year. RIDOT continues to follow the plan outlined in the consent decree even after it has ended.

Department of Children, Youth and Families - Litigation, Consent Decree, and Settlement Agreement

Children's Rights of New York (Children's Rights) brought suit against the State in 2007 alleging constitutional and statutory violations in its foster care programs. Children's Rights sought substantial changes to these programs, prolonged supervision by a private, outside monitor and attorney's fees. A judgment was entered in favor of the State in the United States District Court for the District of Rhode Island on April 30, 2014. Children's Rights appealed to the United States Court of Appeals for the First Circuit, which reversed the judgment and remanded the case to the District Court for additional discovery and further litigation.

A settlement agreement was approved by the District Court after a fairness hearing in May 2018. The State began to implement the requirements of the Settlement Agreement. To date, the State has successfully achieved fourteen of the benchmarks in the Settlement Agreement and has successfully exited out of seven sections to the agreement. In accord with the terms of the Settlement Agreement, the State has contracted with a provider to conduct a workload study. The purpose of the workload study is to assess what, if any, additional staffing resources are necessary for the State to achieve compliance on the sections of the Settlement Agreement related to child welfare practice. A determination on additional staffing resources needs will be made after the agency receives the results of the workload study.

While the parties have entered into a settlement agreement, the State may face continuing exposure for damages and additional attorney's fees arising out of a challenge to the State's completion of agreed benchmarks and entitlement to exit the agreement on several parameters.

In December 2024, the State received Monitoring Report #12, in which the court-appointed monitors found the State in compliance with Section 6.2 of the Settlement Agreement. The State has achieved compliance with Sections 1-10, leaving only two remaining provisions related to annual reporting. As of January 15, 2025, the State has submitted a draft notice of exit from Section 6.2 and is discussing its final exit from the entire agreement with plaintiffs and the monitoring team. The Court approved final exit from the suit on June 6, 2025. On March 16, 2026, the parties filed a joint stipulation seeking the court's approval for payment of $8,500 in full and final settlement of all remaining legal fees and costs.

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

A consent decree was filed on December 19, 2024 in the U.S. District Court of Rhode Island. This decree acknowledges the findings of the Department of Justice and Department of Health and Human Services of the unnecessary segregation of children with behavioral health disabilities at Bradley Hospital by the DCYF. This decree is under the intention to remedy the noncompliance with the Americans with Disability Act and Section 504 by reinforcing home-based care and crisis intervention resources. This consent decree was approved and entered by the Court on January 7, 2025.

On November 13, 2024, the Disability Rights Rhode Island, Children's Rights, and the American Civil Liberties Union of Rhode Island filed a class action lawsuit against the State for denying Medicaid-eligible children and youth their right to appropriate mental health care. The Court is currently mediating the lawsuit and settlement negotiations are ongoing.

Performance-based Agreements

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

Asset Retirement Obligations

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

In accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations* a liability for the estimated cost of decommissioning the nuclear reactor and an offsetting deferred outflow of resources, each totaling $32.6 million was recorded as of July 1, 2018. Since initial recording, an additional $12.2 million has been recorded as of June 30, 2025. 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 34 years as of June 30, 2025. During fiscal 2025 amortization expense of $1.1 million related to the deferred outflow of assets was charged to education function on the Statement of Activities. The total deferred outflows remaining to be amortized at June 30, 2025 was $37.9 million.

State Takeover of Providence Public School District

The State, acting through the Rhode Island Council on Elementary and Secondary Education and the Rhode Island Department of Education (RIDE), oversees the performance of schools and local education agencies (LEAs) receiving state aid. This oversight includes adopting statewide performance standards and annually assessing districts against them. State intervention typically begins with support and technical assistance.

In its oversight capacity, RIDE identified the Providence Public School District (PPSD) as consistently among the lowest performing in the state. This was based on objective criteria, including academic proficiency, absenteeism, and graduation rates. Pursuant to the Crowley Act, the State collaborated with PPSD and local stakeholders to improve the district through operational, policy, and financial support; however, none of these efforts yielded meaningful improvement following more than 30 years of chronic underperformance.

In May 2019, after standardized performance results showed persistently low English and Math proficiency, RIDE engaged the Institute for Education Policy at Johns Hopkins University (the Institute) to identify the systemic challenges impeding reform. The Institute’s review included academic studies, classroom observations, and interviews with students, teachers, administrators, and community members.

The resulting June 2019 "Hopkins Report" identified systemic deficiencies in PPSD’s governance, management, health and safety, facilities, curriculum, and instruction. It concluded that structural failures were the root cause of poor academic outcomes and the demoralization of staff and families.

Following a Commissioner’s order on October 15, 2019—and with the support of the Mayor’s Office, City Council, and School Board—the State assumed governance of PPSD on November 1, 2019. RIDE and PPSD then engaged the community to create the Providence Turnaround Action Plan (TAP) to target specific areas for improvement.

In September 2024, following independent reviews from Harvard and SchoolWorks noting significant progress, the Council of Elementary and Secondary Education voted unanimously to extend the state intervention through October 25, 2027. This action allows for an earlier return to local control if the district meets key conditions for academic success, governance, school construction, and finance.

Since the intervention began, the district has seen irrefutable progress:

- Proficiency levels in RICAS math and ELA have rebounded above pre-pandemic levels, according to the latest assessment data.

- Six new or "like-new" schools have opened, part of a $1.0 billion plan to ensure all students have access to 21st-century environments by 2030.

- PPSD reached its highest graduation rate in 10 years.

- Chronic absenteeism has seen a record decline, dropping 28.2 percentage points from its pandemic peak.

Additionally, through court action, PPSD secured the highest increase in local funding from the City of Providence in history. On November 8, 2024, the Rhode Island Superior Court ruled that the City had failed to meet its statutory funding obligations. This led to a settlement providing PPSD with millions in additional municipal funding over four fiscal years: $4.0 million in 2024; a total contribution of $146.5 million for FY2025; and $147.0 million for FY2026 (an $11.5 million increase over the initial FY2025 allocation). For FY2027, the City will provide a $147.0 million base contribution plus a percentage increase matching the total increase in State educational aid.

The priority of the Council and the Commissioner remains to ensure that local leaders can sustain this momentum. Past experiences, such as the intervention at Providence's Hope High School, demonstrate that student gains can be quickly lost if foundational systems are not strong enough to support long-term success.

Rhode Island Lottery – Master Contract Agreements

Gaming Systems Provider – International Game Technology (IGT)

Effective February 17, 2022, the Lottery entered into a contract amendment with IGT, extending the term of the Master Contract through June 30, 2043. In consideration for being the exclusive gaming system provider, exclusive of the online sports betting contract, IGT paid $27.0 million to the Lottery. In the event that the contract is terminated before its full term, a court may determine that the Lottery would need to refund some portion of the purchase price.

IGT, a Delaware Corporation changed its name to Brightstar Global Solutions Corporation (Brightstar) and contracted certain obligations under the Master Contract with the Lottery to IGT, a Nevada Corporation ("IGT"). On July 1, 2025, Apollo Global management (Apollo), a private equity firm, completed the acquisition of Everi Holding, Inc. and IGT's gaming/digital business, included the subcontracted obligations. This acquisition by Apollo will continue operations as IGT and be organized into three business units, Gaming, Digital, and FinTech. Due to the acquisition, on June 30, 2025, the Lottery signed a letter agreement related to subcontracting payment services as it relates to the gaming/digital business. Brightstar will continue to operate as Rhode Island's lottery gaming systems provider. No impact on Lottery operations is expected from the name change to Brightstar.

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

Commission Percentages

On-Line and Instant Tickets

Total Lottery Sales in the Year	Percent Thereof
$0 - $275 Million	5.00 %
Over $275 Million - $400 Million	4.00 %
Over $400 Million	5.00 %

Video Lottery Central System

Total Net Terminal Income for the Year	Percent Thereof
$0 - $500 Million	2.50 %
Over $500 Million - $1 Billion	1.00 %
Over $1 Billion	2.50 %

Video Lottery Terminal Provider - International Game Technology (IGT)

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

Pursuant to the Crisafulli Act, IGT, on January 1, 2023 executed an Assignment and Assumption Agreement to transfer its Video Lottery Terminal Technology Provider License Agreement to the VLT Joint Venture. The VLT Joint Venture is effective January 1, 2023 through June 30, 2043. The VLT Joint Venture, "Rhode Island VLT Company LLC", is owned by IGT and the Affiliates of Bally's but controlled by IGT or an Affiliate of IGT. The Rhode Island VLT Company LLC is the exclusive Technology Provider of VLTs, and is regulated by the Lottery as a Technology Provider.

Sportsbook - International Game Technology (IGT)

In August 2018, the Lottery also executed a Sports Betting Agreement with IGT to provide a proprietary sports betting solution for all sports betting at Bally's Lincoln Casino Resort and Bally's 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. IGT's revenue share is allocated in accordance with RI General Laws 42-61.2-5. In the event of a loss of sports wagering revenue in a quarterly period, IGT will cover the State's share of said loss interest free until a subsequent invoicing period is sufficient to cover said prior period loss.

During July 2019, the Lottery executed the first amendment to the Sports Betting Agreement, as amended, authorizing IGT to supply the equipment, software, and services for online sports wagering. This is in accordance with authorized online sports wagering legislation enacted in June 2019.

In April 2023, the Lottery executed the second amendment to the Sports Betting Agreement, changing the renewal options to three successive periods: a three-year extension period, a two-year extension period, and a five-year extension period. Via this second amendment, the agreement was extended through November 25, 2026. This agreement further required IGT to enhance the sports betting platform; namely, reviewing quarterly competitor websites, performing platform refreshments, and increasing bank functionality. The agreement also required the installation and maintenance of player kiosks on premises and the provision of system and organization control attestation reports to the Lottery annually. The agreement also allows for certain third-party integrations into the sports betting platform, including live scoreboards, live feeds, and league and team logos, upon mutual agreement, with the costs for implementation shared between the Lottery and IGT. The second amendment also required IGT to pay thirty-two percent of provider service fees (specifically, debit fees, ACH transfer fees, and other payment processing fees) associated with online sports betting.

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

Each licensed facility operates under a Master Contract with the Lottery. Effective February 17, 2022, the Lottery entered into contract amendments with Bally's Affiliate UTGR, Inc. and Bally's Affiliate Twin River-Tiverton, LLC extending the respective terms through June 30, 2043. The contracts entitle the owners to compensation ranging from 26.0% to 28.9% of video lottery net terminal income at the respective facility. As of December 31, 2023, Bally's converted UTGR, Inc. to UTGR, LLC.

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

The Master Contract reflects the statutory authorization of a promotional points program at the licensed gaming facilities. For fiscal year 2025, allowable promotional points are 20.0% of prior year net terminal income plus $1.5 million. In fiscal year 2025, the combined promotional points authorized and issued were approximately $98.8 million to facility patrons.

The Lottery is required to reimburse the gaming facilities for allowable marketing expenses incurred at the same percentage as the Lottery's share of net terminal income for the fiscal year 2025 (60.8% for Bally's Twin River Lincoln Casino Resort and 60.4% for Bally's Tiverton Casino & Hotel). For fiscal year 2025, the Lottery accrued $3.1 million and $507 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 Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Commissions for both casino facilities and the respective host community were 83.5% and 1%. In June 2022, legislation enacted required a guaranteed minimum $3.0 million payment to be made to the Towns of Lincoln and Tiverton, RI from net table games revenue and video lottery net terminal income, and iGaming net revenue, with any shortfall coming from the State's share of table games net revenue and video lottery net terminal income. In fiscal year 2025, there was a shortfall to the Town of Tiverton, therefore the State was required to make a payment of $755 thousand to bring the minimum required payment up to $3.0 million.

In November 2018, the Lottery also entered into a Sports Wagering Hosting Agreement, as amended, with UTGR, Inc. and Twin-River Tiverton, LLC to host in-person and online sports wagering. The agreement entitles the owners to compensation of 17.0% of sports wagering revenue (write minus payout) 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 thousand per town.

iGaming systems provider (Bally's and Affiliates of Bally's)

In June 2023, legislation was enacted for the Lottery to implement, operate, conduct, and control iGaming at Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Legislation required that the Lottery enter into a contract with the Affiliates of Bally's to be the exclusive iGaming platform vendor. On March 1, 2024, the Lottery entered into a contract with the subsidiary UTGR, LLC to be the iGaming Platform provider with a contract term ending on June 30, 2043. The contract obligates the UTGR, LLC to: (a) regularly update and replace the servicer-based system for iGaming on schedules agreed by the Lottery, (b) fund the Lottery's responsible gambling programs, (c) provide the Lottery with reporting and player account management, provide funds management (including fraud and security controls), maintain all custodial accounts, pay for all digital transactions fees, incur all costs associated with the implementation of the system, provide a player call center, etc. The Lottery pays UTGR, LLC commissions at statutory rates for both iSlots and iTables.

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

The Lottery, the Affiliates of Bally's (UTGR, LLC) and IGT, are all required to pay their share of the sportsbook and iGaming advertising and marketing programs. Each party's share is based on contractual and state law mandated requirements detailed in both the Sports Wagering Hosting Agreement and iGaming Platform provider agreement.

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 $131.6 million as of June 30, 2025 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended 06/30/2025
Phase I	$ 585
Phase II and III	11,732
Phase IV	15,010
Phase V	56,336
Phase VI	47,480
Other	434
Total	131,577
Less: Current Portion	(27)
Closure, Post-Closure - Noncurrent Portion	$ 131,550

As of June 30, 2025, the remaining total estimated current cost to be recognized in the future as landfill closure and post-closure care expense, the estimated percent of landfill capacity used and the estimated remaining years for accepting waste are as follows:

	Estimated remaining costs to be recognized	Estimated Capacity Used	Estimated remaining years for accepting waste
Phase V	$ 5,591	90.97 %	1 year 4 months
Phase VI	$ 71,220	40.00 %	21 years 9 months

As of June 30, 2025 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a $6.3 million increase of the corresponding liability from $136.1 million at June 30, 2024 to $142.5 million at June 30, 2025.

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

Included in RIRRC's restricted assets in the statement of net position at June 30, 2025 is $100.6 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, 2025 is as follows:

Balance, 06/30/2024	Additions	Reductions	Balance, 06/30/2025	Current Portion
$ 12,153	$ —	$ 1,275	$ 10,878	$ 978

In prior years, the EPA issued administrative orders requiring RIRRC to conduct environmental studies of the Central Landfill and undertake various plans of action. Additionally, in 1986, the Central Landfill was named to the EPA's Superfund National Priorities List.

During 1996, RIRRC entered into a Consent Decree with the EPA concerning remedial actions taken by RIRRC for groundwater contamination. The Consent Decree, which was approved by the U.S. District Court on October 2, 1996, required the establishment of a trust fund in the amount of $27.0 million for remedial purposes. The balance of this trust fund totaled $52.1 million as of June 30, 2025.

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 $10.9 million as of June 30, 2025.

Rhode Island Public Transit Authority

The RI Public Transit Authority (RIPTA) is committed under various contracts in the amount of $29.9 million at June 30, 2025.

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 $18.6 million at June 30, 2025.

Rhode Island Convention Center Authority

The RI Convention Center Authority (RICCA) is committed under various construction project contracts in the amount of $9.0 million at June 30, 2025.

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, 2025, RIAC's commitments with contractors were approximately $75.9 million.

Rhode Island Life Science Hub

The Rhode Island Life Science Hub (RILSH) is committed to various construction project related commitments in the amount of $8.1 million as of June 30, 2025.

Narragansett Bay Commission

The Narragansett Bay Commission (NBC) is committed under various engineering and construction contracts for the design and improvement of its facilities. As of June 30, 2025, NBC's commitments under these contracts were approximately $172.4 million.

I-195 Redevelopment District

The I-195 Redevelopment District (I-195) is committed under project development initiatives contracts in the amount of $4.9 million at June 30, 2025.

Quonset Development Corporation

At June 30, 2025, Quonset Development Corporation was obligated for the completion of certain construction contracts under commitments totaling approximately $22.8 million which are expected to be funded from capital appropriations and grants, reimbursements and cash and cash equivalents.

Rhode Island Health and Educational Building Corporation

School Construction Bond Program

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

During fiscal 2025, the SBA awarded $2.5 million of PayGo funds to 2 of the State's LEAs. For fiscal year 2025, PayGo reported transfers from the state of $36.0 million and related project cost expenses of $46.9 million. This amount reflected LEA project costs incurred during fiscal 2025, as approved and reported by SBA.

Other Component Units

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

Note 17. Contingencies

Primary Government - Litigation Contingencies

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

Challenge to Tolls

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

On September 21, 2022, following a bench trial, the district court issued a decision holding that RhodeWorks truck tolling violates the dormant Commerce Clause of the United States Constitution because it unfairly apportions the State's tolling burden to large commercial trucks and has a discriminatory purpose and effect with regard to interstate commerce. Accordingly, the court permanently enjoined the State from collecting RhodeWorks tolls, which RIDOT estimated would have annually generated approximately $40-50 million in revenue dedicated to bridge maintenance and repair. RIDOT suspended toll collections at all twelve active locations on September 21, 2022, following the ruling. Plaintiffs did not seek damages or restitution for tolls previously paid, but are seeking attorney's fees, which are likely to exceed several million dollars, and which will be considered by the court at a date subsequent to its decision. On December 6, 2024, the United States Court of Appeals for the First Circuit issued its decision. The Court concluded that the toll caps in the RhodeWorks legislation were unconstitutional but were severable from the rest of the statute and thus the remaining RhodeWorks legislation may go into effect without violating the dormant Commerce Clause of the US Constitution. On March 14, 2025, the Plaintiffs and Defendants each filed motions with the District Court for an award of attorneys' fees and costs. Plaintiffs seek approximately $21.1 million in fees and costs.

On December 2, 2025, the court issued a report and recommendation that the plaintiff should be awarded $2.7 million in fees and costs, well below the $21.1 million initially sought. On January 15, 2026, the plaintiffs and defendants each filed objections to the report and recommendation. On February 13, 2026 and February 27, 2026, the plaintiffs and defendants each filed additional briefing with the court. The court overturned the Magistrate's report and recommendation, and instead ruled that the plaintiff was not in fact a prevailing party and is therefore not to be awarded any attorney fees or costs. The State, however, was ruled by the court as being the prevailing party and was entitled to be awarded its taxable costs, without offset, in the amount of $199 thousand, but no attorney fees.

On April 24, 2026, the Plaintiffs filed a Notice of Appeal to the United States Court of Appeals for the First Circuit. On May 8, 2026, Defendants Robert Rocchio (who was automatically substituted as Acting Director of RIDOT following Peter Alviti's retirement) and the Rhode Island Turnpike and Bridge Authority filed a Notice of Cross Appeal. On June 2, 2026, the First Circuit issued a briefing schedule for the consolidated cross-appeals, designating Plaintiffs as appellants/cross-appellees and Defendants as appellees/cross-appellants. Plaintiffs' opening brief and appendix are due on or before July 13, 2026.

I-95 Viaduct Litigation

The Narragansett Indian Tribe filed a complaint in the U.S. District Court for the District of Columbia against the State (including RIDOT and an individual State employee), seeking $30.0 million in damages related to the I-95 Viaduct construction project in Providence, Rhode Island, which plaintiff claims adversely affects culturally significant land. A similar lawsuit was dismissed without prejudice and a new lawsuit was re-filed. The DC federal District Court dismissed the case and plaintiff appealed to the DC Circuit Court of Appeals. The State filed a Motion to Dismiss the appeal and/or for summary affirmance of the District Court's decision that there was no personal jurisdiction over the State Defendants. Plaintiff filed its own motion for summary reversal, to which the State objected. Plaintiff has also filed a motion for a protective order, to which the State has objected. The State defendants were dismissed from the lawsuit on July 27, 2023 and the dismissal was affirmed at the appellate level. The appeal continues against the Federal Highway Administration and an adverse decision may create some liability.

Challenges to Pension Reforms

The 2009, 2010 and 2011 legislative pension reforms resulted in numerous lawsuits against the State brought by current and retired employees, as well as their unions. Of these lawsuits, one remains pending. In September 2014, a case challenging the RI Retirement Security Act (RIRSA) was commenced by the Rhode Island State Troopers Association and three of its members against the Employees Retirement System of Rhode Island, the Governor, the Treasurer and the Director of the Department of Administration. The defendants filed a motion to dismiss, which was decided on January 10, 2022, and partially dismissed by the compliant. The defendants moved for summary judgment on the remaining aspects of the complaint. The court issued a decision finding that the 2010-13 CBA incorporated the version of the pension statute, as amended. The Court determined there were fact issues regarding aspects of the CBA that may provide "enhanced" benefits beyond what is provided in the statute, which precluded summary judgment. In September 2025, a status conference was held in this pending matter. As a result, certain claims remain pending against the State defendants.

Primary Government - Other Contingencies

Tobacco Settlement Financing Corporation - Master Settlement Agreement

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

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

As of March 2026 NPM adjustments have been settled through 2027. Future NPM adjustment claims remain possible for calendar year 2028 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, 2025.

Blue Cross & Blue Shield of Rhode Island - Tax Exemption Certificate

The Tax Division denied Blue Cross & Blue Shield's application for a tax exemption certificate on January 10, 2022, due to a lack of documentation evidencing that the Taxpayer operated exclusively for charitable purposes. The Taxpayer timely requested an administrative hearing and filed a motion for summary judgment. The Tax Administrator modified the Hearing Officer's Decision and Recommendation and issued an order, dated July 12, 2023, remanding the matter for further administrative proceedings. On October 22, 2025, the Tax Administrator rejected the Hearing Officer's Decision and Recommendation and issued an Order Rejecting and Modifying the Hearing Officer's Decision and Recommendation. The Taxpayer filed an administrative appeal in District Court on November 21, 2025. The Division filed an answer on December 17, 2025. The related exposure amount is approximately $12.0 million.

RIBridges Cybersecurity Incident

In fiscal year 2026 the State finalized a settlement with Deloitte Consulting LLP related to the December 2024 RIBridges cybersecurity incident and subsequent system restoration efforts. Under the terms of the agreement, Deloitte has agreed to pay the State an additional $7.0 million resulting in a total recovery of $12.0 million. The State had previously been awarded $5.0 million for unexpected expenses related to the incident. Deloitte has also provided $6.0 million worth of system enhancements, operational; support, and business continuity services at no additional charge in response to the incident that was outside the scope of their contract.

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 State's licensed casinos are under growing competitive pressure as Connecticut and Massachusetts expand their gaming options, including legalized sports wagering. Massachusetts is expected to implement iLottery in the spring of 2026, as well as legislative consideration of some additional iGaming bills. Meanwhile, the Mashpee Wampanoag Tribe opened a Welcome Center in East Taunton in January 2025 with ten (10) gaming machines. That number has increased to 50. Effective July 2025, hours have been extended, now operating 7 days a week. The Tribe has a proposal in place seeking to further expand the number of gaming machines to 250. The State continues to monitor these developments and is adapting its marketing and promotional strategies to protect gaming.

On May 29, 2024, the Lottery and the Rhode Island Department of Business Regulation entered into a letter agreement with Bally's or one of its Affiliates, with respect to the acceptance of wagers placed in Massachusetts through mobile devices, which activities constitute competitive activities in the operation of casino gaming (which includes sports wagering) in Massachusetts. Bally's will, or will cause an Affiliate to, reimburse the State of Rhode Island, through the Lottery, for a dollar-for-dollar up to $1.5 million per year, with such reimbursement annually adjusted based on the change to the Consumer Price Index (CPI) beginning with calendar year 2024 and including, but ending with the fifth (5th) calendar year thereafter during which Bally's or an Affiliate conducts Massachusetts mobile sports betting. In March 2025, the Lottery received $1.5 million regarding this agreement.

In connection with the iGaming platform contract, Bally's shall provide financial protection to the State related to the negative revenue impact (Shortfall) on Traditional Lottery Products as of a result of iGaming whereby Bally's shall make an annual payment to the Lottery in an amount equal to 100% of the first $1.0 million of any Shortfall, and 50% of any Shortfall between $1.0 million and $2.0 million. The Shortfall will be calculated on the base year revenue (Shortfall to Base Year Revenue), which is fiscal year 2023, for any difference in the net revenue received for the current fiscal year compared to the base year. Keno, instant ticket games, and eInstants constitute traditional lottery products. For fiscal year 2025, the Lottery has recorded a receivable due from UTGR, LLC in the amount of $1.5 million for the financial protection relating to the Shortfall provision.

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

In accordance with Sections 5.1 and 5.3 of the Eighth Amendment to the Master Contract, the Lottery assessed liquidated damages from IGT for the shortfall in the minimum number of FTEs required under the second employment obligation. The Lottery received $897 thousand during fiscal year 2025 regarding this assessment.

Federal Assistance

The State receives significant amounts of federal financial assistance under grant agreements or joint state/federally financed programs which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit. The Single Audit for the State of Rhode Island is submitted to the Federal Single Audit Clearinghouse annually by the State. The Single Audit reports instances of federal non-compliance, questioned costs, and other matters to federal grantor agencies regarding the State's administration of federal programs. These matters could result in federal disallowance and/or sanction upon review by the respective federal agencies. The fiscal year 2025 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit.

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

*Medicaid Managed Care Contract*s – The State contracts with three Managed Care Organizations (MCOs) to provide capitated healthcare coverage for individuals eligible for Medicaid. Premiums paid for this health coverage exceed $2.1 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.

Payment Management System (PMS) Balance Reconciliations – The State is actively reconciling amounts in the PMS accounts for both benefit and administrative clearing associated with the drawdown and reporting of Medicaid expenditures to the Centers for Medicare and Medicaid Services (CMS). The reconciliations are associated with federal fiscal years 2024 and 2025 and represent State funding received in excess of current CMS approvals. EOHHS is working with CMS to resolve any reconciliation differences. The determination of any State liability cannot be determined until the reconciliation process is completed.

Medicare Medicaid Plan Contract - The State contracted with Neighborhood Health Plan of Rhode Island (NHPRI) and the Centers for Medicare and Medicaid Services (CMS) from 2016 through December 2025 for the Medicare Medicaid Plan (MMP) to provide coverage to beneficiaries dually eligible for Medicaid and Medicare. NHPRI is asserting underpayments for incorrect member rate cell assignment, to the value of approximately $135.0 million. The administration has agreed to an independent audit to settle the dispute. The results of any audit could result in additional amounts being owed to or from the Medicaid Program upon settlement completion. This asserted NHPRI receivable was not previously accrued by NHPRI or documented in numerous financial filings reported to CMS or the National Association of Insurance Commissioners (NAIC).

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 when those benefits commenced in fiscal 2020, resulting in estimates of several hundred millions in fraudulent benefit payments being made. In response, the State enhanced application controls, including identification verification procedures, to prevent and detect fraudulent claims which continue to remain highly effective in minimizing benefit fraud in the program. The State continues to pursue recoveries in cases of identified program fraud and, when applicable, reimburses the federal government for recoveries made.

In addition, the State is pursuing a claim against its insurance provider for reimbursement for the unemployment insurance claims paid during the pandemic which have been deemed fraudulent (policy limits total $40.0 million). This claim was rejected by the insurance provider and the State is currently engaged in a lawsuit against the insurer over this denial. Management cannot estimate the likelihood of a favorable judgement or settlement of this matter at the present time.

Department of Administration - The Federal Emergency Management Agency (FEMA) is reviewing and auditing the prior COVID related claims. FEMA projects are subject to audit for three years after the subrecipient project is closed and any related disallowance is currently unknown.

Department of Human Services - DHS had a Food and Nutrition Service (FNS) Supplemental Nutrition Assistance Program (SNAP) Major Systems Failure penalty in fiscal year 2024 related to SNAP benefits overpayments of $37.0 million. While it will likely take years to settle, depending on ruling, it could have a material impact on the State and its financial statements. DHS timely appealed this penalty on May 17, 2024, to the USDA FNS State SNAP Appeals Board. The Appeals Board granted the requested extension and DHS must submit the requested information and materials by September 7, 2026.

Component Units - Contingencies

Rhode Island Industrial-Recreational Building Authority

The RI Industrial-Recreational Building Authority (RIIRBA) is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (RIIFC), a component unit of the State, on industrial or recreational projects in the State up to a maximum of $60.0 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, 2025, 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, 2025 are $8.2 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, 2025 is $135.1 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 thousand relating to the remediation project, operation and maintenance costs, and site reviews. The related cost for the year ended June 30, 2025 were $77 thousand.

Various lawsuits and complaints are pending or threatened against the University. In the opinion of management, no other litigation is now pending, or threatened, where the amount is known or estimable and a negative outcome is likely to occur, such that there is a probability of materially affecting the University's financial position.

Other Component Units

Other component units have various contingent liabilities that have arisen in the normal course of their operations. These contingencies are not significant to the State's financial statements.

Note 18. Employer Pension Plans

A. Summary of Employer Plans

The State provides pension benefits for its employees through multiple retirement benefit plans as outlined below (expressed in thousands):

	Plan	Plan Type	Covered employees	FY 2025 pension expense (credit)	Net pension liability (asset) at 06/30/2024 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	$ 279,527	$ 1,757,211
			Business-type activities	2,789	17,838
			Special funding – teachers - state share (see Note Section 18-E)	138,421	1,014,429
B	**State Police Retirement Benefits Trust (SPRBT)**	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1,1987	4,784	23,974
C	**Judicial Retirement Benefits Trust (JRBT)**	Single-employer defined benefit plan -– advance funded through a trust	Judges appointed after December 31, 1989	18	(8,186)
D	**RI Judicial Retirement Fund Trust (RIJRFT)**	Single-employer defined benefit plan – funded through a trust	Covers 7 judges appointed prior to January 1, 1990	(366)	16,687
E	**State Police Retirement Fund Trust (SPRFT)**	Single-employer defined benefit plan – advance funded through a trust	State Police hired before July 1, 1987	6,169	116,673
F	**Judicial Non-Contributory Retirement Plan (JNCRP)**	Single employer defined benefit – non-trusteed – pay-as-you-go plan	Judges appointed before January 1, 1990 who retired before July 1, 2012	1,153	30,472
	Totals			$ 432,495	$ 2,969,098
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	$ 7,374	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/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 *Accounting and Financial Reporting for Pensions*.

Employer pension expense and related liabilities and deferred inflows/outflows of resources 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, 2023 actuarial valuations (with the exception of JNCRP which has a June 30, 2024 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	11,328	5,001	7,601	3,358	27,288
JRBT	36	1	14	46	97
RIJRFT	3	—	4	—	7
SPRBT	116	73	55	183	427
SPRFT	232	—	—	—	232
JNCRP	37	—	—	—	37

B. Defined Benefit Plan Descriptions – Trust Funded Plans

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

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

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

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

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

Schedule	Schedule Criteria	Retirement eligibility	Benefit accrual rates	Maximum benefit
(A)	Completed 10 years of service on or before July, 1, 2005 and eligible to retire as of September 30, 2009	Age 60 with 10 years of service or after 28 years of service at any age	Effective until June 30, 2012: 1.7% for each of first ten years 1.9% for each of next ten years 3.0% for each of next fourteen years 2% for the 35th year Effective July 1, 2012: 1.0% per year through June 30, 2015 Effective July 1, 2015: for members with 20 years of service as of July 1, 2012: 2% per year	80% of final average earnings (3 consecutive highest years)
(AB)	Completed 10 years of service on or before July, 1, 2005 but ineligible to retire as of September 30, 2009	Minimum retirement age of 62 and ten years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Effective until June 30, 2012: Same accrual rates as (A) above to September 30, 2009 and then Schedule B rates (below) thereafter Effective July 1, 2012: 1.0% per year through June 30, 2015 Effective July 1, 2015, for members with 20 years of service as of July 1, 2012: 2% per year	80% of final average earnings (5 consecutive highest years or 3 consecutive highest years if retired on or after July 1, 2024)
(B)	Less than 10 years of service before July 1, 2005 and eligible to retire as of September 30, 2009	Age 65 with 10 years of service or after 29 years of service and age 59	Effective until June 30, 2012: 1.6% for each of first ten years 1.8% for each of next ten years 2.0% for each of next five years 2.25% for each of next five years 2.5% for each of next seven years 2.25% for the 38th year Effective July 1, 2012: 1.0% per year	75% of final average earnings (5 consecutive highest years or 3 consecutive highest years if retired on or after July 1, 2024)
(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 or 3 consecutive highest years if retired on or after July 1, 2024)
(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 or 3 consecutive highest years if retired on or after July 1, 2024)
(B3)	Hired on or after July 1, 2012	Social Security Retirement Age and 5 years of contributory service	1.0% per year	75% of final average earnings (5 consecutive highest years or 3 consecutive highest years if retired on or after July 1, 2024)

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 participated 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 age 55 with 25 years of service credit for correctional officers and registered nurses at the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals.

Effective January 1, 2025, State Law Enforcement Professionals are eligible to retire if any of the following apply: (1) they are at least 50 and have worked for at least 25 years; (2) they have worked for at least 27 years; or (3) they have reached Social Security retirement age and have worked for at least five years. Members will accrue 2% per year of service for service earned on or after January 1, 2025. Members with over 30 years of service who are at least 57 will accrue 2.25% per year for service earned on or after January 1, 2025. This change does not impact service accrued prior to January 1, 2025. These members are no longer participants in the defined contribution plan. However, their contribution to the defined benefit plan increased to 10%. 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 75%.

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

Effective July 1, 2024, retired state employees and teachers who retired on or before June 30, 2012 and have reached COLA-eligibility, will receive a full calculated COLA annually regardless of the plan's funded status. When the funding level of a plan exceeds 75% funded, eligible retirees who retired on or after July 1, 2012 may receive a full calculated COLA annually effective on the date of their retirement plus one month (or Social Security Normal Retirement Age, or SSNRA, plus one month, if later). Until the funding level of a plan exceeds 75% funded, eligible retirees who retired on or after July 1, 2012 may receive 25% (1/4th) of the calculated COLA annually effective on the date of their retirement plus one month (or SSNRA plus one month, if later). Eligible retirees of the SPRBT and JRBT plans may receive a full calculated COLA every 4 years, in lieu of annually, until the collective ERS, SPRBT and JRBT plans reach a funded status of 75%.

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 $30,622 (indexed as of January 1, 2025) 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 $30,622 is replaced with $36,746 (indexed as of January 1, 2025) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 75%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at $30,622).

Disability retirement provisions - The plan also provides non-service connected disability benefits after five years of service and service-connected disability pensions with no minimum service requirement. Effective for applications filed after September 30, 2009, accidental disability will be available at 66 -2/3% for members who are permanently and totally disabled as determined by the Retirement Board. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%. Disability benefits are subject to annual review by the Retirement Board.

Other plan provisions - Service credit purchases, excluding contribution refund paybacks and military service, requested after June 16, 2009 are calculated at full actuarial cost.

JUDICIAL RETIREMENT BENEFITS TRUST (JRBT) - The Judicial Retirement Benefits Trust was established under Rhode Island General Laws 8-8.2-7; 8-3-16; 8-8-10.1; 28-30-18.1; and was placed under the management of the Retirement Board for the purpose of providing retirement allowances to Justices of the Traffic Tribunal, Supreme, Superior, Family, District and Workers Compensation courts.

Plan members – The plan covers all Judges appointed after December 31, 1989.

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

Judges appointed after	Retirement benefit
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.
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.
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.
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 75%. The COLA provision will be reviewed in a four-year interval while the plans are less than 75% funded. When the collective funding level of a plan exceeds 75%, 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. 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 $30,622 (indexed as of January 1, 2025) 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 $30,622 is replaced with $36,746 (indexed as of January 1, 2025) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 75%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at $30,622).

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 judges appointed prior to January 1, 1990. These members are active judges (as of June 30, 2012) appointed prior to January 1, 1990 that do not participate in the Judicial Retirement Benefit Trust. Prior to creating the trust, benefits for these members were intended to be funded on a pay-as-you-go basis. To the extent assets in the trust are insufficient to fund member benefits, the State would also fund retirement benefits on a pay-as-you-go basis as it does for sixty-five (65) retired judges and surviving beneficiaries who were not members of either judicial plan. The employee contribution rate is 12% of salary (except for members of the Supreme Court who contribute 8.75%).

Retirement eligibility and plan benefits – The plan provides retirement benefits for members who have served for 20 years and have reached the age of 65 years, or has served 15 years, and reached the age of 70 years and may retire from regular service and receive a benefit equal to the annual salary the justice was receiving at the time of their retirement. Members who served as a justice for 20 years or have served for 10 years and reached age 65 years may retire from regular service and receive a benefit equal to 75% of the annual salary at the time of retirement.

Cost of Living Adjustments – The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT and JRBT plans reach a funded status of 75%. The COLA provision will be reviewed in a four-year interval while the plans are less than 75% funded. When the collective funding level of a plan exceeds 75%, 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 $30,622 (indexed as of January 1, 2025) 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 $30,622 is replaced with $36,746 (indexed as of January 1, 2025) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 75%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at $30,622).

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. Effective July 1, 2024, state police officers who were hired before July 1, 2007 will have their benefit for the portion of service accrued on or after July 1, 2012 calculated on the average of the highest three consecutive years of salary, pursuant to Article 3 of the fiscal year 2026 enacted budget. 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 75%. The COLA provision will be reviewed in a four-year interval while the plans are less than 75% funded. When the collective funding level of a plan exceeds 75%, 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 $30,622 (indexed as of January 1, 2025) 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 $30,622 is replaced with $36,746 (indexed as of January 1, 2025) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 75%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at $30,622).

Disability retirement provisions **–** The plan provides non-service-connected disability benefits after 10 years of service and service-connected disability pensions with no minimum service requirement.

STATE POLICE RETIREMENT FUND TRUST (SPRFT) - Effective July 1, 2016 and pursuant to Rhode Island General Law section 42-28-22.1, the retirement board established a trust to collect proceeds for the purpose of paying retirement benefits to participating members of the state police initially hired on or before July 1, 1987, or their beneficiaries.

The trust was established to reduce the amount of the unfunded liability attributable to the retirement benefits for members of the state police hired on or before July 1, 1987. The trust was funded with monies obtained from the Department of Justice's Equitable Sharing Program, resulting from a settlement in which $45 million of such settlement was allocated for use by the state police. Pursuant to Rhode Island General Law section 42-28-22.2, the State shall deposit contributions for the members of the state police initially hired on or before July 1, 1987 to be held in trust. The trust was established with a $15.0 million supplemental contribution (from funds available to the State from the Department of Justice's Equitable Sharing Program) that was deposited in fiscal 2017. Taking into account the initial supplemental contribution, as certified by the State's actuary, the unfunded actuarial liability will be amortized over an 18-year period. The State will make annual contributions into the trust for this funding period, or until the unfunded accrued liability is fully amortized. This trust is a closed plan because there are no longer any active members.

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 75%. The COLA provision will be reviewed in a four-year interval while the plans are less than 75% funded. When the collective funding level of a plan exceeds 75%, 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 $30,622 (indexed as of January 1, 2025) 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 $30,622 is replaced with $36,746 (indexed as of January 1, 2025) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 75%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at $30,622).

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

The Fiduciary Net Position presented for defined benefit plans which are accounted for in a trust has been determined on a basis consistent with that used by the respective plans in preparing their financial statements. ERSRI 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 ERSRI 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 ERSRI, the State also administers one other pay as you go single employer defined benefit pension plan that is closed to new members. The Judicial Non-Contributory Retirement Plan (JNCRP) provides retirement benefits to judges appointed before January 1, 1990 and who retired before July 1, 2012. This plan was created by statute and has historically been funded by the State on a pay-as-you-go basis. Accordingly, no assets have been accumulated to pay benefits under this plan.

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

E. Special Funding Situation – ERS Plan – Teachers

The State is required by law to contribute approximately 40% of the cost of providing retirement benefits for teachers covered by the ERS Plan. 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 ERS Plan measured as of June 30, 2024 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, 2025 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 42.6% an increase of 0.045% since the prior reporting period. Benefit provisions, contribution requirements, and other information related to the measurement and proportionate share of the net pension liability under a special funding situation for teachers are described in other sections of this Note relating to the ERS plan.

F. Contributions and Funding Policy

Contribution requirements for plan members and participating employers are established pursuant to the Rhode Island General Laws. With the exception of the RIJRFT and JNCRP, employers are required by statute to make annual actuarial determined contributions to the respective defined benefit plans. Employer contributions for the defined contribution plan are prescribed by statute. Plan member contributions for the defined benefit and the defined contribution plans are fixed by statute. Member and employer contribution rates are subject to amendment by the General Assembly.

Actuarial determined contributions for defined benefit plans are calculated as of June 30, two years prior to the commencement of the fiscal year in which the contributions are reported. The actuarial determined contribution rates (or amounts if not expressed as a rate) for fiscal year 2025 were determined based on valuations performed as of June 30, 2022 for all plans, with the exception of RIJRFT, which was determined based on a valuation performed as of June 30, 2024.

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 of $16,387,092 into the Trust have been calculated on a level-dollar amortization over 18 years from June 30, 2016.

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, 2025 is provided in the table below:

	ERS	JRBT	RIJRFT(*)	SPRBT	SPRFT(*)	JNCRP(**)
Contribution rate:						
State	30.75 %	18.20 %	$ 1,148	21.59 %	$ 16,387	—
Plan members	3.75% and 11.00%	8.75% and 12.00%	8.75% and 12.00%	8.75 %	—	—
State contribution for teachers	11.42 %	—	—	—	—	—
Contributions made for state employees	$ 261,479	$ 2,503	$ 602	$ 7,027	$ 16,387	$ 3,252
Contribution made for teachers	$ 130,172	—	—	—	—	—

(*) Actuarially determined contribution not expressed as a rate

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

ERS Plan Supplemental Contributions - The General Laws (Section 36-10-2(e) 1 and 2) also require, in addition to the contributions provided for by the funding policy, for each fiscal year in which the actuarially determined state contribution rate for state employees and teachers, including state contributions to the defined contribution plan, is lower than that for the prior fiscal year, the governor shall include an appropriation to that system equivalent to 20% of the rate reduction to be applied to the actuarially accrued liability. The amounts to be appropriated shall be included in the annual appropriation bill and shall be paid by the general treasurer into the retirement system as a supplemental contribution to the applicable plan within the ERS Trust. The retirement system actuary shall not adjust the computation of the annual required contribution for the year in which supplemental contributions are received; such contributions once made may be treated as reducing the actuarial liability remaining for amortization in the following actuarial valuation to be performed. For fiscal year 2025, no supplemental contribution was required in accordance with this provision of the General Laws.

The fiscal year 2025 enacted budget included a requirement that 50% of all State general revenue received in a fiscal year, net of transfers to the State Budget Reserve and Cash Stabilization Account, in excess of those estimates adopted for the year as contained in the final enacted budget to be transferred to the System as defined in RI General Laws Section 36-8-2. In the spring of fiscal year 2025, the State of Rhode Island's final audited Fiscal Year 2024 report was released and the State Controller's Office determined the additional reserved amount to be $21.65 million. In accordance, the supplemental contributions were transferred to the State Employees plan within the ERS Trust in June of 2025.

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 $76,757 was paid to the ERS trust (for State employees) pursuant to Section 42-149-3.1 of 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 (asset) of the State and other participating employers in the Employees' Retirement System, a multiple-employer cost-sharing plan, has been apportioned based on the percentage share of total contributions made by each employer in fiscal year 2024. The State's proportion for the ERS Plan for State employees was 90.90% an increase of 0.14% from the prior reporting period. June 30, 2024 measurement date, the Lottery's proportion was 0.92%, an increase of 0.0003% since the prior reporting period.

The following is a summary of the net pension liability (asset) 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, 2024 (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		$ 1,933,150
Less portion attributable to other entities:		
Enterprise Fund - Rhode Island Lottery (Business-Type Activities)		(17,838)
Discretely Presented Component Units		
University of Rhode Island	$ 89,275	
Rhode Island College	28,596	
Community College of RI	25,161	
RI Airport Corporation	900	
		(143,932)
Related organization - Narragansett Bay Commission		(14,169)
ERS - Net Pension Liability		$ 1,757,211
Net Pension Liability - Single Employer Defined Benefit Pension Plans		
RIJRFT		$ 16,687
SPRBT		23,974
SPRFT		116,673
JNCRP		30,472
Total Net Pension Liability - All Plans (Governmental Activities)		$ 1,945,017
Net Pension Asset - Single Employer Defined Benefit Pension Plans		
JRBT		$ (8,186)
Total Net Pension Asset - Single Employer Defined Benefit Pension Plans		**$ (8,186)**

Further details regarding the State's total pension liability (asset) and net pension liability for the single employer trusteed defined benefit pension plans (expressed in thousands) which was measured as of June 30, 2024 is presented below:

	JRBT	RIJRFT	SPRBT	SPRFT
Total pension liability	$ 106,628	$ 18,385	$ 250,414	$ 148,944
Plan fiduciary net position	114,814	1,698	226,440	32,271
Net pension liability (asset)	$ (8,186)	$ 16,687	$ 23,974	$ 116,673
Plan fiduciary net position as a percentage of total pension liability	107.7 %	9.2 %	90.4 %	21.7 %

a. Actuarial assumptions used in determining total pension liability

The total pension liability was determined by actuarial valuations performed as of June 30, 2023 and rolled forward to the June 30, 2024 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, 2024. 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	06/30/2023 rolled forward to 06/30/2024	06/30/2023 rolled forward to 06/30/2024	06/30/2023 rolled forward to 06/30/2024	06/30/2023 rolled forward to 06/30/2024	06/30/2023 rolled forward to 06/30/2024	06/30/2023 rolled forward to 06/30/2024	06/30/2024
Actuarial Cost Method	Entry Age Normal-the Individual Entry Age Actuarial Cost methodology is used.						
Assumptions							
Investment Rate of Return	7.00 %	7.00 %	7.00 %	3.97 %	7.00 %	7.00 %	3.97 %
Projected Salary increases	3.00% to 7.00%	2.75% to 8.25%	2.75 %	2.75 %	4.00% to 12.00%	N/A	N/A
Inflation	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %	2.50 %
Mortality	Variants of the PUB (10) Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP2021 with immediate convergence.						
Investment Rate of Return	The investment rate of return was used as the discount rate to determine the net position liability (asset) for all plans except the RIJRFT and JNCRP plans for which the municipal bond index rate at June 30, 2025 was used.						
COLA	All future COLAs were assumed to be 2.1% per annum for all MERS units with the COLA provision whose funding levels exceed 80%. For the TSB plan, a 2.5% COLA was assumed. For State Police and Judges, it was assumed that the COLA was suspended through 2027 and it would be 2.1% thereafter. For all other plans, it was assumed that twenty-five percent of the COLA increase will be granted 2024 through 2026, with full COLAs continuing in 2027.						

The actuarial assumptions used in the calculation of the total pension liability at the June 30, 2024 measurement date were consistent with the 2023 Actuarial Experience Investigation Study for the six–year period ending June 30, 2022, adopted by the Board on May 17, 2023.

Factors affecting trends for amounts related to the net pension liability

There was a change in assumption for the RIJRFT and JNCRP plans due to use of the municipal bond index rate of 3.97% as of June 30, 2024. This rate was 3.86% at June 30, 2023.

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 forty 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, 2024 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-term Expected Arithmetic Real Rate of Return
GROWTH		
Global Equity		
U.S. Equity	25.90 %	5.98 %
International Developed Equity	10.00 %	6.47 %
Emerging Markets Equity	4.10 %	8.10 %
Subtotal	40.00 %	
Private Growth		
Private Equity	12.50 %	9.37 %
Non-Core Real Estate	2.50 %	4.92 %
Subtotal	15.00 %	
INCOME		
Equity Options	2.00 %	5.69 %
Collateralized Loan Obligations	2.00 %	4.36 %
Liquid Credit	5.00 %	4.36 %
Private Credit	3.00 %	4.36 %
Subtotal	12.00 %	
STABILITY		
Crisis Protection Class		
Treasury Duration	5.00 %	1.00 %
Systematic Trend	5.00 %	4.02 %
Subtotal	10.00 %	
Inflation Protection		
Core Real Estate	4.00 %	4.92 %
Private Infrastructure	4.00 %	6.02 %
Subtotal	8.00 %	
Volatility Protection		
IG Corp Credit	3.25 %	2.60 %
Securitized Credit	3.25 %	2.60 %
Absolute Return	6.50 %	4.02 %
Cash	2.00 %	1.00 %
Subtotal	15.00 %	
Total	100.00 %	

b. Discount rate

The discount rate used to measure the total pension liability of the plans was 7.00% for all plans except for RIJRFT and JNCRP plans. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, as actuarially determined. Based on those assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for all except the RIJRFT and JNCRP.

For the RIJRFT and JNCRP plans, the State has not opted to make actuarially determined employer contributions. Based on those assumptions, the pension plans' fiduciary net position was not projected to be available to make all projected future benefit payments to current plan members. Consequently, for those plans, the municipal bond index rate, based on fixed-income mutual bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index", 3.97% at June 30, 2024, 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 7.00% (for all plans except the RIJRFT and JNCRP), as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. The RIJRFT and JNCRP plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members and consequently, the municipal bond index rate of 3.97% at June 30, 2024, was used in the determination of the net pension liability (asset) for those plans with a similar +1/-1% sensitivity analysis (expressed in thousands):

Governmental Activities:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
ERS - State employees	$ 2,216,348	$ 1,757,211	$ 1,340,038
ERS - Teachers (State share)	1,317,143	1,014,429	739,382
JRBT	1,943	(8,186)	(17,387)
SPRBT	47,436	23,974	2,660
SPRFT	131,500	116,673	103,200

	1.00% Decrease (2.97%)	Municipal Bond Index Rate (3.97%)	1.00% Increase (4.97%)
RIJRFT	$ 18,390	$ 16,687	$ 14,978
JNCRP	32,502	30,472	28,671

Business-type Activities:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Rhode Island Lottery:			
ERS Plan - State Employees	$ 22,499	$ 17,838	$ 13,603

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	$ 4,136	$ 250	$ 6,645	$ —	$ —
Interest	6,803	732	15,414	10,312	1,197
Differences between expected and actual experience	3,335	(992)	16,387	(1,210)	127
Changes of assumptions	—	(157)	—	—	(171)
Benefit payments	(5,528)	(601)	(9,827)	(14,947)	(3,415)
Net change in Total Pension Liability	8,746	(768)	28,619	(5,845)	(2,262)
Total Pension Liability - beginning	97,882	19,153	221,795	154,789	32,734
Total Pension Liability - ending	106,628	18,385	250,414	148,944	30,472
Plan Fiduciary Net Position					
Employer contributions	2,983	601	6,437	16,387	3,415
Employee contributions	1,577	114	2,729	—	—
Net investment income	10,827	91	21,299	3,718	—
Benefit payments	(5,528)	(601)	(9,827)	(14,947)	(3,415)
Administrative expenses	(112)	(2)	(223)	(28)	—
Other	—	—	6	—	—
Net change in Fiduciary Net Position	9,747	203	20,421	5,130	—
Plan Fiduciary Net Position - beginning	105,067	1,495	206,019	27,141	—
Plan Fiduciary Net Position - ending	114,814	1,698	226,440	32,271	—
Net Pension Liability (Asset)	$ (8,186)	$ 16,687	$ 23,974	$ 116,673	$ 30,472

(*) 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, 2025, the State recognized net pension expense of $294.1 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 $138.4 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, 2025 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the ERS from the following sources (expressed in thousands):

Governmental Activities:

	State Employees	Teachers	Totals
Deferred Outflows of Resources			
State contributions subsequent to the measurement date	$ 258,797	$ 130,172	$ 388,969
Differences between expected and actual experience	53,961	6,927	60,888
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,842	6,854	17,696
Totals	323,600	143,953	467,552
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	63,753	62,219	125,972
Differences between expected and actual experience	276	24,184	24,460
Changes of assumptions	2,145	31,184	33,329
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	14,744	14,744
Totals	$ 66,174	$ 132,331	$ 198,505

The $258.8 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, 2026. In addition, the $130.2 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, 2026. Other amounts reported as deferred outflows (inflows) of resources related to pensions, will be recognized in the determination of pension expense as follows (expressed in thousands):

	State Employees	Teachers
Year ended June 30:		
2026	$ (32,525)	$ (65,811)
2027	52,754	2,139
2028	(8,022)	(28,704)
2029	(13,578)	(20,213)
2030	—	(5,353)
Thereafter	—	(608)
	$ (1,371)	$ (118,550)

Business-type Activities:

For the year ended June 30, 2025, the Lottery, a proprietary fund of the State, recognized pension expense of $2.8 million. At June 30, 2025, the Lottery reported deferred outflows and inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources		
Contributions subsequent to the measurement date	$	2,579
Differences between expected and actual experience		548
Changes in proportion and differences between employer contributions and proportionate share of contributions		59
Totals	$	3,186
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	647
Differences between expected and actual experience		3
Changes of assumptions		22
Changes in proportion and differences between employer contributions and proportionate share of contributions		426
Totals	$	1,098

The $2.7 million reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. 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:		
2026	$	(553)
2027		380
2028		(169)
2029		(149)
	$	(491)

Other Single Employer Pension Plans

For the fiscal year ended June 30, 2025, 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	$ 18
RIJRFT	(366)
SPRBT	4,784
SPRFT	6,169
JNCRP	1,153
Total	$ 11,758

As of June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single-employer plans from the following sources (expressed in thousands):

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP	Totals
Deferred Outflows of Resources						
Employer contributions subsequent to the measurement date	$ 2,503	$ 602	$ 7,027	$ 16,387	$ 3,252	$ 29,771
Differences between expected and actual experience	2,705	—	17,357	—	—	20,062
Change of Assumptions	123	—	2,781	—	—	2,904
Totals	$ 5,331	$ 602	$ 27,165	$ 16,387	$ 3,252	$ 52,737
Deferred Inflows of Resources						
Net difference between projected and actual earnings on pension plan investments	$ 3,028	$ 44	$ 5,866	$ 1,979	$ —	$ 10,917
Differences between expected and actual experience	3,668	—	3,448	—	—	7,116
Change of assumptions	229	—	—	—	—	229
Totals	$ 6,925	$ 44	$ 9,314	$ 1,979	$ —	$ 18,262

The amount of $29.7 million reported as deferred outflows of resources, related to pensions resulting from State contributions to the single-employer plans subsequent to the measurement date, will be recognized as a reduction in the net pension liability in the year ending June 30, 2026. 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:	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP	Totals
2026	$ (2,975)	$ (29)	$ (1,240)	$ (1,070)	$ —	$ (5,314)
2027	222	1	5,591	(84)	—	5,730
2028	(1,261)	(9)	(216)	(472)	—	(1,958)
2029	(224)	(6)	152	(354)	—	(432)
2030	142	—	1,613	—	—	1,755
Thereafter	—	—	4,924	—	—	4,924
	$ (4,096)	$ (43)	$ 10,824	$ (1,980)	$ —	$ 4,705

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 TIAA Trust, N.A. as investment custodian. The Retirement Board is the plan administrator and plan trustee. The employees ("members") may choose among various investment options available to plan participants. The SIC is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Contributions – Members contribute 5% of their annual covered salary, and employers contribute 1% to 1.5% of annual covered salary, depending on years of service as of June 30, 2012. Member contributions are immediately vested, while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the members and employers are established by the General Laws, which are subject to amendment by the General Assembly.

The State contributed and recognized as pension expense $7.4 million for the fiscal year ended June 30, 2025, equal to 100% of the required contributions for the fiscal year.

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

Plan vesting and contribution forfeiture provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the employee and is non-forfeitable upon completion of three years of contributory service. Service credit prior to July 1, 2012 is credited to the member for vesting purposes. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement benefits – Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin in the year the member attains age 73 or terminate employment, if later. Members have the option to receive benefit payments in the form of a single life annuity, two-life annuity, lump-sum benefits, or installments. These payments are subject to any restrictions in the investment vehicles.

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

K. Defined Benefit Plan - LIUNA

All State employees who are members of the Laborers' International Union of North America (LIUNA), in addition to participating in ERSRI, also participate in the LIUNA National Pension Fund (the Plan), a cost sharing multi-employer, defined benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan is administered by the Fund's Board of Trustees. Eligibility and benefit provisions are defined in the Plan document adopted by the Board of Trustees. As of June 30, 2025, 814 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 - $1.73 per hour up to a maximum of 1,820 hours per year to the Plan for calendar year 2025. The State is not required to contribute to the Plan.

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

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

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

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

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

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

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

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

Investment options **–** Member and employer contributions must be invested in one of the Vanguard Target Retirement Funds, which are age-appropriate, or TIAA's Stable Value offering, which is a capital preservation fund.

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

M. Other Pension Plans – Component Units

Certain employees of the University of Rhode Island, Rhode Island College, and the Community College of Rhode Island (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan. Eligible employees who have reached the age of 30, and who have two years of service are required to participate in the Teachers Insurance and Annuity Association retirement plan. Eligible employees must contribute at least 5% of their gross biweekly earnings. The University and Colleges contribute 9% of the employees' gross biweekly earnings. Total expenses by the institutions for such annuity contracts amounted to approximately $25.0 million during the year ended June 30, 2025.

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

- The first plan, RIPTA Employees' Pension Plan, covers employees of the Authority who work more than 1,000 hours per year. There are no age or minimum service requirements, and employees are eligible to participate immediately upon employment. Any changes to the plan are subject to the collective bargaining process. Plan benefits and other provisions are established by the plan document. The Plan is administered by the Authority's Joint Pension Board. The plan provides retirement, disability, and death benefits. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of normal retirement age (62, or if later, upon completion of 5 years of service). Retired employees are entitled to a monthly benefit for life as stipulated in the plan provisions. Employees are required to contribute 4% of their base salary to the plan each year until the earlier of the participant's normal retirement date or termination of service. The remaining contributions to the plan are made by the Authority. At the June 30, 2024 measurement date the plans' total pension liabilities exceeded the plans' fiduciary net position by an aggregate amount of $80.1 million. Accordingly, a net pension liability of that amount has been recorded as of June 30, 2025. For the fiscal year ended June 30, 2025, pension expense of $13.2 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 2025. The Authority is not required to contribute to the Plan.

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

Note 19. Postemployment Benefit Plans

A. Summary of Employer Plans

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

	Plan	Plan Type	Covered employees	FY 2025 OPEB expense (credit)	Net OPEB liability (asset) at 06/30/2024 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	$ (16,467)	$ 125,765
			Business-type activities	(51)	1,274
B	**Teachers**	Single-employer plan – advance funded through a trust	Certified public school teachers electing to participate in the System	1,793	(7,107)
C	**Judges**	Single-employer plan – advance funded through a trust	Judges and magistrates	(459)	(6,351)
D	**State Police**	Single-employer plan – advance funded through a trust	State police officers	(5,005)	(29,816)
E	**Legislators**	Single-employer plan – advance funded through a trust	Retired and former members of the General Assembly	(209)	(2,601)
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	(8)	3
	Totals			$ (20,406)	$ 81,167

The Rhode Island State Employees' and Electing Teachers OPEB System (the "System") acts as a common investment and administrative agent for benefits to be provided for six defined benefit other postemployment plans as listed above.

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

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

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

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

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

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

Plan membership, based on the June 30, 2023 actuarial valuations, is summarized in the table below:

	Retirees and beneficiaries	Active	Total by Plan
State Employees	7,677	10,923	18,600
Teachers	51	N/A	51
Judges	23	64	87
State Police	174	239	413
Legislators	19	112	131
Board of Education (BOE)	1,201	1,765	2,966

Terminated employees are not included in the valuation.

B. Benefit Plan Descriptions

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

Membership and Benefit Provisions

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

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

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

A summary of the principal provisions of the plans follow:

State Employees

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

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

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

Employees retiring on or before September 30, 2008, who are under 60 years of age at retirement may retire with a minimum of 28 years of service and must pay 0% - 10% of retiree health care costs, as determined by the number of years of each employee's service. Employees retiring on or before September 30, 2008, who are 60 years of age or over at retirement may retire with a minimum of 10 years of service and must pay 0% - 50% of retiree health care costs, as determined by the number of years of each employee's service.

Teachers

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

Judges

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

State Police

Retired state police officers under 65 years of age (and spouses and dependents) receive the active health care plan benefits with the same co-share amount in effect at the date of their retirement. At age 65, these retirees may no longer be enrolled in the active health care plan. Upon the retiree reaching age 65, a spouse who is at least 60 years of age may continue enrollment in the active health care plan until reaching 65 with the State subsidy maintained at the same co-share rate in effect as of the date of retirement. Dependents are also allowed to continue enrollment in the active health care plan until they reach the age of 26 with the State subsidy maintained at the same co-share rate in effect as of the date of retirement.

Legislators

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

Board of Education

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

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

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

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

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

C. Contributions and Funding Policy

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

The State and other participating employers are required by law to fund the plans on an actuarial determined basis. For the fiscal year ended June 30, 2025, the State and other participating employers paid $43.7 million into the plans.

The fiscal year 2025 contribution rates for the six plans in the System were based on the actuarial valuation of those plans performed as of June 30, 2022.

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, 2025 is provided in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	BOE
Contribution rate:						
Employer	3.94 %	— (*)	— (*)	13.73 %	— (*)	1.67 %
Plan members	—	—	—	—	—	0.90 %
Contributions made:	$ 33,745	$ —	$ —	$ 4,381	$ —	$ 11

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

D. Net OPEB Liability (Asset)

The net OPEB liability of the State and other participating employers in the State Employees' Plan and the Board of Education Plan, which are multiple employer cost-sharing plans, has been apportioned based on the percentage share of total contributions made by each participating employer during fiscal year 2024.

The State's proportion for the State Employees' Plan and Board of Education Plan for State employees was 90.89% and 0.35%, respectively. At the June 30, 2024 measurement date, the Lottery's proportionate share of the net OPEB liability in the State Employees' Plan, 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, 2024 (expressed in thousands):

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

Total Net OPEB Liability - State Employees Plan		$ 138,391
Less portion attributable to other entities:		
Enterprise Fund - Rhode Island Lottery		(1,274)
Discretely Presented Component Units		
University of Rhode Island	$ 6,423	
Rhode Island College	2,048	
Community College of RI	1,808	
RI Airport Corporation	66	
		(10,345)
Related organization - Narragansett Bay Commission		(1,007)
State Employees Plan - State's Share of Net OPEB Liability - Governmental Activities		$ 125,765
Board of Education Plan - State's Share of Net OPEB Liability - Governmental Activities		3
State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans - Governmental Activities		$ 125,768
State Employees Plan - Rhode Island Lottery's Share of Net OPEB Liability - Business-type Activities		$ 1,274
Total State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans		$ 127,042
Net OPEB Liability - All Plans		$ 127,042
Net OPEB (Asset) - Single Employer OPEB Plans		
Teachers		$ (7,107)
Judges		(6,351)
State Police		(29,816)
Legislators		(2,601)
Total Net OPEB (Asset)		$ (45,875)

Statement of Net Position

	Governmental Activities	Business-Type Activities	Total
Net OPEB Liability	$ 125,768	$ 1,274	$ 127,042
Net OPEB (Asset)	$ (45,875)	$ —	$ (45,875)

Further details regarding the State's total OPEB liability and net OPEB liability (asset) for the single employer OPEB plans (expressed in thousands) which was measured as of June 30, 2024 is presented below:

	Teachers	Judges	State Police	Legislators
Total OPEB liability	$ 9,012	$ 514	$ 76,569	$ 1,652
Plan fiduciary net position	16,119	6,865	106,385	4,253
Net OPEB liability (asset)	$ (7,107)	$ (6,351)	$ (29,816)	$ (2,601)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	178.85 %	1338.90 %	138.94 %	257.46 %

a. Actuarial assumptions used in determining total OPEB liability

The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2023 and rolled forward to the June 30, 2024 measurement date using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Methods and Assumptions used in the June 30, 2023 valuation.						
	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: 7.25% in 2024, grading to 3.5% in 2038 Medicare: 6.50% in 2024, grading to 3.5% in 2038					
Mortality Rates	Healthy Male State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for General Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16. Healthy Female State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for Healthy General Retire Females, loaded by 111%, projected with Scale Ultimate MP16. Healthy Male Teachers: PUB-10 Median Table for Healthy Teacher Retiree Males, loaded by 108%, projected with Scale Ultimate MP16. Healthy Female Teachers: PUB-10 Median Table for Healthy Teacher Retiree Females, loaded by 115%, projected with Scale Ultimate MP16. Healthy Judges: Sex distinct PUB-10 Above Median Income Tables for Healthy Retirees, projected with Scale Ultimate MP16.					
Note: Although an inflation rate was not explicitly used, for purposes of determining total OPEB liability inflation was consistent with a 2.50% assumption.						

The actuarial assumptions used in the calculation of the total OPEB liability at the June 30, 2024 measurement date were consistent with the Actuarial Experience Investigation Study for the six years ended June 30, 2019 performed for 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 40 nationally recognized consulting firms.

The June 30, 2024 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
GROWTH		
Global Equity	40.00 %	6.52 %
Private Growth	5.00 %	8.90 %
Subtotal	45.00 %	
INCOME		
Equity Options	4.00 %	5.81 %
Liquid Credit	4.00 %	4.42 %
Emerging Market Debt	4.00 %	4.45 %
Collateralized Loan Obligations	4.00 %	4.42 %
Private Credit	5.00 %	4.42 %
Subtotal	21.00 %	
STABILITY		
Inflation Protection		
Core Real Estate	4.00 %	4.94 %
Private Real Assets	4.00 %	6.12 %
Subtotal	8.00 %	
Volatility Protection		
US Aggregate Bond	26.00 %	1.96 %
Subtotal	26.00 %	
Total	100.00 %	

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

b. Discount rate

The discount rate used to measure the total OPEB liability of the plans was 5%. The projection of cash flows used to determine the discount rate assumed that the contributions, if any, from the plan members will be made at the current contribution rate and that the contributions from the employers will be made at statutorily required rates, actuarial determined. Based on those assumptions and the projection of cash flows as of each fiscal year ending, the OPEB plan's fiduciary net position and future contributions were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

The following table presents the net OPEB liability (asset) of the employers calculated using the discount rate of 5.0% with a -1/+1 sensitivity, 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 (5.00%)	1.00% Increase (6.00%)
State employees	$ 193,213	$ 125,765	$ 69,260
Teachers	(6,403)	(7,107)	(7,728)
Judges	(6,338)	(6,351)	(6,366)
State Police	(23,307)	(29,816)	(35,638)
Legislators	(2,460)	(2,601)	(2,724)
BOE	43	3	(30)

Business-type Activities:

	1.00% Decrease (4.00%)	Current Discount Rate (5.00%)	1.00% Increase (6.00%)
Rhode Island Lottery:			
OPEB Plan - State Employees	$ 1,958	$ 1,274	$ 702

d. Sensitivity of the net OPEB liability (asset) to changes in the healthcare inflation rate

The healthcare cost trend rate for Medicare eligible plan members was 6.50% and gradually decreasing to an ultimate rate of 3.5%. Similarly, the healthcare cost trend rate for Not Medicare eligible/HRA plan members was 7.25% and gradually decreasing to an ultimate rate of 3.5%. The following presents the Net OPEB Liability (Asset) of the employers calculated using the assumed healthcare cost trend rates, as well as, 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	$ 54,859	$ 125,765	$ 213,773
Teachers	(7,819)	(7,107)	(6,311)
Judges	(6,399)	(6,351)	(6,301)
State Police	(37,994)	(29,816)	(20,120)
Legislators	(2,762)	(2,601)	(2,414)
BOE	(38)	3	54

Business-type Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Rhode Island Lottery:			
OPEB Plan - State Employees	$ 556	$ 1,274	$ 2,166

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	$ —	$ 48	$ 3,651	$ 54
Interest	319	11	4,211	29
Difference between expected and actual experience	(729)	(148)	(14,221)	530
Changes of assumptions	3,556	391	2,182	725
Benefit payments, net of retiree	(1,047)	46	(3,289)	(465)
Net change in Total OPEB Liability	2,099	348	(7,466)	873
Total OPEB Liability - beginning	6,913	166	84,035	779
Total OPEB Liability - ending	9,012	514	76,569	1,652
Plan Fiduciary Net Position				
Employer contributions	—	—	5,265	—
Net investment income	1,852	648	11,084	477
Benefit payments	(1,047)	46	(3,289)	(464)
Administrative expenses	(2)	(1)	(24)	(1)
Other	104	24	484	84
Net change in Fiduciary Net Position	907	717	13,520	96
Plan Fiduciary Net Position - beginning	15,212	6,148	92,865	4,157
Plan Fiduciary Net Position - ending	16,119	6,865	106,385	4,253
Net OPEB Liability (Asset)	$ (7,107)	$ (6,351)	$ (29,816)	$ (2,601)

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, 2025, the State recognized OPEB expense (credit) of $(16.5) million related to State employees who are covered by the OPEB cost-sharing plans administered by the System.

At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the System from the following sources (expressed in thousands):

Governmental Activities:

	State Employees	BOE	Totals
Deferred Outflows of Resources			
State contributions subsequent to the measurement date	$ 33,400	$ 11	$ 33,411
Differences between expected and actual experience	1,555	14	1,569
Net difference between projected and actual investment earnings			
Changes of assumptions	18,446	22	18,468
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,063	50	3,113
Totals	$ 56,464	$ 97	$ 56,561
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 92,436	$ 53	$ 92,489
Net difference between projected and actual investment earnings	21,215	14	21,229
Changes of Assumptions	21,242	21	21,263
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	21	21
Totals	$ 134,893	$ 109	$ 135,002

The $33.4 million reported as deferred outflows of resources related to State contributions subsequent to the measurement date but before the end of the State's reporting period (June 30, 2025), will be recognized as a reduction in the net OPEB liability in the subsequent fiscal year ended June 30, 2026.

Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

	State Employees	BOE
Year ended June 30:		
2025	$ (35,389)	$ (7)
2026	(22,024)	(1)
2027	(27,218)	(10)
2028	(14,857)	(4)
2029	(7,427)	(2)
Thereafter	(4,914)	1
	$ (111,829)	$ (23)

Business-type Activities:

For the year ended June 30, 2025, the Lottery, a proprietary fund of the State, recognized OPEB expense (credit) of $(51) thousand. At June 30, 2025, 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	315
Differences between expected and actual experience	16
Changes of assumptions	187
Changes in proportion and differences between employer contributions and proportionate share of contributions	255
Totals	773

Deferred Inflows of Resources	
Differences between expected and actual experience	937
Net difference between projected and actual investment earnings	215
Changes of assumptions	215
Changes in Proportion	105
Totals	$ 1,472

The $345 thousand reported as deferred outflows of resources related to State contributions subsequent to the measurement date, but before the end of the State's reporting period (June 30, 2025), will be recognized as a reduction in the net OPEB liability in the subsequent fiscal year ended June 30, 2026.

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:	
2025	$ (249)
2026	(179)
2027	(286)
2028	(161)
2029	(87)
Thereafter	(52)
	$ (1,014)

Other Single Employer OPEB Plans

For the fiscal year ended June 30, 2025, 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	$ 1,793
Judges	(459)
State Police	(5,005)
Legislators	(209)
Total	$ (3,880)

For the fiscal year ended June 30, 2025, the State recognized OPEB expense (credit) of $1.8 million, $(459) thousand, $(5.0) million, $(209) 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, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

	Teachers	Judges	State Police	Legislators	Totals
Deferred Outflows of Resources					
Employer contributions subsequent to the measurement date	$ —	$ —	$ 4,381	$ —	$ 4,381
Differences between expected and actual experience	—	—	176	496	672
Change of Assumptions	—	313	6,260	647	7,220
Net difference between projected and actual investment earnings	—	—	—	—	—
Totals	—	313	10,817	1,143	12,273
Deferred Inflows of Resources					
Differences between expected and actual experience	—	251	29,495	192	29,938
Change of assumptions	—	—	3,242	122	3,364
Net difference between projected and actual investment earnings	964	252	5,266	232	6,714
Totals	$ 964	$ 503	$ 38,003	$ 546	$ 40,016

The amount of $4.4 million reported as deferred outflows of resources, related to the State contributions after the measurement date, but before the end of the State's reporting period (June 30, 2025), will be recognized as a reduction in the net OPEB liability in the subsequent year ended June 30, 2026.

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:				
2025	$ (435)	$ (134)	$ (7,229)	$ (7)
2026	101	59	(4,393)	105
2027	(407)	(87)	(7,083)	35
2028	(223)	(28)	(5,661)	95
2029	—	—	(3,273)	163
Thereafter	—	—	(3,928)	206
	$ (964)	$ (190)	$ (31,567)	$ 597

G. Component Unit Postemployment Benefit Plans

Rhode Island Public Transit Authority

The Rhode Island Public Transit Authority has a single-employer defined benefit post-retirement health and life insurance program that covers eligible employees. The Authority provides lifetime health care benefits to substantially all retired employees and their spouses. The Authority also provides life insurance benefits to retired employees who purchase life insurance for at least one year prior to retirement. Benefits are provided through a group insurance policy that covers both active and Pre-65 retired employees. Post-65 retired employee healthcare coverage benefits are provided through contributions to healthcare reimbursement accounts. Benefit terms, changes in benefit terms, and financing requirements are established by the Authority and are subject to the collective bargaining process. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a separate audit report.

At June 30, 2025, the plan's total OPEB liability totaled $69.7 million The total OPEB liability was determined by an actuarial valuation as of July 1, 2024 rolled forward to June 30, 2025. For the fiscal year ended June 30, 2025, OPEB expense of $1.4 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, 2025, each institution's proportionate share of net OPEB liability related to participation in the plans was as follows (in thousands):

University of Rhode Island	$	6,764
Rhode Island College		2,260
Community College of Rhode Island		1,984
Total	$	11,008

The net OPEB liabilities in the table above were measured as of June 30, 2024, 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, 2023 rolled forward to the June 30, 2024 measurement date. The proportion of net OPEB liability for each institution was based on its share of contributions to the Plans for fiscal year 2024 relative to the total contributions of all participating employers for that fiscal year.

For the fiscal year ended June 30, 2025, each institution recognized OPEB expense (credit) as follows (in thousands):

University of Rhode Island	$	(3,159)
Rhode Island College		(1,946)
Community College of Rhode Island		(1,496)
Total	$	(6,601)

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 - our.ric.edu
- Community College of Rhode Island - www.ccri.edu

Other Component Units

Certain other component units have OPEB plans. For information regarding these plans, please refer to the component units' separately issued financial reports.

Note 20. Deferred Compensation

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Department of Administration, pursuant to Chapter 36-13 of the General Laws, administers the plan. The Department of Administration contracts with private corporations to provide investment products related to the management of the deferred compensation plan. Plan distributions are normally available to employees without penalty at the later of age 59 or retirement and mandatory distributions must commence once the individual reaches a certain age. The plan also allows for distributions for qualifying events such as termination, death, or “unforeseeable emergency.”

Current Internal Revenue Service regulations require that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors. The plan assets also may be held in annuity contracts or custodial accounts, which are treated as trusts.

The State does not serve in a trustee capacity. Accordingly, the plan assets are not included in the State’s financial statements.

Note 21. Risk Management

The State uses a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. The most significant risks include potential loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injury; information technology security and cybersecurity; employee healthcare, Medicaid managed care contracts, and natural disasters.

To manage losses associated with the theft, damage, or loss of assets (most notably, capital assets), the State has entered into various lines of coverage with commercial insurance carriers for insurance coverage, subject to certain deductibles. Furthermore, the State is required by the General Laws to provide insurance coverage on all motor vehicles owned by the State and operated by State employees. During fiscal year 2025, and the two preceding fiscal years, no settlements exceeded insured coverage limits in the aggregate (including excess policies).

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

The estimated liability for incurred but not reported (IBNR) claims at June 30, 2025 and June 30, 2024 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	Liability at 07/01/2024	Current Year Claims and IBNR Estimate	Claim Payments	Liability at 06/30/2025
Health Insurance Internal Service Fund				
Unpaid claims	$ 20,737	$ 475,024	$ 473,628	$ 22,133

	Liability at 07/01/2023	Current Year Claims and IBNR Estimate	Claim Payments	Liability at 06/30/2024
Health Insurance Internal Service Fund				
Unpaid claims	$ 20,280	$ 377,251	$ 376,794	$ 20,737

Torts - The State is self-insured for risks of loss related to torts. Tort claims are defended by the State's Attorney General and, when necessary, appropriations are provided to pay claims.

Worker's Compensation - The State is self-insured for various risks of loss related to work-related injuries of State employees. The State contracts with a claims administrator to handle claims processing and provide certain loss prevention services for an administrative fee; however, the cost of worker's compensation claims (benefits) are paid by the State. The State maintains the Assessed Fringe Benefits Fund, an internal service fund that services, among other things, workers' compensation claims. Funding is provided through a fringe benefit rate applied to State payrolls on a pay-as-you-go basis.

Medicaid Managed Care - The State's Medicaid program provides health and dental coverage to a significant percentage of the Medicaid population through risk-based contracts with managed care organizations (MCOs) where the State is exposed to risk when actual medical claims exceed the capitation paid to the MCOs (subject to certain risk corridor limitations). Managed care expenditures represent a relatively large portion of the State's Medical Assistance expenditures. The State's known estimated risk (loss) or gain share amounts related to these contracts have been included in the financial statements.

Information Technology Security and Cybersecurity - The State relies upon a large and complex technology environment to conduct its operations, and accordingly is potentially exposed to cybersecurity threats which could disrupt operations or result in inadvertent disclosure of personal, private, or sensitive information. Additionally, cybersecurity breaches could expose the State to litigation and other legal risks. The State has not obtained insurance coverage specific to cybersecurity risks but does employ multiple forms of cybersecurity and operational safeguards based on strategies developed by the State's Chief Information Security Officer and other coordinating agencies.

Discretely Presented Component Units

The State's component units are also exposed to various risks of loss related to torts, property damage and theft, worker's compensation, employee healthcare, accident and casualty liability, etc. Component units manage these risks, in most instances, through the purchase of commercial insurance coverage. In certain instances, entities have opted to self-insure and maintain the risk of certain losses.

Specifically, the Rhode Island Public Transit Authority (RIPTA) is self-insured for claims associated with workers' compensation, health insurance, and accident and casualty losses. RIPTA has accrued a liability of $12.5 million at June 30, 2025 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	$ 9,658	$ 18,856	$ 28,514	$ (23,525)	$ 4,989
Loans to other funds	3,487	1,177	4,664	(4,664)	—
Total assets	13,145	20,033	33,178	(28,189)	4,989
Liabilities					
Due to other funds	21,603	1,922	23,525	(23,525)	—
Loans from other funds	8	4,656	4,664	(4,664)	—
Total liabilities	21,611	6,578	28,189	(28,189)	—
Program revenue					
General government	—	546,107	546,107	(546,107)	—
Public safety	—	13,541	13,541	(13,541)	—
Expenses					
General government	—	(545,465)	(545,465)	545,465	—
Public safety	—	(14,183)	(14,183)	14,183	—
Net revenue (expenses)	—	—	—	—	—
Transfers					
Transfers in	841,753	—	841,753	(440,616)	401,137
Transfers out	(440,616)	—	(440,616)	440,616	—
Net transfers	$ 401,137	$ —	$ 401,137	$ —	$ 401,137

	Total Business-type Activities	Internal Service Funds	Total	Eliminations	Internal Balances
Assets					
Due from other funds	$ 196	$ —	196	$ (5,185)	$ (4,989)
Total assets	196	—	196	(5,185)	(4,989)
Liabilities					
Due to other funds	5,185	—	5,185	(5,185)	—
Total liabilities	5,185	—	5,185	(5,185)	—
Transfers					
Transfers in	32,458	—	32,458	(32,458)	—
Transfers out	(433,595)	—	(433,595)	32,458	(401,137)
Net transfers	$ (401,137)	$ —	$ (401,137)	$ —	$ (401,137)

B. Related Party Transactions

Rhode Island Turnpike and Bridge Authority (RITBA) - The State has transferred custody, control, and supervision of the Jamestown and the Sakonnet River Bridges and related land and improvements from the Department of Transportation to the R.I. Turnpike and Bridge Authority (RITBA). While maintenance responsibilities for the two bridges rest with RITBA, ownership and title remains with the State. Per statute, the State earmarks $3.5 cents per gallon of the gas tax to the Authority to fund the additional maintenance costs associated with these bridges.

The R.I. Industrial-Recreational Building Authority (RIIRBA) - RIIRBA is authorized to insure contractual principal and interest payments mandated by first mortgages and first security agreements issued by a financial institution or the Rhode island Industrial Facilities Corporation (RIIFC) to private sector entities for industrial or recreational projects in the State up to a maximum of $60.0 million of outstanding principal balances for such insured mortgages and security agreements. The RIIRBA has a net deficit as of June 30, 2025 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 $489.9 thousand as of June 30, 2025.

I-195 Redevelopment District Commission (I-195 RDC) - The State has transferred land associated with the former Interstate 195 highway in Providence, Rhode Island to the I-195 Redevelopment District Commission (I-195 RDC). The value of the land, which the Commission intends to develop, was reported in the State's financial statements as a capital contribution at the historical cost. 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. This debt was retired by the State of Rhode Island in November 2023. There were no State appropriations for debt service in fiscal year 2025. Also the State appropriated $2.2 million for operations during fiscal year 2025. The State has appropriated $30.0 million to I-195 RDC to facilitate the sale of land and project development within the District.

Included in project development expenses for the years ended June 30, 2025 and 2024 are $199 thousand and $477 thousand, respectively. The majority of the Project Fund commitments have been allocated to Wexford Science and Technology for the first phase of its catalytic development of an approximately 200,000-SF commercial building that includes tenants such as Cambridge Innovation Center and Brown's School of Professional Studies.

Additionally, during the year ended June 30, 2025, I-195 RDC received $2.5 million of state appropriations funded by the Beach, Clean Water & Green Economy Bond.

Rhode Island College (RIC) - The voters of Rhode Island authorized the issuance of $30.0 million in general obligation debt for the construction of a new residence hall at Rhode Island College (RIC). Of this amount, $20.0 million will be repaid to the State. The residence hall was finished and in service by September 2007, at which time RIC began collecting revenues to pay for its share of the debt service. The debt service obligation is to be split two-thirds to RIC and one-third to the State for all payments after September 2007. RIC will repay the State for the debt service paid on its behalf on a straight-line basis, amortized over the remaining life of the bonds. The bonds have a life of 19 years beginning during fiscal year 2009 and with last payment expected during fiscal year 2028. At June 30, 2025, the College has a $5.2 million liability payable to the State. This obligation includes funds advanced for the construction of the residence hall and additional debt issued of $7.5 million for an energy investment project. These amounts will be paid back to the State at varying interest rates ranging from 2.0% to 5.0%.

Rhode Island Higher Education Savings Trust (RIHEST) - All non-Rhode Island resident accounts invested in the CollegeBound 529 savings plan operated by RIHEST are assessed a fee, which is paid to State Administrators to support the administration and operation of CollegeBound 529. These fees are used to fund establishing and marketing educational activities and scholarship funds in the State of Rhode Island. The amount of state administrative fees and expenses includes 0.5 basis points (0.005%) accrued on all investment options in CollegeBound 529, which is remitted to the Treasurer to cover administrative costs. Additionally, 1.5 basis points (0.015%) accrued on all investment options in CollegeBound 529, which is contributed to the Student Fund managed by the Rhode Island Office of the Postsecondary Commissioner are to be used to fund Rhode Island Promise scholarships. For the year ended June 30, 2025, the state administrative fees total $171 thousand and the Student Fund contributions total $506 thousand.

In addition to the 1.5 basis points paid to the Student Fund from program assets, the investment manager of the fund is required to contribute 9.5 basis points (0.095%) to the Student Fund. Such contributions, which total $3.2 million for the year ended June 30, 2025, are paid directly by Invesco and are not included in administrative fees and expenses noted in RIHEST's financial statements.

Rhode Island Health and Educational Building Corporation (RIHEBC) - During fiscal year 2016, the State created the School Building Authority Fund program to address high priority school building projects in communities with limited resources. Certain administrative duties related to the management and custody of monetary assets of the program were assigned to the Rhode Island Health and Educational Building Corporation (RIHEBC), including establishing a trust to hold related monies, creating and maintaining program accounting records, and the distribution and management of awards. Approved awards can be loans, grants or a combination of both. Funding is expected to continue through annual appropriations from the legislature, interest earned on loans, bond refinance interest savings or other payments received by RIHEBC pursuant to finance agreements with cities, towns and local education agencies. The State issued $70.0 million of General Obligation Bonds (of the total $250.0 million authorized by the voters) during December 2019 to fund the School Construction Bond Program administered by RIHEBC, to provide further assistance to cities and towns for school construction projects. For fiscal year 2025, RIHEBC reported bond proceed transfers from the State of $36.0 million and related project cost expenses of $46.9 million (approved by the State's School Building Authority).

Rhode Island Infrastructure Bank (RIIB) - The Municipal Road and Bridge Revolving Fund was created within the Rhode Island Infrastructure Bank (RIIB) to provide municipalities with low-cost financial assistance for road and bridge projects. In accordance with certain bond mandates, premium received from the issuance of bonds totaling $1.4 million was transferred to RIIB for this fund during fiscal year 2025. 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 $44.7 million during fiscal year 2025 to fund various economic development initiatives on behalf of the State. The Corporation reported approximately $214.1 million reserved for economic development initiatives at June 30, 2025 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, two developers have made payments 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, The Metropolitan Regional Career and Technical Center, Division of Higher Education Assistance, Quonset Development Corporation, Rhode Island Airport Corporation and Rhode Island Public Transit Authority receive significant financial support from the State of Rhode Island. See Note 22 D, Significant Transactions with Component Units for further details.

C. Budgeting, Budgetary Control, and Legal Compliance

Budget Preparation

An annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget encompasses the General, Intermodal Surface Transportation, Rhode Island Capital Plan, and Temporary Disability Insurance funds as well as selective portions of certain other funds. Preparation and submission of the budget is governed by the State Constitution and the Rhode Island General Laws. The budget, as enacted, contains a complete plan of proposed expenditures from all sources of funds (general, federal, restricted, and transfers in). Revenues upon which the budget plan is based are determined as part of the State's Revenue Estimating Conference. The Conference, held twice each year, results in a consensus estimate of revenues for the next fiscal year and an update of prior revenue estimates for the current fiscal year.

As required by the Constitution and the Rhode Island General Laws, annual appropriations are limited to 97.0% of estimated general revenues. The remaining 3.0% is contributed to the Budget Reserve Account until such account equals 5.0% of total general revenues and opening surplus. Excess contributions to the Budget Reserve Account are transferred to the Rhode Island Capital Plan Fund to be used for capital projects.

The annual budget is adopted on a comprehensive basis and includes activity that, for financial reporting purposes, is recorded in multiple funds. Consequently, the budgetary comparison schedules for an individual fund include amounts in the “actual” column that have no corresponding budget amount. These amounts are principally interfund transfers which are not included in the comprehensive budget to avoid duplication but are appropriately reflected in the individual fund financial statements.

According to RIGL 35-3-20.2, at the close of fiscal year 2025, the Supplemental State Budget Reserve Account was created within the general fund to be administered by the State Controller. This Account should be used solely to provide sums as may be appropriated to fund any unanticipated general revenue deficit.

The supplemental State Budget Reserve Account should consist of: (1) Such sums as the state may from time to time directly transfer to the account as authorized in law; and (2) Any amounts transferred pursuant to 35-6-1(e).

> *(e) Upon issuance of the audited financial statement, the Controller shall transfer fifty percent (50%) of all general revenues received in the completed fiscal year net of transfer to the state budget reserve and cash stabilization account as required by § 35-3-20 in excess of those estimates adopted for that year as contained in the final enacted budget to the employees' retirement system of the State of Rhode Island as defined in § 36-8-2 and fifty percent (50%) to the Supplemental State Budget Reserve Account as defined in § 35-3-20.2, except that excess revenues from fiscal year 2023 and 2024 shall not be transferred to the supplemental state budget reserve account.*

The State’s budget documents may be accessed at the following website: http://www.omb.ri.gov/budget.

Budgetary Controls

The legal level of budgetary control, i.e., the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch), is the line item within the appropriation act. Management cannot reallocate any appropriations without special approval from the legislative branch.

Budgetary controls utilized by the State consist principally of statutory restrictions on the expenditure of funds in excess of appropriations, accounting system controls to limit expenditures in excess of authorized amounts, and budgetary monitoring controls.

D. Significant Transactions with Component Units

The significant transactions with the discretely presented component units are presented (expressed in thousands) below:

Significant transactions between primary government and component units

	Amount	Description
Governmental activities		
General		
University of Rhode Island	$ 112,738	Operating assistance
Rhode Island College	72,237	Operating assistance
Community College of Rhode Island	62,110	Operating assistance
Central Falls School District	64,350	Operating assistance
The Met	12,545	Operating assistance
I-195 District Commission	1,245	Operating assistance
R.I. Commerce Corporation	41,370	Operating assistance
R.I. Division of Higher Education Assistance	3,719	Operating assistance
R.I. Public Transit Authority	3,438	Operating assistance
R.I. Health and Educational Building Corporation	83,286	School Building Authority Capital Fund/School Housing Aid
R.I. Housing and Mortgage Finance Corporation	59,944	Infrastructure improvements and bond proceeds
Quonset Development Corporation	45,621	Infrastructure improvements
IST		
R.I. Public Transit Authority	67,353	Operating assistance
R.I. Turnpike and Bridge Authority	15,702	Infrastructure improvements
Bond Capital		
R.I. Public Transit Authority	3,311	Construction, improvements or purchase of assets
University of Rhode Island	34,451	Construction, improvements or purchase of assets
Rhode Island College	31,275	Construction, improvements or purchase of assets
Community College of Rhode Island	1,136	Construction, improvements or purchase of assets
R.I. Commerce Corporation	9,964	Infrastructure improvements and bond proceeds
Quonset Development Corporation	12,148	Infrastructure improvements and bond proceeds
I-195 District Commission	2,464	Infrastructure improvements and bond proceeds
R.I. Housing and Mortgage Finance Corporation	15,000	Infrastructure improvements and bond proceeds
R.I. Health and Educational Building Corporation	36,012	Construction and building improvements
R.I. Infrastructure Bank	11,445	Infrastructure improvements, bond proceeds and bond premiums
R. I. Capital Plan		
R.I. Public Transit Authority	6,969	Construction, improvements or purchase of assets
University of Rhode Island	42,321	Construction, improvements or purchase of assets
Rhode Island College	13,285	Construction, improvements or purchase of assets
Community College of Rhode Island	8,664	Construction, improvements or purchase of assets
Quonset Development Corporation	4,750	Construction, improvements or purchase of assets
I-195 District Commission	1,612	Construction, improvements or purchase of assets
The Met	1,651	Construction, improvements or purchase of assets
Total Governmental Activities	$ 882,116	

E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2025:

- Human Resources ($362 thousand)
- DCAMM ($3.476 million)
- Correctional Industries ($714 thousand)

- Records Center ($149 thousand)
- Capitol Police ($11 thousand)

The deficits will be eliminated through service charges during fiscal year 2026

Note 23. Subsequent Events

Primary Government

Bond Issuance – In April 2026, the State issued the following General Obligation Bonds: $149.1 million Consolidated Capital Development Loan of 2026, Series A (Tax-Exempt) and $72.3 million Consolidated Capital Development Loan of 2026, Series B (Federally Taxable).

In July 2025, the Rhode Island Health and Educational Building Corporation, on behalf of the State, issued $50.5 million of State Appropriation-Backed Revenue Bonds, Series 2025 for the Central Falls Public Schools Projects.

Ocean State Transit, LLC Vs. RIDE and Angélica Infante-Green - Ocean State Transit, LLC (Ocean State) is suing the RI Department of Education (RIDE) Commissioner in her individual capacity, as well as other individuals for an alleged violation of the federal False Claims Act. The allegations include failure to pay Ocean State what was required under the CARES Act in relation to Ocean State's performance of a student transportation contract with RIDE's Statewide Student Transportation System. Ocean State seeks $1.7 billion in damages, which includes costs, attorneys' fees, and interest.

FY 2027 Budget Enactment - The FY 2027 Appropriations Act (2026 H-7127Aaa), which incorporates the final FY 2026 Revised Budget and the enacted FY 2027 Budget, was adopted by the General Assembly and signed by the Governor into law in June 2026. The FY 2026 revised budget includes all funds appropriations of $15.1 billion, of which $5.8 billion were from general revenues. The FY 2027 enacted budget includes all funds appropriations of $15.2 billion, of which $6.1 billion were from general revenues. The enacted budget includes a number of revenue and expenditure policy changes expected to affect the State's future financial position and operating results.

Among the significant revenue policy changes included in the enacted budget is the establishment of an additional personal income tax surcharge on Rhode Island taxable income in excess of $1.0 million. The surcharge is scheduled to be phased in over three tax years beginning in tax year 2027. The enacted budget also establishes a new refundable child tax credit and eliminates the age-based threshold applicable to the taxation of certain Social Security income. In addition, the budget includes a number of other measures impacting general revenues including a one-time tax amnesty program, measures which decouple the Rhode Island personal and corporate income tax from certain federal tax provisions, and various other changes. Collectively, these changes are expected to have a material effect on future State revenues and expenditures beginning in Fiscal Year 2027 and in subsequent fiscal years.

With respect to appropriations, the FY 2027 budget included general revenue expenditures of $6.1 billion. This is an increase of $241.6 million, or 4.1%, over the prior year revised appropriations. Grants and benefits grew by 6.8%. Among other changes, this reflects increases to social and medical assistance provider rates, as recommended by the Office of the Health Insurance Commissioner rate review. Local aid increased by 2.7%, driven primarily by enhancements to the education funding formula and full funding for local aid provisions. Other personnel and operating expenditures increased by 3.1%, reflecting continued funding of current services, investments to maintain compliance with changing federal policy with respect to social and medical benefits, and the creation of an office of Inspector General, among other changes.

New Debt Authorizations included in the FY 2027 Appropriations Act: The Appropriations Act authorizes $600.0 million of general obligation bond questions to be placed on the November 2026 statewide ballot. The authorized questions include investments in higher education, housing and homeownership initiatives, economic development programs, green economy and clean energy projects, and the cultural economy. Issuance of any bonds associated with these authorizations remains contingent upon voter approval. Additionally, the Appropriations Act included joint resolutions authorizing financing pursuant to Rhode Island Law § 35-18-1 for the Rhode Island College Residential Life Renovations project in an amount not to exceed $20.6 million which shall be secured by auxiliary revenues and for the University of Rhode Island Repaving and Hardscaping project in an amount not to exceed $20.0 million which shall be secured by the University's unrestricted general revenues and also enterprise fees from parking.

Transfers to and from the Supplemental Budget Reserve: The General Assembly passed special legislation (2026 H-7408Aaa), which appropriated $18.0 million in FY 2026 from the Supplemental Budget Reserve to support the acquisition and turnaround of Roger Williams Medical Center and Our Lady of Fatima Hospital. The Rhode Island Health and Educational Building Corporation issued approximately $101.0 million in bonds to support the acquisition and transition of the hospital system, which are not an obligation of the state. State exposure is limited to the $18.0 million appropriation, which finances a supplemental debt service reserve account.

The FY 2027 Appropriations Act included a $24.0 million transfer into the Supplemental Budget Reserve in FY 2026, more than offsetting the $18.0 million withdrawal, and brought the balance of this account to $61.0 million.

Rhode Island Lottery - Additional Sportsbook Provider - The Rhode Island Lottery awarded a license to Bally's on May 8, 2026, making it the second licensed online sports betting operator in the State. Bally's was one of two company's that applied for the license prior to the February 2026 deadline.

Rhode Island Lottery - Online Prediction Markets Lawsuit - The State commenced litigation in May 2026 against two online prediction market companies accusing the sites of conducting illegal sports betting.

RI Commerce Corporation (RICC) - Defeased Bonds - RI Commerce Corporation, on behalf of the RI Department of Transportation, executed a cash defeasance of the Series 2017A Motor Fuel Tax Revenue Bonds on December 1, 2025. The defeasance covered the remaining outstanding principal balance of $6.1 million. The bonds accrued interest at a rate of 5.0%. The cash defeasance was enabled by the fact that funds on deposit with the bond trustee exceeded the remaining debt service obligations on the outstanding bonds.

Additionally, RICC, on behalf of RI Department of Transportation, is anticipating to issue Series 2026A Grant Anticipation Refunding Bonds (GARVEE) on July 21, 2026. The preliminary details of the bond issuance is set at $176.4 million with the initiative to refund Series 2016B callable bonds.

Component Units

Rhode Island Health and Educational Building Corporation - Bond Issuances - July 22, 2025, Public Schools Revenue Bond Financing Program $102.1 million issued "Town of North Providence Issue, Series 2025 C". July 30, 2025, Public Schools Revenue Bond Financing Program $7.5 million issued "Chariho Regional School District Issue, Series 2025 C". August 14, 2025, Public Schools Revenue Bond Financing Program $24.3 million issued "Town of Coventry Issue, Series 2025 D". September 17, 2025, Educational Facilities Revenue Bonds $5.0 million issued "Providence Country Day School Issue, Series 2025". October 8, 2025, Public Schools Revenue Bond Financing Program $47.9 issued "Town of East Providence Issue, Series 2025 F". October 28, 2025, Student Housing Revenue Bonds $210.8 million issued "PRG-RI Properties LLC Issue, Series 2025 A&B". November 25, 2025, Health Facilities Revenue Bonds issued $8.0 million "Tamarisk, Inc. Issue, Series 2025". December 4, 2025, Public Schools Revenue Bond Financing Program issued $5.8 million "Town of Burriville Issue, Series 2025G" and issued $4.0 million "Town of New Shoreham Issue, Series 2025 G". December 23, 2025, Public Schools Revenue Bond Financing Program issued $139.6 million "City of Warwick Issue, Series 2025 H". February 18, 2026, Hospital Financing Revenue Bonds Issued $126.2 million "Brown University Health Obligated Group Issue, Series 2026 B".

Rhode Island Health and Educational Building Corporation - Refunded Bonds - Refunded Health Facilities Revenue Refunding Bonds $9.4 million dated September 30, 2015, "Tamarisk, Inc. Issue, Series 2015". Refunded Hospital Financing Revenue Refunding Bonds $265.5 million dated August 11, 2016, "Lifespan Obligated Group Issue, Series 2016".

Rhode Island Health and Educational Building Corporation - Retired Bonds - Retired Educational Institution Revenue Bonds $6.5 million dated March 16, 2012, "Immaculate Conception School Issue, Series 2012".

Rhode Island Housing and Mortgage Finance Corporation - Bond Redemption - Homeownership Opportunity Bonds October 1, 2025 $25.9 million, Multi-Family Development October 15, 2025 $4.5 million, and Multi-Family Development January 15, 2026 $7.5 million.

Rhode Island Housing and Mortgage Finance Corporation - Bond Issuance - Homeownership Opportunity Bonds August 14, 2025 $133.7 million, Homeownership Opportunity Bonds December 16, 2025 $116.5 million, Multi-Family Development December 9, 2025 $29.6 million, and Homeownership Opportunity Bonds March 25, 2026 $125.0 million.

Rhode Island Public Transit Authority (RIPTA) - Line of Credit Renewal - RIPTA renewed a $10.0 million line of credit with Bank of America effective January 2026.

Required Supplementary Information

State of Rhode Island

Fiscal Year Ended

June 30, 2025

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, 2025
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
General Revenues:				
Personal Income Tax	$ 1,913,500	$ 1,950,600	$ 1,972,280	$ 21,680
General Business Taxes:				
Business Corporations	342,600	345,600	329,443	(16,157)
Public Utilities Gross Earnings	105,300	115,000	116,322	1,322
Financial Institutions	39,500	12,300	7,604	(4,696)
Insurance Companies	167,500	175,900	174,291	(1,609)
Bank Deposits	5,700	5,000	5,110	110
Health Care Provider Assessment	44,400	44,400	44,765	365
Sales and Use Taxes:				
Sales and Use	1,704,000	1,682,000	1,672,709	(9,291)
Cigarettes	115,300	117,600	117,233	(367)
Alcohol	21,200	21,900	21,849	(51)
Other Taxes:				
Inheritance and Gift	65,500	80,500	84,884	4,384
Racing and Athletics	700	700	686	(14)
Realty Transfer Tax	17,200	16,700	18,765	2,065
Total Taxes[1]	4,542,400	4,568,200	4,565,941	(2,259)
Departmental Revenue	543,500	556,976	541,682	(15,294)
Total Taxes and Departmental Revenue	5,085,900	5,125,176	5,107,623	(17,553)
Other Sources:				
Lottery	424,000	431,100	433,595	2,495
Unclaimed Property	21,300	33,600	31,003	(2,597)
Other Miscellaneous	25,400	34,400	33,717	(683)
Total Other Sources	470,700	499,100	498,315	(785)
Total General Revenues	5,556,600	5,624,276	5,605,938	(18,338)
Federal Revenues	4,591,717	5,086,372	4,552,164	(534,208)
Restricted Revenues	456,211	484,551	397,846	(86,705)
Other Revenues	65,777	65,196	63,167	(2,029)
Non-budgeted SBITA Proceeds	—	—	11,583	11,583
Non-budgeted Lease Proceeds	—	—	5,468	5,468
Total Revenues[2]	10,670,305	11,260,395	10,636,166	(624,229)
Expenditures:				
General government	1,220,247	1,623,477	1,276,893	346,584
General government - non-budgeted lease and SBITA expenditures	—	—	2,683	(2,683)
General government - non-budgeted transfer to ERSRI	—	—	21,650	(21,650)
Total general government	1,220,247	1,623,477	1,301,226	322,251
Health and human services	6,245,592	6,246,682	6,043,456	203,226
Health and human services - non-budgeted lease and SBITA expenditures	—	—	7,848	(7,848)
Total health and human services	6,245,592	6,246,682	6,051,304	195,378
Education	2,305,752	2,360,936	2,307,748	53,188
Education - non-budgeted lease and SBITA expenditures	—	—	248	(248)
Total education	2,305,752	2,360,936	2,307,996	52,940
Public safety	814,430	859,297	748,208	111,089
Public safety - non-budgeted lease and SBITA expenditures	—	—	6,272	(6,272)
Total public safety	814,430	859,297	754,480	104,817
Natural resources	122,545	143,325	129,579	13,746
Total Expenditures[2]	10,708,566	11,233,717	10,544,585	689,132

(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, 2025
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Transfer of Excess Budget Reserve to RI Capital Fund	—	—	172,796	
Transfer of scholarship revenue to RI Division of Higher Education[3]	—	—	3,719	
Total Expenditures and Transfers	10,708,566	11,233,717	10,721,100	
Change in Fund Balance			(84,934)	
Fund balance - beginning			1,161,461	
Fund balance - ending			1,076,527	
Expenditures by Source:				
General Revenue	5,594,861	5,597,598	5,519,916	77,682
Federal Revenue	4,591,717	5,086,372	4,555,142	531,230
Restricted Revenue	456,211	484,551	372,453	112,098
Other Funds	65,777	65,196	58,373	6,823
Non-budgeted SBITA Expenditures	—	—	11,583	(11,583)
Non-budgeted Lease Expenditures	—	—	5,468	(5,468)
Non-budgeted transfer to ERSRI	—	—	21,650	(21,650)
	$ 10,708,566	$ 11,233,717	$ 10,544,585	$ 689,132

Notes:

Due to rounding, numbers presented may not add up precisely to the totals provided.

[1] *Transfers from the Historic Tax Credit Special Revenue Fund reported as "Other Financing Sources" on the General Fund have been allocated to General Revenue Tax Categories on this schedule to align with the State's legally adopted budget format.*

Historical Tax Credit Fund Transfers to the General Fund in Fiscal Year 2025 by Tax Type:

	General Fund Reported Revenue	Historic Tax Credits Applied Transfer from HTCF	Reported Revenue Budget and Actual
Personal Income	$ 1,967,874	$ 4,406	$ 1,972,280
Business Corporations	329,132	311	329,443
Insurance Companies	167,694	6,597	174,291
Financial Institutions	7,604	—	7,604

[2] *Certain revenue and expenditure amounts classified as "Other Financing Sources (Uses)" have been reclassified within the budgetary comparison schedule to align with the State's legally adopted budgetary format.*

[3] *Amounts are provided for scholarships by the administrator of the Rhode Island Higher Education Savings Trust. For financial reporting purposes such amounts are recorded as restricted revenue and a transfer to the Rhode Island Division of Higher Education Assistance which administers the scholarship program. These amounts are non-budgeted items.*

(Continued)

State of Rhode Island
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

Functional Expenditure Reclassifications - Budgetary presentation compared to Financial Statement Presentation: For financial reporting purposes, certain expenditures (debt service and transfers) have been reclassified to align to the appropriate functional expenditure classification.

	General Government	Health and Human Services	Education	Public Safety	Natural Resources	Debt Service	Transfers	Total Expenditures
Budgetary Presentation	$ 1,301,226	$ 6,051,304	$ 2,307,996	$ 754,480	$ 129,579	$ —	$ 176,515	$ 10,721,100
Reclassifications:								
Debt Service	(173,637)	(9,698)	(51,682)	(5,516)	(2,779)	243,312	—	—
Other Transfers - RIDHEA	3,719	—	—	—	—	—	(3,719)	—
Other Transfers - RICCA	(25,295)	—	—	—	—	—	25,295	—
	—	—	—	—	—	—	—	—
Financial Statement Presentation	$ 1,106,013	$ 6,041,606	$ 2,256,314	$ 748,964	$ 126,800	$ 243,312	$ 198,091	$ 10,721,100

(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, 2025
(Expressed in Thousands)

Reconciliation of Fund Balance - Financial Reporting Perspective to Budgetary Perspective

		Budgetary Perspective	
	Fund Balance Reported in the Financial Statements	Fund Balance Not Available for Appropriation in Fiscal Year 2026	Fund Balance Available for Appropriation in Fiscal Year 2026
Nonspendable	$ 181,505	$ —	$ 181,505
Restricted	409,550	409,550	—
Committed	19,106	19,106	—
Assigned	274,024	43,811 [a]	230,213 [b]
Unassigned	192,342	352,697 [c]	(160,355) [d]
Total Fund Balance	$ 1,076,527	$ 825,164	$ 251,363

[a] *Assigned fund balance not available for appropriation in fiscal year 2026 includes general revenue appropriations carried forward by the Governor, Judiciary, and Legislature and intra-agency balances assigned for specific purposes.*

[b] *Assigned fund balance available for appropriation in fiscal 2026 includes fiscal 2025 ending surplus amounts of $230 million appropriated as resources in the 2025 enacted budget.*

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

[d] *Remaining fund balance available for appropriation.*

(Concluded)

See Notes to Required Supplementary Information.

State of Rhode Island
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Intermodal Surface Transportation Fund
For the Fiscal Year Ended June 30, 2025
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 227,883	$ 232,152	$ 251,522	$ 19,370
Licenses, fines, sales, and services	28,928	34,298	25,886	(8,412)
Departmental restricted revenue	6,117	6,166	2,310	(3,856)
Federal grants	474,773	526,224	590,880	64,656
Other revenues	6,568	6,221	10,109	3,888
Total revenues	744,269	805,061	880,707	75,646
Revenues and Other Financing Sources (unbudgeted):				
Miscellaneous revenue			9,358	
Total revenues			890,065	
Other financing sources:				
Transfers from RI Capital Plan			129,302	
Proceeds from issuance of GARVEE Bonds			123,915	
Premium on issuance of GARVEE Bonds			18,484	
Leases and Subscription-based IT financing			6,884	
Total other financing sources			278,585	
Total revenues and other financing Sources			1,168,650	
Expenditures (budgeted):				
Central management				
Federal Funds	15,122	13,765	6,141	7,624
Gasoline Tax	8,265	9,267	8,615	652
Total - central management	23,387	23,032	14,756	8,276
Management and budget				
Gasoline Tax	4,244	3,977	6,323	(2,346)
Total - management and budget	4,244	3,977	6,323	(2,346)
Infrastructure - engineering-GARVEE/motor fuel tax bonds				
Federal Funds	459,650	512,458	516,226	(3,768)
Restricted Receipts	6,117	6,166	2,330	3,836
Gasoline Tax	71,062	72,208	65,143	7,065
Land Sale Revenue	6,568	6,221	3,400	2,821
Total - infrastructure - engineering	543,397	597,053	587,099	9,954
Infrastructure - maintenance				
Gasoline Tax	39,245	40,304	35,648	4,656
Rhode Island Highway Maintenance Account	119,070	263,014	94,493	168,521
Total - infrastructure - maintenance	158,315	303,318	130,141	173,177
Total expenditures (budgeted)	$ 729,343	$ 927,380	$ 738,319	$ 189,061
Expenditures and other financing uses (unbudgeted):				
Infrastructure expenditures - GARVEE and State match funded by RI Capital Plan and bond capital funds			$ 307,055	
Mission 360 loan program			217	
Transfers to general fund - gas tax			44,603	
Leases and Subscription-based IT financing			6,884	
Total Expenditures and other financing uses (unbudgeted)			358,759	
Total expenditures and other financing uses			1,097,078	
Net change in fund balance			71,572	
Fund balance, beginning			326,120	
Fund balance, ending			$ 397,692	

See Notes to Required Supplementary Information.

Budget and Actual

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

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

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

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

State of Rhode Island

Required Supplementary Information - Pension Information

Defined Benefit Multiple-Employer Cost-sharing Plan

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

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

The amounts included in these schedules for fiscal year 2025 reflect a June 30, 2024 measurement date.

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

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

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

Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information

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

Employees' Retirement System-State Employees-Governmental Activities

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
State's proportion of the net pension liability	90.9 %	90.8 %	90.4 %	90.2 %	89.9 %	89.7 %	89.5 %	89.2 %	88.9 %	89.0 %
State's proportionate share of the net pension liability	$ 1,757,211	$ 1,747,517	$ 1,783,390	$ 1,604,576	$ 2,044,888	$ 2,031,989	$ 2,013,417	$ 2,010,955	$ 1,887,351	$ 1,767,095
State's covered payroll	805,578	737,116	703,931	668,135	679,351	644,463	627,595	620,754	612,081	594,466
State's proportionate share of the net pension liability as a percentage of its covered payroll	218.1 %	237.1 %	253.3 %	240.2 %	301.0 %	315.3 %	320.8 %	324.0 %	308.3 %	297.3 %
Plan fiduciary net position as a percentage of the total pension liability	63.1 %	61.3 %	59.6 %	63.2 %	52.6 %	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %

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

See Notes to Required Supplementary Information.

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

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

Rhode Island Lottery

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Lottery's proportion of the net pension liability	0.9 %	0.9 %	0.9 %	0.9 %	1.0 %	0.9 %	0.8 %	0.7 %	0.8 %	0.8 %
Lottery's proportionate share of the net pension liability	$ 17,838	$ 17,762	$ 18,689	$ 16,558	$ 21,652	$ 20,850	$ 17,142	$ 16,869	$ 16,260	$ 15,074
Lottery's covered payroll	8,178	7,492	7,377	6,899	7,199	6,613	5,311	5,186	5,156	5,071
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	218.1 %	237.1 %	253.3 %	240.0 %	300.8 %	315.3 %	322.8 %	325.3 %	315.4 %	297.3 %
Plan fiduciary net position as a percentage of the total pension liability	63.1 %	61.3 %	59.6 %	63.2 %	52.6 %	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %

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

See Notes to Required Supplementary Information.

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

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

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
State's proportion of the net pension liability	42.6 %	42.5 %	42.5 %	42.6 %	42.6 %	42.8 %	42.7 %	43.1 %	40.7 %	40.6 %
State's proportionate share of the net pension liability	$ 1,014,429	$ 1,031,708	$ 1,148,198	$ 1,002,105	$ 1,361,982	$ 1,366,538	$ 1,357,444	$ 1,357,577	$ 1,212,754	$ 1,117,395
Plan fiduciary net position as a percentage of the total pension liability	67.7 %	65.8 %	62.1 %	66.5 %	54.3 %	54.6 %	54.3 %	54.0 %	54.1 %	57.6 %

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

See Notes to Required Supplementary Information.

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

Employees' Retirement System-State Employees-Governmental Activities

	2025	2024	2023	2022	2021	2020(*)	2019	2018	2017	2016
Actuarially determined contribution	$ 258,797	$ 233,376	$ 206,466	$ 197,171	$ 184,004	$ 179,281	$ 169,365	$ 156,083	$ 157,299	$ 144,696
Contributions in relation to the actuarially determined contribution	258,797	233,376	206,466	197,171	184,004	179,281	169,365	156,083	157,299	144,696
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	841,616	805,578	737,116	703,931	668,135	679,351	644,463	627,595	620,754	612,081
Contributions as a percentage of covered payroll	30.75 %	28.97 %	28.01 %	28.01 %	27.54 %	26.39 %	26.28 %	24.87 %	25.34 %	23.64 %

(*) *The 2019 contributions as a percentage of covered payroll includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing an elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.*

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

See Notes to Required Supplementary Information.

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

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily required contribution	$ 130,172	$ 126,825	$ 122,455	$ 116,291	$ 112,623	$ 108,636	$ 102,239	$ 98,121	$ 96,542	$ 87,998
Contributions in relation to the statutorily required contribution	130,172	126,825	122,455	116,291	112,623	108,636	102,239	98,121	96,542	87,998
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —

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

See Notes to Required Supplementary Information.

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

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

Rhode Island Lottery

	2025	2024	2023	2022	2021	2020(*)	2019	2018	2017	2016
Actuarially determined contribution	$ 2,579	$ 2,369	$ 2,099	$ 2,066	$ 1,900	$ 1,900	$ 1,738	$ 1,321	$ 1,314	$ 1,219
Contributions in relation to the actuarially determined contribution	2,579	2,369	2,099	2,066	1,900	1,900	1,738	1,321	1,314	1,219
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	8,387	8,178	7,492	7,377	6,899	7,199	6,613	5,311	5,186	5,156
Contributions as a percentage of covered payroll	30.75 %	28.97 %	28.01 %	28.01 %	27.54 %	26.39 %	26.28 %	24.87 %	25.34 %	23.64 %

(*) *The 2019 contributions as a percentage of covered payroll includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing and elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.*

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

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Single-Employer Defined Benefit Plans

Certain state employees are covered by the following single-employer plans, separate from the ERS plan, which covers most state employees.

- State Police Retirement Benefits Trust (SPRBT)
- Judicial Retirement Benefits Trust (JRBT)
- Rhode Island Judicial Retirement Fund Trust (RIJRFT)
- State Police Retirement Fund Trust (SPRFT)

These plans are administered within the Employees' Retirement System of Rhode Island. Separate actuarial valuations are performed for each plan. Additional information for the plans is available in the separately issued audited financial statements of the Employees' Retirement System of Rhode Island.

The amounts included in these schedules for fiscal year 2025 reflect a June 30, 2024 measurement date.

The following schedules are presented for each single-employer plan:

- **Schedule of Changes in the Net Pension Liability and Related Ratios**
  - SPRBT
  - JRBT
  - RIJRFT
  - SPRFT
- **Schedule of State Contributions**
  - SPRBT
  - JRBT
  - RIJRFT
  - SPRFT

Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years
(Expressed in Thousands)

State Police Retirement Benefits Trust

Year Ended	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Total Pension Liability										
Service cost	$ 6,645	$ 6,392	$ 5,829	$ 5,827	$ 5,788	$ 5,342	$ 4,999	$ 4,498	$ 4,316	$ 4,198
Interest	15,414	14,642	13,898	13,110	12,405	11,590	10,763	9,393	9,058	8,540
Benefit Changes	—	—	—	—	—	—	—	—	—	1,170
Differences between expected and actual experience	16,387	(730)	(762)	(322)	(3,126)	624	1,912	10,694	(4,139)	(3,522)
Changes of assumptions	—	204	—	—	1,541	—	—	9,274	—	—
Benefit payments	(9,827)	(9,384)	(7,849)	(6,872)	(6,229)	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)
Net Change in Total Pension Liability	28,619	11,124	11,116	11,743	10,379	11,509	11,650	28,717	4,650	7,889
Total Pension Liability-Beginning	221,795	210,671	199,555	187,812	177,433	165,924	154,274	125,557	120,907	113,018
Total Pension Liability-Ending	250,414	221,795	210,671	199,555	187,812	177,433	165,924	154,274	125,557	120,907
Plan Fiduciary Net Position										
Employer contributions	6,437	6,209	5,211	5,241	4,878	3,567	2,797	2,980	4,005	3,432
Employee contributions	2,729	2,601	2,387	2,324	2,346	2,130	1,994	2,060	2,035	1,732
Net investment income	21,299	16,241	(5,344)	41,840	5,642	9,161	10,298	13,694	58	2,656
Benefit payments	(9,827)	(9,384)	(7,849)	(6,872)	(6,229)	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)
Administrative expenses	(223)	(174)	(203)	(153)	(158)	(140)	(137)	(125)	(103)	(100)
Other	6	3	16	16	25	1	16	5	1	4
Net Change in Plan Fiduciary Net Position	20,421	15,496	(5,782)	42,396	6,504	8,672	8,944	13,472	1,411	5,227
Plan Fiduciary Net Position-Beginning	206,019	190,523	196,305	153,909	147,405	138,733	129,789	116,317	114,906	109,679
Plan Fiduciary Net Position-Ending	226,440	206,019	190,523	196,305	153,909	147,405	138,733	129,789	116,317	114,906
Net Pension Liability	$ 23,974	$ 15,776	$ 20,148	$ 3,250	$ 33,903	$ 30,028	$ 27,191	$ 24,485	$ 9,240	$ 6,001
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	90.4%	92.9%	90.4%	98.4%	81.9%	83.1%	83.6%	84.1%	92.6%	95.0%
Covered Payroll	$ 31,139	$ 29,687	$ 26,555	$ 26,438	$ 26,419	$ 24,216	$ 22,590	$ 22,728	$ 20,985	$ 19,701
Net Pension Liability as a Percentage of Covered Payroll	77.0%	53.1%	75.9%	12.3%	128.3%	124.0%	120.4%	107.7%	44.0%	30.5%

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

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years
(Expressed in Thousands)

Judicial Retirement Benefits Trust

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Total Pension Liability										
Service cost	$ 4,136	$ 3,815	$ 3,709	$ 3,387	$ 3,335	$ 3,184	$ 3,215	$ 3,001	$ 2,859	$ 3,024
Interest	6,803	6,727	6,553	6,213	5,663	5,526	5,303	5,031	4,744	4,540
Benefit Changes	—	—	—	—	—	—	—	—	—	253
Differences between expected and actual experience	3,335	(3,881)	(2,874)	(564)	180	(3,165)	(2,032)	(1,788)	(1,206)	(2,857)
Changes of assumptions		(372)	—	—	2,515	—	—	5,173	—	—
Benefit payments	(5,528)	(5,210)	(4,700)	(3,983)	(3,724)	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)
Net Change in Total Pension Liability	8,746	1,079	2,688	5,053	7,969	1,936	3,530	8,677	3,866	3,151
Total Pension Liability-Beginning	97,882	96,803	94,116	89,063	81,094	79,158	75,628	66,951	63,085	59,934
Total Pension Liability-Ending	106,628	97,882	96,804	94,116	89,063	81,094	79,158	75,628	66,951	63,085
Plan Fiduciary Net Position										
Employer contributions	2,983	2,843	2,611	2,246	2,189	1,922	2,058	2,057	2,410	2,709
Employee contributions	1,577	1,371	1,398	1,215	1,204	1,109	1,142	1,118	1,053	1,121
Net investment income	10,827	8,310	(2,742)	21,815	2,955	4,821	5,377	7,107	29	1,368
Benefit payments	(5,528)	(5,210)	(4,700)	(3,983)	(3,724)	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)
Administrative expenses	(112)	(88)	(97)	(80)	(80)	(74)	(71)	(65)	(53)	(51)
Net Change in Plan Fiduciary Net Position	9,747	7,226	(3,530)	21,213	2,544	4,169	5,550	7,477	908	3,338
Plan Fiduciary Net Position-Beginning	105,067	97,841	101,371	80,158	77,614	73,445	67,895	60,418	59,510	56,172
Plan Fiduciary Net Position-Ending	114,814	105,067	97,841	101,371	80,158	77,614	73,445	67,895	60,418	59,510
Net Pension Liability (Asset)	$ (8,186)	$ (7,185)	$ (1,037)	$ (7,255)	$ 8,905	$ 3,480	$ 5,713	$ 7,733	$ 6,533	$ 3,575
Plan Fiduciary Net Position as a Percentage of the Total										
Pension Liability	107.7%	107.3%	101.1%	107.7%	90.0%	95.7%	92.8%	89.8%	90.2%	94.3%
Covered Payroll	$ 13,487	$ 11,996	$ 11,454	$ 10,387	$ 10,284	$ 9,474	$ 9,653	$ 9,532	$ 8,981	$ 9,570
Net Pension Liability as a Percentage of Covered Payroll	(60.7)%	(59.9)%	(9.1)%	(69.8)%	(86.6)%	36.7%	59.2%	81.1%	72.7%	37.4%

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

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years
(Expressed in Thousands)

RI Judicial Retirement Fund Trust

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Total Pension Liability										
Service cost	$ 250	$ 263	$ 460	$ 400	$ 323	$ 277	$ 294	$ 350	$ 466	$ 416
Interest	732	707	451	550	640	685	726	586	719	673
Differences between expected and actual experience	(992)	3	(1,250)	(656)	(646)	—	(1,953)	—	(1,060)	(642)
Changes of assumptions	(157)	(548)	(3,358)	1,176	2,060	917	(116)	(666)	1,865	859
Benefit payments	(601)	(601)	(500)	(396)	(399)	(399)	(399)	(399)	(231)	—
Net Change in Total Pension Liability	(768)	(176)	(4,197)	1,074	1,978	1,480	(1,448)	(129)	1,759	1,306
Total Pension Liability-Beginning	19,153	19,329	23,526	22,452	20,474	18,994	20,442	20,571	18,812	17,506
Total Pension Liability-Ending	18,385	19,153	19,329	23,526	22,452	20,474	18,994	20,442	20,571	18,812
Plan Fiduciary Net Position										
Employer contributions	601	490	405	399	399	399	399	332	140	—
Employee contributions	114	111	125	126	126	122	117	117	135	159
Net investment income	91	69	(23)	178	23	38	44	64	4	9
Benefit payments	(601)	(601)	(500)	(396)	(399)	(399)	(399)	(399)	(231)	—
Administrative expenses	(2)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	—	—
Net Change in Plan Fiduciary Net Position	203	68	6	306	148	159	160	113	48	168
Plan Fiduciary Net Position-Beginning	1,495	1,427	1,421	1,114	966	807	647	534	486	318
Plan Fiduciary Net Position-Ending	1,698	1,495	1,427	1,421	1,114	966	807	647	534	486
Net Pension Liability	$ 16,687	$ 17,658	$ 17,902	$ 22,105	$ 21,338	$ 19,508	$ 18,187	$ 19,795	$ 20,037	$ 18,326
Plan Fiduciary Net Position as a Percentage of the Total										
Pension Liability	9.2%	7.8%	7.4%	6.0%	5.0%	4.7%	4.2%	3.2%	2.5%	2.6%
Covered Payroll	$ 949	$ 926	$ 1,038	$ 1,051	$ 1,046	$ 1,002	$ 1,020	$ 988	$ 963	$ 1,321
Net Pension Liability as a Percentage of Covered Payroll	1758.4%	1906.9%	1724.7%	2103.2%	2040.0%	1946.9%	1783.0%	2003.3%	2189.2%	1387.4%

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

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Seven Fiscal Years
(Expressed in Thousands)

State Police Retirement Fund Trust

Year Ended	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Total Pension Liability							
Service cost	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Interest	10,312	10,715	11,241	11,469	11,878	12,193	11,712
Benefit Changes	—	—	—	—	—	—	—
Differences between expected and actual experience	(1,210)	61	(3,212)	1,256	(162)	—	12,187
Changes of assumptions		(1,335)	—	—	(1,136)	—	—
Benefit payments	(14,947)	(15,415)	(15,698)	(16,269)	(16,581)	(16,799)	(17,273)
Net Change in Total Pension Liability	(5,845)	(5,974)	(7,669)	(3,544)	(6,001)	(4,606)	6,626
Total Pension Liability-Beginning	154,789	160,763	168,432	171,976	177,977	182,583	175,957
Total Pension Liability-Ending	148,944	154,789	160,763	168,432	171,976	177,977	182,583
Plan Fiduciary Net Position							
Employer contributions	16,387	16,387	16,387	16,387	16,387	16,387	16,387
Net investment income	3,718	2,295	(272)	6,144	868	770	1,137
Benefit payments	(14,947)	(15,415)	(15,698)	(16,269)	(16,581)	(16,799)	(17,273)
Administrative expenses	(28)	(21)	(22)	(18)	(17)	(17)	(6)
Net Change in Plan Fiduciary Net Position	5,130	3,246	395	6,244	657	341	245
Plan Fiduciary Net Position-Beginning	27,141	23,895	23,500	17,256	16,599	16,258	16,013
Plan Fiduciary Net Position-Ending	32,271	27,141	23,895	23,500	17,256	16,599	16,258
Net Pension Liability	$ 116,673	$ 127,648	$ 136,868	$ 144,932	$ 154,720	$ 161,378	$ 166,325
Plan Fiduciary Net Position as a Percentage of the Total							
Pension Liability	21.7%	17.5%	14.9%	14.0%	10.0%	9.3%	8.9%
Covered Payroll	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net Pension Liability as a Percentage of Covered Payroll	—%	—%	—%	—%	—%	—%	—%

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 68 during fiscal year 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only seven years of activity to report as the Trust began operations in fiscal year 2018.

See Notes to Required Supplementary Information.

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

State Police Retirement Benefits Trust

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 7,027	$ 6,437	$ 6,209	$ 5,211	$ 5,241	$ 4,878	$ 3,567	$ 2,802	$ 2,980	$ 4,005
Contributions in relation to the actuarially determined contribution	7,027	6,437	6,209	5,211	5,241	4,878	3,567	2,802	2,980	4,005
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 32,547	$ 31,159	$ 29,752	$ 27,083	$ 26,442	$ 26,394	$ 24,199	$ 22,930	$ 22,191	$ 23,258
Contributions as a percentage of covered payroll	21.59%	20.66%	20.87%	19.24%	19.82%	18.48%	14.74%	12.22%	13.43%	17.22%

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

See Notes to Required Supplementary Information.

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

Judicial Retirement Benefits Trust

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 2,503	$ 2,983	$ 2,843	$ 2,611	$ 2,246	$ 2,189	$ 1,922	$ 2,064	$ 2,057	$ 2,410
Contributions in relation to the actuarially determined contribution	2,503	2,983	2,843	2,611	2,246	2,189	1,922	2,064	2,057	2,410
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 13,753	$ 13,487	$ 11,767	$ 11,967	$ 10,393	$ 10,278	$ 9,477	$ 9,768	$ 9,532	$ 8,993
Contributions as a percentage of covered payroll	18.20%	22.12%	24.16%	21.82%	21.61%	21.30%	20.28%	21.13%	21.58%	26.80%

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

See Notes to Required Supplementary Information.

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

Rhode Island Judicial Retirement Fund Trust

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 1,148	$ 1,182	$ 1,232	$ 1,190	$ 1,242	$ 1,215	$ 1,224	$ 1,322	$ 1,241	$ 1,200
Contributions in relation to the actuarially determined contribution	602	601	490	405	399	399	399	399	332	140
Contribution deficiency (excess)	$ 546	$ 581	$ 742	$ 785	$ 843	$ 816	$ 825	$ 923	$ 909	$ 1,060
Covered payroll	$ 994	$ 949	$ 926	$ 1,038	$ 1,051	$ 1,046	$ 1,002	$ 1,020	$ 988	$ 964
Contributions as a percentage of covered payroll	60.56%	63.33%	52.92%	39.02%	38.15%	38.15%	39.82%	39.12%	33.60%	14.52%

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

See Notes to Required Supplementary Information.

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

State Police Retirement Fund Trust

	2025	2024	2023	2022	2021	2020	2019
Actuarially determined contribution	$ 16,387	$ 16,387	$ 16,387	$ 16,387	$ 16,387	$ 16,387	$ 16,387
Contributions in relation to the actuarially determined contribution	16,387	16,387	16,387	16,387	16,387	16,387	16,387
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only seven years of activity to report as the Trust began operations in fiscal year 2018.

See Notes to Required Supplementary Information.

State of Rhode Island

Required Supplementary Information - Pension Information

Non-Contributory (pay-as-you-go) Defined Benefit Single-Employer Plan

Certain retired state employees are covered by the Judicial Non-Contributory Retirement Plan, a single-employer plan, which is separate from the plans previously described, and is not part of the Employees' Retirement System of Rhode Island.

The State funds this plan on a pay-as-you-go basis and no actuarial determined advance employer contribution is made nor are assets accumulated in a trust to pay future benefits. A separate actuarial valuation is performed to provide an accounting measure of the total pension liability for the plan.

A Schedule of Changes in Total Pension Liability is presented for this plan. The amounts included in this schedule for fiscal year 2025 reflects a June 30, 2024 measurement date. The Schedule of Changes in Total Pension Liability is intended to show information for 10 years - additional years will be displayed as information becomes available. A Schedule of State Contributions is not presented as the plan operates on a pay-as-you-go basis and there is no covered payroll because there are no active members of the plan.

Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.

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

Judicial Non-Contributory Retirement Plan

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Total Pension Liability										
Service cost	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Interest	1,197	1,281	809	1,089	1,170	1,413	1,497	1,380	1,860	2,172
Benefit changes	—	—	—	—	—	—	—	—	—	—
Differences between expected and actual experience	127	(257)	548	(1,215)	3,560	521	916	182	—	328
Changes of assumptions	(171)	(1,166)	(5,010)	1,855	6,757	1,250	(166)	(2,291)	3,510	1,885
Benefit payments	(3,415)	(3,676)	(3,873)	(4,184)	(4,659)	(5,029)	(5,486)	(5,763)	(6,107)	(6,020)
Net Change in Total Pension Liability	(2,262)	(3,818)	(7,526)	(2,455)	6,828	(1,845)	(3,239)	(6,492)	(737)	(1,635)
Total Pension Liability-Beginning	32,734	36,552	44,078	46,533	39,705	41,550	44,789	51,281	52,018	53,653
Total Pension Liability-Ending	$ 30,472	$ 32,734	$ 36,552	$ 44,078	$ 46,533	$ 39,705	$ 41,550	$ 44,789	$ 51,281	$ 52,018

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

See Notes to Required Supplementary Information.

Required Supplementary Information - Pensions

Significant Methods and Assumptions used in calculating the actuarial determined contributions

Generally, actuarial determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contribution rates are applicable. The actuarial determined contribution rates for fiscal year 2025 were determined based on valuations performed as of June 30, 2022, 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, 2024. Significant methods and assumptions are summarized for each plan in the table below:

	ERS					
	State Employees	***Teachers***	**SPRBT**	**JRBT**	**RIJRFT**	**SPRFT**
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	14 years	15 years	14 years	20 years	20 years	13 years
Asset valuation method	5 year smoothed market				Market Value	Market Value
Amortization period for new gains and losses	20 years				N/A	N/A
Actuarial Assumptions						
Investment Rate of Return	7.0%				3.97%	7.00%
Projected Salary Increases	3.25% to 6.25%	3.0% to 13.0%	3.75% to 11.75%	2.75%	2.75%	N/A
Mortality	Male Employees: PUB-10 Median Table for Healthy General Employee Males, loaded by 115%, projected with Scale Ultimate MP16. Female Employees: PUB-10 Median Table for Healthy General Employee Females, loaded by 111%, projected with Scale Ultimate MP16.					
	Male Teachers: PUB-10 Median Table for Healthy Teacher Males, loaded by 108%, projected with Scale Ultimate MP16. Female Teachers: PUB-10 Median Table for Healthy Teacher Females, loaded by 115%, projected with Scale Ultimate M16.					
Inflation	2.5%					

The required contribution for the State Police Retirement Fund Trust (SPRFT), a plan newly created in fiscal year 2017 covering a closed group of retired individuals, was calculated based on a level-dollar amortization over 18 years from June 30, 2016. Upon statutory creation of the SPRFT, an annual contribution amount totaling $16.4 million was actuarial determined. This amount has been contributed annually since 2017.

Cost of Living Adjustments

Post-retirement Benefit Increase: Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The first such COLA will be applicable in Calendar Year 2017 and the second such COLA will be applicable in Calendar Year 2021. In the original RIRSA legislation it was assumed that the benefit adjustments would be suspended until 2027 and all subsequent valuations have continued to reference this same timeframe. The actual amount of the COLA is determined based on 50% of the plan's five-year average investment rate of return minus 5.00% which will range from zero to 4.0%, and 50% of the lesser of 3% or last year's CPI-U increase for a total maximum increase of 3.0%.

Factors affecting trends for amounts related to the net pension liability

June 30, 2024 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 30,2024 measurement date compared to the of June 30, 2023 measurement, except for the changes in assumptions for the RIJRFT and JNCRP plans due to the use of the municipal bond index rate of 3.97% as of June 30, 2024.

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

June 30, 2022 measurement date:
There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2022 measurement date compared to the June 30, 2021 measurement date except for the changes in assumptions for the RIJRFT and JNCRP plans due to use of the municipal bond index rate of 3.69%. This rate was 1.92% at June 30, 2021.

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

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

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

June 30, 2019 measurement date:
The 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 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 year 2018 and was reflected in the pension credit total of $664 thousand.

June 30, 2016 measurement date:
There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date except for the changes in assumption for the RIJRFT plan due to use of the municipal bond index rate of 2.85%.

June 30, 2015 measurement date:
There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date except for the changes in assumption for the RIJRFT plan due to use of the municipal bond index rate of 3.8% compared to 4.29% used in the June 30, 2014 valuation.

Benefit changes, which resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly, are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. Significant benefit changes are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and participate solely in the defined benefit plan effective July 1, 2015 - service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, or 62 with 33 years of service. Members may retire earlier if their RI Retirement Security Act date is earlier or are eligible under a transition rule.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less the discount rate (5 year return - 5.5%, with a maximum of 4%) and 50% is calculated using the previous year's CPI-U (maximum of 3%) for a total maximum COLA of 3.5%. The COLA is calculated on the first $25,855, effective 01/01/2016, and indexed as of that date as well.
- Other changes included providing interim cost of living increases at four rather than five year intervals, providing a one-time cost of living adjustment of 2% (applied to the first $25,000), two $500 stipends, and minor adjustments.

State of Rhode Island

Required Supplementary Information - OPEB Information

Multiple-Employer Cost-Sharing Plans

The Rhode Island State Employees' and Electing Teachers OPEB System administers two multiple-employer cost-sharing OPEB plans covering state employees; the State Employees plan and the Board of Education plan. Separate actuarial valuations are performed for each plan, but not for individual employers within each plan. The net OPEB liability and other OPEB related amounts are apportioned based on proportionate employer contributions to the plan.

The amounts included in these schedules for fiscal year 2025 reflect a June 30, 2024 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 Eight Fiscal Years
(Expressed in Thousands)

State Employees-Governmental Activities

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
State's proportion of the net OPEB liability	90.9 %	90.8 %	90.4 %	90.2 %	89.9 %	89.6 %	89.4 %	89.2 %
State's proportionate share of the net OPEB liability	$ 125,765	$ 188,956	$ 247,868	$ 209,192	$ 324,502	$ 391,135	$ 455,475	$ 463,597
State's covered payroll	781,429	740,880	710,271	673,924	681,554	657,222	633,562	632,672
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.1 %	25.5 %	34.9 %	31.0 %	47.6 %	59.5 %	71.9 %	73.3 %
Plan fiduciary net position as a percentage of the total OPEB liability	76.6 %	65.1 %	55.1 %	60.5 %	42.5 %	33.6 %	26.3 %	22.4 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

State Employees-Business-Type Activities

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Rhode Island Lottery								
Lottery's proportion of the net OPEB liability	0.9 %	0.9 %	0.9 %	0.9 %	0.9 %	0.9 %	0.8 %	0.7 %
Lottery's proportionate share of the net OPEB liability	$ 1,274	$ 1,911	$ 2,578	$ 2,145	$ 3,420	$ 3,990	$ 3,876	$ 3,864
Lottery's covered payroll	7,918	7,493	7,386	6,911	7,182	6,705	5,308	5,186
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.1 %	25.5 %	34.9 %	31.0 %	47.6 %	59.5 %	73.0 %	74.5 %
Plan fiduciary net position as a percentage of the total OPEB liability	76.6 %	65.1 %	55.1 %	60.5 %	42.5 %	33.6 %	26.3 %	22.4 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State's Proportionate Share
of the Board of Education Plan Net OPEB Liability
Last Eight Fiscal Years
(Expressed in Thousands)

State's Share of Board of Education Plan

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
State's proportion of the net OPEB liability	0.4 %	0.2 %	0.3 %	0.3 %	0.2 %	0.2 %	0.2 %	0.2 %
State's proportionate share of the net OPEB liability	$ 3	$ 22	$ 63	$ 18	$ 89	$ 80	$ 87	$ 111
State's covered payroll	533	331	169	417	335	276	411	264
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	0.6 %	6.6 %	37.3 %	4.3 %	26.6 %	29.0 %	21.2 %	42.0 %
Plan fiduciary net position as a percentage of the total OPEB liability	99.1 %	87.9 %	76.6 %	91.4 %	57.3 %	51.6 %	38.6 %	32.1 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

State Employees-Governmental Activities

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	$ 33,400	$ 35,321	$ 33,191	$ 37,502	$ 36,998	$ 45,323	$ 39,302	$ 37,887
Contributions in relation to the actuarial determined contribution	33,400	35,321	33,191	37,502	36,998	45,323	39,302	37,887
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 847,722	$ 781,429	$ 740,880	$ 710,271	$ 673,924	$ 681,554	$ 657,222	$ 633,562
Contributions as a percentage of covered payroll	3.94 %	4.52 %	4.48 %	5.28 %	5.49 %	6.65 %	5.98 %	5.98 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

State Employees-Business-Type Activities

Rhode Island Lottery

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	$ 315	$ 358	$ 336	$ 390	$ 379	$ 478	$ 401	$ 317
Contributions in relation to the actuarial determined contribution	315	358	336	390	379	478	401	317
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 7,989	$ 7,918	$ 7,493	$ 7,386	$ 6,911	$ 7,182	$ 6,705	$ 5,308
Contributions as a percentage of covered payroll	3.94 %	4.52 %	4.48 %	5.28 %	5.49 %	6.65 %	5.98 %	5.98 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State Contributions to Board of Education Plan
Last Eight Fiscal Years Ended June 30
(Expressed in Thousands)

State's Share of Board of Education Plan

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	$ 11	$ 11	$ 6	$ 6	$ 12	$ 14	$ 12	$ 18
Contributions in relation to the actuarial determined contribution	11	11	6	6	12	14	12	18
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 649	$ 533	$ 331	$ 169	$ 417	$ 335	$ 276	$ 411
Contributions as a percentage of covered payroll	1.67 %	2.15 %	1.83 %	3.50 %	2.93 %	4.08 %	4.36 %	4.36 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Single-Employer Plans

Certain state employees are covered by the following single-employer plans, which are separate from the State Employees and Board of Education multiple-employer cost-sharing plans, that cover most state employees.

- Teachers Plan
- Judges Plan
- State Police Plan
- Legislators Plan

These plans are administered within the Rhode Island State Employees' and Electing Teachers OPEB System. Separate actuarial valuations are performed for each plan. Additional information for the plans is available in the separately issued audited financial statements of the Rhode Island State Employees' and Electing Teachers OPEB System.

The amounts included in these schedules for fiscal year 2025 reflect a June 30, 2024 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 Eight Fiscal Years
(Expressed in Thousands)

Teachers Plan

Year Ended	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB Liability								
Service cost	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Interest	319	348	373	477	556	581	612	562
Benefit Changes	—	—	—	—	—	(1,952)	—	—
Differences between expected and actual experience	(729)	79	(69)	(964)	(1,212)	1,954	91	1,625
Changes of assumptions	3,556	—	135	(696)	(164)	(45)	—	217
Benefit payments	(1,047)	(965)	(891)	(899)	(629)	(1,438)	(1,202)	(1,610)
Net Change in Total OPEB Liability	2,099	(538)	(452)	(2,082)	(1,449)	(900)	(499)	794
Total OPEB Liability-Beginning	6,913	7,451	7,902	9,984	11,433	12,333	12,832	12,038
Total OPEB Liability-Ending	9,012	6,913	7,450	7,902	9,984	11,433	12,333	12,832
Plan Fiduciary Net Position								
Employer contributions	—	—	—	—	—	2,277	2,321	2,321
Net investment income	1,852	1,620	(1,708)	3,376	1,082	1,101	780	864
Benefit payments	(1,047)	(965)	(891)	(899)	(629)	(1,438)	(1,202)	(1,610)
Administrative expenses	(2)	(2)	(5)	(2)	(24)	(2)	(17)	7
Other	104	116	34	109	150	117	136	103
Net Change in Plan Fiduciary Net Position	907	769	(2,570)	2,584	579	2,055	2,018	1,685
Plan Fiduciary Net Position-Beginning	15,212	14,443	17,013	14,429	13,850	11,795	9,777	8,092
Plan Fiduciary Net Position-Ending	16,119	15,212	14,443	17,013	14,429	13,850	11,795	9,777
Net OPEB Liability (Asset)	$ (7,107)	$ (8,299)	$ (6,993)	$ (9,111)	$ (4,445)	$ (2,417)	$ 538	$ 3,055
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	178.9 %	220.0 %	193.9 %	215.3 %	144.5 %	121.1 %	95.6 %	76.2 %
Covered Payroll	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Last Eight Fiscal Years
(Expressed in Thousands)

Judges Plan

Year Ended	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB Liability								
Service cost	$ 48	$ 9	$ 8	$ 13	$ 22	$ 22	$ 15	$ 20
Interest	11	13	15	18	64	60	68	50
Benefit Changes	—	—	—	—	—	(42)	—	—
Differences between expected and actual experience	(148)	(150)	(144)	(144)	(960)	102	(271)	(306)
Changes of assumptions	391	—	13	(7)	(69)	(11)	—	503
Benefit payments	46	61	82	57	(18)	(54)	72	138
Net Change in Total OPEB Liability	348	(67)	(26)	(63)	(961)	77	(116)	405
Total OPEB Liability-Beginning	166	233	259	322	1,283	1,206	1,322	917
Total OPEB Liability-Ending	514	166	233	259	322	1,283	1,206	1,322
Plan Fiduciary Net Position								
Employer contributions	—	—	—	—	—	—	—	—
Net investment income	648	536	(553)	1,080	327	341	293	334
Benefit payments	46	61	82	57	(18)	(54)	72	138
Administrative expenses	(1)	(1)	(2)	(1)	(2)	—	(6)	—
Other	24	25	27	25	56	49	54	26
Net Change in Plan Fiduciary Net Position	717	621	(446)	1,161	363	336	413	498
Plan Fiduciary Net Position-Beginning	6,148	5,527	5,973	4,812	4,449	4,113	3,700	3,202
Plan Fiduciary Net Position-Ending	6,865	6,148	5,527	5,973	4,812	4,449	4,113	3,700
Net OPEB Liability (Asset)	$ (6,351)	$ (5,982)	$ (5,294)	$ (5,714)	$ (4,490)	$ (3,166)	$ (2,907)	$ (2,378)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1338.9 %	3699.7 %	2373.2 %	2307.8 %	1494.3 %	346.8 %	341.0 %	279.9 %
Covered Payroll	$ 13,704	$ 12,597	$ 12,290	$ 11,985	$ 11,636	$ 11,297	$ 10,746	$ 10,746
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(46.3)%	(47.5)%	(43.1)%	(47.7)%	(38.6)%	(28.0)%	(27.1)%	(22.1)%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Last Eight Fiscal Years
(Expressed in Thousands)

State Police Plan

Year Ended	**June 30, 2025**	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB Liability								
Service cost	$ 3,651	$ 4,790	$ 4,671	$ 4,280	$ 4,481	$ 4,108	$ 3,920	$ 3,836
Interest	4,211	4,509	4,353	4,210	4,391	4,369	4,148	4,202
Benefit Changes	—	—	—	—	—	(4,790)	—	—
Differences between expected and actual experience	(14,221)	(11,473)	(6,713)	(6,873)	(2,230)	630	(907)	(174)
Changes of assumptions	2,182	—	3,740	4,148	(6,974)	(1,161)	—	(6,005)
Benefit payments	(3,289)	(3,163)	(2,805)	(3,388)	(3,009)	(2,801)	(2,849)	(3,130)
Net Change in Total OPEB Liability	(7,466)	(5,337)	3,246	2,377	(3,341)	355	4,312	(1,271)
Total OPEB Liability-Beginning	84,035	89,372	86,126	83,749	87,090	86,735	82,423	83,694
Total OPEB Liability-Ending	76,569	84,035	89,372	86,126	83,749	87,090	86,735	82,423
Plan Fiduciary Net Position								
Employer contributions	5,265	6,058	5,864	6,178	7,797	8,257	7,919	7,702
Net investment income	11,084	8,965	(9,286)	17,041	4,775	4,683	3,413	3,491
Benefit payments	(3,289)	(3,163)	(2,805)	(3,388)	(3,009)	(2,801)	(2,849)	(3,130)
Administrative expenses	(24)	(17)	(29)	(12)	(35)	(12)	(73)	(1)
Other	484	403	423	222	335	277	197	163
Net Change in Plan Fiduciary Net Position	13,520	12,246	(5,833)	20,041	9,863	10,404	8,607	8,225
Plan Fiduciary Net Position-Beginning	92,865	80,619	86,452	66,411	56,548	46,144	37,537	29,312
Plan Fiduciary Net Position-Ending	106,385	92,865	80,619	86,452	66,411	56,548	46,144	37,537
Net OPEB Liability (Asset)	$ (29,816)	$ (8,830)	$ 8,753	$ (326)	$ 17,338	$ 30,542	$ 40,591	$ 44,886
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	138.9 %	110.5 %	90.2 %	100.4 %	79.3 %	64.9 %	53.2 %	45.5 %
Covered Payroll	$ 28,790	$ 30,262	$ 29,380	$ 25,401	$ 24,661	$ 23,943	$ 21,334	$ 21,334
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(103.6)%	(29.2)%	29.8 %	(1.3)%	70.3 %	127.6 %	190.3 %	210.4 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Last Eight Fiscal Years
(Expressed in Thousands)

Legislators Plan

Year Ended	June 30, 2025	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	**June 30, 2024**	**June 30, 2023**	**June 30, 2022**	**June 30, 2021**	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB Liability								
Service cost	$ 54	$ 30	$ 28	$ 39	$ 57	$ 71	$ 54	$ 63
Interest	29	44	51	58	80	79	74	66
Benefit Changes	—	—	—	—	—	(257)	—	—
Differences between expected and actual experience	530	(75)	(135)	(88)	(83)	284	102	168
Changes of assumptions	725	—	38	(41)	(350)	(61)	—	(45)
Benefit payments	(465)	(174)	(62)	(164)	(85)	(98)	(161)	(36)
Net Change in Total OPEB Liability	873	(175)	(80)	(196)	(381)	18	69	216
Total OPEB Liability-Beginning	779	954	1,035	1,231	1,612	1,594	1,525	1,309
Total OPEB Liability-Ending	1,652	779	955	1,035	1,231	1,612	1,594	1,525
Plan Fiduciary Net Position								
Employer contributions	—	—	—	—	—	15	14	27
Net investment income	477	399	(420)	854	263	276	247	283
Benefit payments	(464)	(174)	(62)	(164)	(85)	(98)	(161)	(36)
Administrative expenses	(1)	(1)	(1)	(1)	(2)	—	(4)	—
Other	84	83	69	53	79	32	42	29
Net Change in Plan Fiduciary Net Position	96	307	(414)	742	255	225	138	303
Plan Fiduciary Net Position-Beginning	4,157	3,850	4,264	3,522	3,267	3,042	2,904	2,601
Plan Fiduciary Net Position-Ending	4,253	4,157	3,850	4,264	3,522	3,267	3,042	2,904
Net OPEB Liability (Asset)	$ (2,601)	$ (3,378)	$ (2,895)	$ (3,229)	$ (2,291)	$ (1,655)	$ (1,448)	$ (1,379)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	257.5 %	533.4 %	403.2 %	412.3 %	287.6 %	202.6 %	190.9 %	190.4 %
Covered Payroll	$ 2,055	$ 2,012	$ 1,954	$ 1,925	$ 1,868	$ 1,814	$ 1,719	$ 1,719
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(126.6)%	(167.9)%	(148.2)%	(167.7)%	(122.6)%	(91.2)%	(84.2)%	(80.2)%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

Teachers Plan

	2025	2024(*)	2023(*)	2022(*)	2021(*)	2020(*)	2019	2018
Actuarial determined contribution	$ —	$ —	$ —	$ —	$ —	$ —	$ 2,321	$ 2,321
Contributions in relation to the actuarial determined contribution	—	—	—	—	—	—	2,277 (**)	2,321
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ 44	$ —
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

(**) *The contribution funded in Fiscal year 2019 was the amount appropriated by the General Assembly.*

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

Judges Plan

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Contributions in relation to the actuarial determined contribution	—	—	—	—	—	—	—	—
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 14,938	$ 14,201	$ 13,671	$ 12,960	$ 11,932	$ 11,589	$ 11,297	$ 10,746
Contributions as a percentage of covered payroll	— %	— %	— %	— %	— %	— %	— %	— %

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

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

State Police Plan

	2025	2024	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	$ 4,381	$ 5,265	$ 6,058	$ 5,864	$ 6,178	$ 7,797	$ 8,257	$ 7,919
Contributions in relation to the actuarial determined contribution	4,381	5,265	6,058	5,864	6,178	7,797	8,257	7,919
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 31,905	$ 29,560	$ 29,308	$ 25,201	$ 26,505	$ 26,297	$ 23,666	$ 22,698
Contributions as a percentage of covered payroll	13.7 %	17.8 %	20.7 %	23.3 %	23.3 %	29.6 %	34.9 %	34.9 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

Legislators Plan

	2025(*)	2024(*)	2023(*)	2022(*)	2021(*)	2020(*)	2019	2018
Actuarial determined contribution	$ —	$ —	$ —	$ —	$ —	$ —	$ 15	$ 14
Contributions in relation to the actuarial determined contribution	—	—	—	—	—	—	15	14
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 2,308	$ 2,240	$ 1,996	$ 1,919	$ 1,897	$ 1,856	$ 1,812	$ 1,728
Contributions as a percentage of covered payroll	— %	— %	— %	— %	— %	— %	0.8 %	0.8 %

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

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

Required Supplementary Information - OPEB

Significant Methods and Assumptions used in calculating the actuarial determined contributions

The actuarially determined contribution rates for fiscal 2025 were determined based on valuations performed as of June 30, 2022. 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	14 Years Closed	Determined by Statutory Contribution	30 Years Open	30 Years Open	30 Years Open	14 Years Closed
Asset valuation method	4 Year smoothed market, 20% corridor					
Actuarial Assumptions						
Investment Rate of Return	5%, net of OPEB plan expenses, including inflation					
Projected Salary Increases	3.25% to 6.25%	N/A	2.75%	3.75% to 11.75%	3.25% to 6.25%	3.25% to 6.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.					
Mortality	**Post-Retirement Mortality** Healthy Male State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for General Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16. Healthy Female State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for Healthy General Retire Females, loaded by 111%, projected with Scale Ultimate MP16. Healthy Male Teachers: PUB-10 Median Table for Healthy Teacher Retiree Males, loaded by 108%, projected with Scale Ultimate MP16. Healthy Female Teachers: PUB-10 Median Table for Healthy Teacher Retiree Females, loaded by 115%, projected with Scale Ultimate MP16. Healthy Judges: Sex distinct PUB-10 Above Median Income Tables for Healthy Retirees, projected with Scale Ultimate MP16. **Disabled Mortality** State Police: Sex distinct PUB-10 Tables for Safety Disabled Retirees, projected with Scale Ultimate MP16. All other groups: Sex distinct PUB-10 Tables for General Disabled Retirees, projected with Scale Ultimate MP16. **Pre-Retirement Mortality** State Employees (excluding Correctional Officers), Legislators, and Board of Education: Sex distinct PUB-10 Tables for General Employees, projected with Scale Ultimate MP16. State Police and Correctional Officers: Sex distinct PUB-10 Tables for Safety Employees, projected with Scale Ultimate MP16. Judges: Sex distinct PUB-10 Above Median Income Tables for General Employees, projected with Scale Ultimate MP16.					
Healthcare Cost Trend Rate	Pre-Medicare: 7.25% in 2023, grading to 3.5% in 2033. Medicare: 6.00% in 2023, grading to 3.5% in 2033.					
Aging Factors	The tables used in developing the retiree only premium are based on the 2013 SOA Study "Health Care Costs-From Birth to Death".					
Inflation	Not explicitly used, consistent with 2.50% assumption.					

Factors affecting trends for amounts related to the net OPEB liability

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 19 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

June 30, 2024 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, 2024 measurement date compared to the June 30, 2023 measurement date.

June 30, 2023 Measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2023 measurement date compared to the June 30, 2022 measurement date.

June 30, 2022 Measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2022 measurement date compared to the June 30, 2021 measurement date.

June 30, 2021 Measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2021 measurement date compared to the June 30, 2020 measurement date.

June 30, 2020 Measurement date:

The “Cadillac tax”, which was a tax provision from the federal Affordable Care Act (ACA), was repealed in December 2019. As a result, liability amounts previously included for the “Cadillac tax” within the development of the total OPEB liability have been removed as of the June 30, 2020 measurement date.

June 30, 2019 Measurement date:

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2020 measurement date reflected a change in Excise Tax load on pre-65 liabilities from 11.0% to 9.5%. The healthcare cost trend rate used in determining the OPEB liability at June 30, 2019 measurement date decreased slightly from the previous measurement date.

June 30, 2018 Measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 Measurement date:

Certain actuarial assumptions for State Employees were updated to match the assumptions used for State Employees in the pension valuation for the Employees’ Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption

- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%. The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2022.

Actuarial determined contributions

Generally, actuarial determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contribution rates are applicable. For example, the annual required contributions for fiscal year 2021 were based on the actuarial valuation for the fiscal year ended June 30, 2018.

Section B

Schedule of Expenditures of Federal Awards

Section B

Schedule of Expenditures of Federal Awards

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Note: See page A-1 for *Independent Auditor's Report on Basic Financial Statements and Supplemental Schedule of Expenditures of Federal Awards*

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2025

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					$ 110,188	
Plant and Animal Disease, Pest Control, and Animal Care	10.025					1,605,008	$ 453,821
Federal-State Marketing Improvement Program	10.156					65,747	
Inspection Grading and Standardization	10.162					9,989	
Specialty Crop Block Grant Program - Farm Bill	10.170					302,205	166,747
Specialty Crop Block Grant Program - Farm Bill	10.170	COVID-19				45,346	10,000
Organic Certification Cost Share Programs	10.171					16,001	
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178					(51)	
Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments	10.182	COVID-19				582,874	581,782
Local Food for Schools Cooperative Agreement Program	10.185					440,485	
Resilient Food System Infrastructure Program	10.190					824,829	469,970
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205					7	
Food Safety Outreach Program	10.328		University of Vermont & State Agricultural College	AWD00001055SUB00000379		248	
Child Nutrition-Technology Innovation Grant	10.541					615,282	
Pandemic EBT Food Benefits (See Note 4)	10.542	COVID-19				11,521	
SNAP Cluster:							
Supplemental Nutrition Assistance Program (See Note 4)	10.551				$ 345,484,654		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561				28,384,753		2,456,011
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	COVID-19			41	373,869,448	
Child Nutrition Cluster:							
School Breakfast Program	10.553				12,803,508		11,909,845
National School Lunch Program (See Notes 4 and 10)	10.555				44,281,484		35,519,099
Special Milk Program for Children	10.556				18,607		18,605
Summer Food Service Program for Children (See Notes 4 and 10)	10.559				1,254,393		975,627
Fresh Fruit and Vegetable Program	10.582				2,395,893	60,753,885	2,201,744
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 5)	10.557					26,554,979	3,989,642
Child and Adult Care Food Program	10.558					8,302,545	7,543,422
State Administrative Expenses for Child Nutrition	10.560					1,128,012	
Food Distribution Cluster:							
Commodity Supplemental Food Program	10.565				206,104		183,233
Emergency Food Assistance Program (Administrative Costs)	10.568				295,269		295,144
Emergency Food Assistance Program (Food Commodities)	10.569				90,062	591,435	90,000
WIC Farmers' Market Nutrition Program (FMNP)	10.572					131,796	115,013
Team Nutrition Grants	10.574					249,835	
Farm to School Grant Program	10.575				(6,416)		
Farm to School Grant Program	10.575	COVID-19			127,125	120,709	
Senior Farmers Market Nutrition Program	10.576				168,902		154,760
Senior Farmers Market Nutrition Program	10.576	COVID-19			179,960	348,862	118,052
WIC Grants to States (WGS)	10.578					18,170	
Child Nutrition Discretionary Grants Limited Availability	10.579				119,351		109,902
Child Nutrition Discretionary Grants Limited Availability	10.579	COVID-19			42,318	161,669	42,290
Summer Electronic Benefit Transfer Program for Children	10.646					16,370,623	54,620
Pandemic EBT Administrative Costs	10.649	COVID-19				125	
Cooperative Forestry Assistance	10.664					793,037	113,051
Forest Legacy Program	10.676					415,087	
Forest Health Protection	10.680					34,212	3,122
State & Private Forestry Cooperative Fire Assistance	10.698					74,865	38,884
Inflation Reduction Act Urban & Community Forestry Program	10.727					923,089	496,652
Community Project Funds - Congressionally Directed Spending	10.730					50,798	47,500
Inflation Reduction Act Landscape Scale Restoration	10.731					5,925	
Inflation Reduction Act - Forest Legacy Program	10.734					14,876	
Rural Energy for America Program	10.868					1,655	1,398
Environmental Quality Incentives Program	10.912					136,334	
Farm and Ranch Lands Protection Program	10.913					30,630	25,050
Regional Conservation Partnership Program	10.932					10,061	
Total U.S. Department of Agriculture (USDA)						$ 495,722,341	$ 68,184,986

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2025

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					$ 2,534	
State Digital Equity Planning and Capacity Grant	11.032					66,068	
Broadband Equity, Access, and Deployment Program	11.035					482,229	
Regional Technology and Innovation Hubs	11.039					159,306	
Economic Development Cluster:							
Investments for Public Works and Economic Development Facilities	11.300				$ 83		
Economic Adjustment Assistance	11.307				4,967,699	4,967,782	
Economic Development Technical Assistance	11.303					47,916	
Interjurisdictional Fisheries Act of 1986	11.407					145,405	
Sea Grant Support	11.417					66,528	
Coastal Zone Management Administration Awards	11.419					1,641,327	
Coastal Zone Management Estuarine Research Reserves	11.420					814,620	$ 561,740
Marine Fisheries Initiative	11.433					516,045	
Regional Fishery Management Councils	11.441					57,148	
Unallied Management Projects	11.454	COVID-19				28,346	4,740
Congressionally Identified Awards and Projects	11.469					21,428	
Office for Coastal Management	11.473					2,887,309	143,940
Atlantic Coastal Fisheries Cooperative Management Act	11.474					518,024	27,573
Marine Debris Program	11.999					1,134,717	
Total U.S. Department of Commerce (DOC)						$ 13,556,732	$ 737,993
U.S. Department of Defense (DOD)							
Procurement Technical Assistance for Business Firms	12.002					$ 351,024	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113					630,793	
National Guard Military Operations and Maintenance (O&M) Projects	12.401					64,077,103	
GenCyber Grants Program	12.903					74,968	
Total U.S. Department of Defense (DOD)						$ 65,133,888	$ -
U.S. Department of Housing and Urban Development (HUD)							
Mortgage Insurance Homes (See Note 3)	14.117					$ 436,718,290	
Qualified Participating Entities (QPE) Risk Sharing (See Note 3)	14.189					319,282,452	
Section 8 Project-Based Cluster:							
Project-Based Rental Assistance (PBRA)	14.195				$ 257,413,012		
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856				553,606	257,966,618	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (See Note 3)	14.228				16,222,591		$ 7,324,204
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (See Note 3)	14.228	COVID-19			1,466,227	17,688,818	1,383,529
Emergency Solutions Grant Program	14.231					672,676	672,676
Home Investment Partnerships Program (See Note 3)	14.239					40,895,861	
Housing Opportunities for Persons with AIDS	14.241					355,994	322,600
Continuum of Care Program	14.267					3,925,862	
Housing Trust Fund (See Note 3)	14.275					18,828,990	
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	14.326					537,124	
Fair Housing Assistance Program	14.401					341,847	
Housing Voucher Cluster:							
Section 8 Housing Choice Vouchers	14.871				28,856,561	28,856,561	
Family Self-Sufficiency Program	14.896					280,815	
Lead Hazard Reduction Grant Program	14.900					1,577,782	
Total U.S. Department of Housing and Urban Development (HUD)						$ 1,127,929,690	$ 9,703,009
U.S. Department of the Interior (DOI)							
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423					$ 729	
Fish and Wildlife Cluster:							
Sport Fish Restoration	15.605				$ 3,658,889		$ 109,508
Wildlife Restoration and Basic Hunter Education and Safety	15.611				11,643,232	15,302,121	130,547
Fish and Aquatic Conservation - Aquatic Invasive Species	15.608					132,868	
Cooperative Endangered Species Conservation Fund	15.615					41,411	32,724
Clean Vessel Act	15.616					417,560	256,120
North American Wetlands Conservation Fund	15.623					144	

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2025

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
Coastal	15.630					(3)	
State Wildlife Grants	15.634					1,026,273	21,285
White-nose Syndrome National Response Implementation	15.684					4,515	
Collaborative Landscape Conservation	15.669					223,713	217,997
Hurricane Sandy Disaster Relief Activities-FWS	15.677					151	
Historic Preservation Fund Grants-In-Aid	15.904					743,014	75,900
Outdoor Recreation Acquisition, Development and Planning	15.916					825,223	
Save America's Treasures	15.929					20,370	
Virginia Offshore Wind Pilot	15.U01	140E0122C0004				2,110	
South Fork Wind Farm	15.U02	140E0124C0007				2,700	
Total U.S. Department of the Interior (DOI)						$ 18,742,899	$ 844,081
U.S. Department of Justice (DOJ)							
Sexual Assault Services Formula Program	16.017					$ 585,886	$ 539,947
Coronavirus Emergency Supplemental Funding Program	16.034	COVID-19				1,134,357	
Comprehensive Forensic DNA Analysis Grant Program	16.036					1,601	
Strengthening the Medical Examiner - Coroner System	16.037					33,844	
Matthew Shepard and James Byrd, Jr. Hate Crimes Education, Investigation and Prosecution Program	16.040					78,122	53,769
Juvenile Justice and Delinquency Prevention	16.540					624,994	285,832
Missing Children's Assistance	16.543					409,462	
Delinquency Prevention Program	16.548					205,559	
State Justice Statistics Program for Statistical Analysis Centers	16.550					40,588	
National Criminal History Improvement Program (NCHIP)	16.554					1,122,517	
Crime Victim Assistance	16.575					3,911,789	3,475,829
Crime Victim Compensation	16.576					425,752	
Edward Byrne Memorial Formula Grant Program	16.579					295	
Crime Victim Assistance/Discretionary Grants	16.582					150,923	
Treatment Court Discretionary Grant Program	16.585					83,226	
Violence Against Women Formula Grants	16.588					570,048	234,083
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590					10,312	
Residential Substance Abuse Treatment for State Prisoners	16.593					153,745	
State Criminal Alien Assistance Program	16.606					1,001,453	
Project Safe Neighborhoods	16.609					135,422	94,091
Public Safety Partnership and Community Policing Grants	16.710					847,676	
Edward Byrne Memorial Justice Assistance Grant Program	16.738					899,137	346,484
DNA Backlog Reduction Program	16.741					300,339	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742					232,759	
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745					189,894	128,959
Support for Adam Walsh Act Implementation Grant Program	16.750					313,738	
Congressionally Recommended Awards	16.753					253,759	
Harold Rogers Prescription Drug Monitoring Program	16.754					503,857	
John R. Justice Prosecutors and Defenders Incentive Act	16.816					90,168	
Smart Prosecution Initiative	16.825					(14)	
Justice Reinvestment Initiative	16.827					39,593	
Body Worn Camera Policy and Implementation	16.835					79,522	26,832
Equitable Sharing Program	16.922					2,772,663	
Total U.S. Department of Justice (DOJ)						$ 17,202,986	$ 5,185,826
U.S. Department of Labor (DOL)							
Labor Force Statistics	17.002					$ 860,850	
Compensation and Working Conditions	17.005					53,043	
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207				$ 2,433,189		
Jobs for Veterans State Grants	17.801				340,924	2,774,113	
Unemployment Insurance (See Note 6)	17.225				242,666,689		
Unemployment Insurance (See Note 6)	17.225	COVID-19			612,657	243,279,346	
Senior Community Service Employment Program	17.235					389,268	
Trade Adjustment Assistance	17.245					427,665	$ 11,500
WIOA Cluster:							
WIOA Adult Program	17.258				2,774,676		1,572,977
WIOA Youth Activities	17.259				3,761,700		1,477,723
WIOA Dislocated Worker Formula Grants	17.278				3,997,847	10,534,223	746,914
H-1B Job Training Grants	17.268					24,616	

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2025

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
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277					4,287,147	
Registered Apprenticeship	17.285					1,717,113	843,579
Community Project Funding/Congressionally Directed Spending	17.289					351,284	138,010
Consultation Agreements	17.504					514,521	
Local Veterans' Employment Representative Program	17.804					386,715	
Total U.S. Department of Labor (DOL)						$ 265,599,904	$ 4,790,703
U.S. Department of Transportation (DOT)							
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106				$ 32,930,420		
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	COVID-19			5,038,349	$ 37,968,769	
Highway Research and Development Program	20.200					647,501	
Highway Planning and Construction (See Note 9)	20.205					466,833,915	$ 2,669,585
Highway Training and Education	20.215					55,152	
FMCSA Cluster:							
Motor Carrier Safety Assistance	20.218				1,917,532	1,917,532	
Recreational Trails Program	20.219					780,799	768,255
Commercial Driver's License Program Implementation Grant	20.232					675,254	
Local Rail Freight Assistance	20.308					(4)	
High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	20.319	ARRA				4,752	
Consolidated Rail Infrastructure and Safety Improvements	20.325					169,108	
Federal-State Partnership for Intercity Passenger Rail	20.326					5,410,602	
Federal Transit Cluster:							
Federal Transit Capital Investment Grants	20.500				2,055,971		1,332,400
Federal Transit Formula Grants	20.507				44,929,735		859,261
Federal Transit Formula Grants	20.507	COVID-19			13,549,321		
State of Good Repair Grants Program	20.525				5,132,604		
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526				10,244,284	75,911,915	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505					843,896	
Formula Grants for Rural Areas and Tribal Transit Program	20.509				459,206		
Formula Grants for Rural Areas and Tribal Transit Program	20.509	COVID-19			508,210	967,416	
Transit Services Program Cluster:							
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513				1,063,808	1,063,808	
Public Transportation Innovation	20.530					98,713	
Highway Safety Cluster:							
State and Community Highway Safety	20.600				2,743,682		2,272,416
National Priority Safety Programs	20.616				4,275,488	7,019,170	1,674,952
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608					1,985,663	361,847
Incentive Grant Program to Prohibit Racial Profiling	20.611					449,565	449,565
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614					83,228	
Pipeline Safety Program State Base Grant	20.700					662,207	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703					42,542	9,659
Port Infrastructure Development Program	20.823					1,335,709	
National Infrastructure Investments	20.933					10,020,454	
Nationally Significant Freight and Highway Projects (See Note 9)	20.934					38,804,534	
National Infrastructure Project Assistance (Mega Projects)	20.937					789,831	
Total U.S. Department of Transportation (DOT)						$ 654,542,031	$ 10,397,940
U.S. Department of the Treasury (TREAS)							
Capital Magnet Fund (See Note 3)	21.011					$ 18,424,782	
Equitable Sharing	21.016					176,229	
Emergency Rental Assistance Program (See Note 10)	21.023	COVID-19				21,926,592	$ 6,171,514
Homeowner Assistance Fund	21.026	COVID-19				18,309	
Coronavirus State and Local Fiscal Recovery Funds (See Note 10)	21.027	COVID-19				286,362,054	24,884,214
Coronavirus Capital Projects Fund	21.029	COVID-19				12,034,684	10,374,109
State Small Business Credit Initiative Technical Assistance Grant Program (See Note 10)	21.031	COVID-19				8,717,906	
Total U.S. Department of the Treasury (TREAS)						$ 347,660,556	$ 41,429,837

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2025

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
Equal Employment Opportunity Commission (EEOC)							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002					$ 170,168	
Total Equal Employment Opportunity Commission (EEOC)						$ 170,168	$ -
General Services Administration (GSA)							
Donation of Federal Surplus Personal Property (See Notes 4 and 10)	39.003					$ 1,443,501	$ 1,443,501
Total General Services Administration (GSA)						$ 1,443,501	$ 1,443,501
National Aeronautics and Space Administration (NASA)							
Office of Stem Engagement (OSTEM)	43.008		Brown University	80NSSC220M0053		$ 10,670	
Total National Aeronautics and Space Administration (NASA)						$ 10,670	$ -
National Endowment for the Arts (NEA)							
Promotion of the Arts Partnership Agreements	45.025					$ 825,041	$ 265,853
Promotion of the Humanities Federal/State Partnership	45.129					8,281	
Grants to States	45.310					1,344,811	141,008
Total National Endowment for the Arts (NEA)						$ 2,178,133	$ 406,861
U.S. Small Business Administration (SBA)							
Federal and State Technology Partnership Program	59.058					$ 59,714	
Congressional Grants	59.059					2,663	
Total U.S. Small Business Administration (SBA)						$ 62,377	$ -
U.S. Department of Veterans Affairs (VA)							
Veterans State Nursing Home Care	64.015					$ 13,381,120	
Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055					671,452	$ 389,976
All-Volunteer Force Educational Assistance	64.124					125,523	
Veterans Cemetery Grants Program	64.203					1,586,514	
Total U.S. Department of Veterans Affairs (VA)						$ 15,764,609	$ 389,976
Environmental Protection Agency (EPA)							
State and Tribal Indoor Radon Grants	66.032					$ 203,919	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034					1,723,517	$ 46,073
Diesel Emission Reduction Act (DERA) National Grants	66.039					9	
Diesel Emissions Reduction Act (DERA) State Grants	66.040					123,052	122,989
Climate Pollution Reduction Grants	66.046					664,668	140,039
Healthy Communities Grant Program	66.110					(8)	
Geographic Programs - Southeast New England Coastal Watershed Restoration Program	66.129					154,151	41,914
Congressionally Mandated Projects	66.202					159,600	
Multipurpose Grants to States and Tribes	66.204					298	
Environmental Justice Government-to-Government (EJG2G) Program	66.312					410,010	343,912
State Public Water System Supervision	66.432					588,495	
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	66.442					509,641	
Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	66.444					418,410	104,414
Water Quality Management Planning	66.454					319,207	95,809
National Estuary Program	66.456					175,211	
Clean Water State Revolving Fund	66.458					34,263,091	34,158,753
Regional Wetland Program Development Grants	66.461					226,580	135,855
Drinking Water State Revolving Fund (See Note 10)	66.468					25,283,706	19,311,416
Beach Monitoring and Notification Program Implementation Grants	66.472					198,508	
Performance Partnership Grants	66.605					7,571,008	1,351,220
Environmental Information Exchange Network Grant Program and Related Assistance	66.608					97,636	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701					81,860	
Pollution Prevention Grants Program	66.708					242,256	57,683

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2025

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
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802					392,607	
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804					321,139	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805					640,268	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809					133,638	
State and Tribal Response Program Grants	66.817					1,130,620	
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818					622,504	
Solid Waste Infrastructure for Recycling Infrastructure Grants	66.920					3,502	3,500
Greenhouse Gas Reduction Fund: Solar for All	66.959					81,279	
Total Environmental Protection Agency (EPA)						$ 76,740,382	$ 55,913,577
U.S. Department of Energy (DOE)							
State Energy Program	81.041					$ 1,611,039	$ 97,859
Weatherization Assistance for Low-Income Persons	81.042					3,276,791	2,961,542
Conservation Research and Development	81.086					1,210,500	1,059,790
Renewable Energy Research and Development	81.087					440,256	
State Energy Program Special Projects	81.119					227	
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128					460,074	415,564
State Heating Oil and Propane Program	81.138					16,257	
Manufacturing and Energy Supply Chain Demonstrations and Commercial Applications	81.253					116,513	
Grid Infrastructure Deployment and Resilience	81.254					25,036	25,036
Total U.S. Department of Energy (DOE)						$ 7,156,693	$ 4,559,791
U.S. Department of Education (ED)							
Adult Education - Basic Grants to States	84.002					$ 2,442,175	$ 2,099,568
Civil Rights Training and Advisory Services (also known as Equity Assistance Centers)	84.004					(489)	
Student Financial Assistance Cluster: (See Note 7)							
Federal Supplemental Educational Opportunity Grants	84.007				$ 2,298,911		
Federal Work-Study Program	84.033				2,338,404		
Federal Perkins Loan Program - Federal Capital Contributions (See Note 3)	84.038				1,032,863		
Federal Pell Grant Program	84.063				72,170,974		
Federal Direct Student Loans (See Note 3)	84.268				115,298,428		
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379				37,720	193,177,300	
Title I Grants to Local Educational Agencies	84.010					58,381,059	53,773,823
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013					319,283	
Special Education (IDEA) Cluster:							
Special Education Grants to States	84.027				49,129,369		41,085,813
Special Education Grants to States	84.027	COVID-19			(3,296)		
Special Education Preschool Grants	84.173				1,731,747		1,219,301
Special Education Preschool Grants	84.173	COVID-19			(284)	50,857,536	
Higher Education Institutional Aid	84.031					91,265	
Federal Family Education Loans	84.032					58,582	
TRIO Cluster:							
TRIO Student Support Services	84.042				1,692,604		
TRIO Talent Search	84.044				572,117		
TRIO Upward Bound	84.047				508,384		
TRIO Educational Opportunity Centers	84.066				991,217		
TRIO McNair Post-Baccalaureate Achievement	84.217				249,629	4,013,951	
Career and Technical Education - Basic Grants to States	84.048					6,534,261	4,867,248
Fund for the Improvement of Postsecondary Education	84.116				1,671,877		
Fund for the Improvement of Postsecondary Education	84.116		College Unbound	P116Z240095	129,442	1,801,319	
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126					15,345,726	
Rehabilitation Services Independent Living Services for Older Individuals Who Are Blind	84.177					231,147	
Special Education - Grants for Infants and Families	84.181					2,472,677	1,679,975
School Safely National Activities	84.184					4,591,811	2,141,123
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187					316,776	
Education for Homeless Children and Youth	84.196					376,681	216,519

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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
Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects	84.215					(11)	
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	COVID-19				(2)	
Charter Schools	84.282					231,878	219,971
Twenty-First Century Community Learning Centers	84.287					6,574,284	5,461,361
Special Education - State Personnel Development	84.323					814,246	
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325					134,597	
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326					67,027	
Comprehensive School Reform Demonstration	84.332					(35)	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334					5,200,715	5,197,928
English Language Acquisition State Grants	84.365					2,613,772	2,172,115
Mathematics and Science Partnerships	84.366					(200)	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367					10,189,283	9,101,187
Grants for State Assessments and Related Activities	84.369					4,189,588	
Comprehensive Literacy Development	84.371					3,416,046	2,950,032
Statewide Longitudinal Data Systems	84.372					450,782	322,410
Title I Grants to Local Educational Agencies, Recovery Act	84.389	ARRA				58	
Education Innovation and Research (formerly Investing in Innovation (i3) Fund)	84.411					410,936	200,328
Race to the Top - Early Learning Challenge	84.412	ARRA				(9)	
Student Support and Academic Enrichment Program	84.424					8,666,902	7,999,371
Education Stabilization Fund:							
Discretionary Grants: Rethink K-12 Education Models Grants	84.425B	COVID-19			410,323		
Governor's Emergency Education Relief (GEER) Fund	84.425C	COVID-19			119,952		
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	COVID-19			(17,831)		
Coronavirus Response and Relief Supplemental Appropriations Act, 2021 - Emergency Assistance to Non-Public Schools (CRRSA EANS) Program	84.425R	COVID-19			612,732		612,232
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	COVID-19			69,691,617		63,342,283
American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS) Program	84.425V	COVID-19			3,968,183		3,654,050
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	COVID-19			999,888	75,784,864	794,698
National Assessment Of Educational Programs	84.U01	91990020C0023				167,100	
Total U.S. Department of Education (ED)						$ 459,922,881	$ 209,111,336
Election Assistance Commission (EAC)							
HAVA Election Security Grants	90.404					$ 913,818	
Total Election Assistance Commission (EAC)						$ 913,818	$ -
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					$ 23,865	
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042					99,448	$ 99,441
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043				$ 127,271		127,197
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	COVID-19			51,498	178,769	51,465
Aging Cluster:							
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044				2,201,852		1,365,531
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	COVID-19			150,909		50,759
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045				3,747,164		3,078,467
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	COVID-19			340,551		340,339
Nutrition Services Incentive Program	93.053				97,990	6,538,466	97,751
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048				261,190		90,045
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	COVID-19			32,977	294,167	10,463
National Family Caregiver Support, Title III, Part E	93.052				815,157		814,711
National Family Caregiver Support, Title III, Part E	93.052	COVID-19			186,683	1,001,840	116,948
Public Health Emergency Preparedness	93.069					5,065,602	346,480

STATE OF RHODE ISLAND
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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 Public Health and Emergency Response	93.070					1,454,715	
Medicare Enrollment Assistance Program	93.071					250,402	178,467
Lifespan Respite Care Program	93.072					429,482	294,354
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073					29	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079					86,934	
Advancing System Improvements for Key Issues in Women's Health	93.088					270,542	112,909
Guardianship Assistance (See Note 10)	93.090					2,019,963	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092					247,519	111,034
Food and Drug Administration Research	93.103					1,256,789	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104					3,164,572	
Maternal and Child Health Federal Consolidated Programs	93.110				3,287,908		1,371,758
Maternal and Child Health Federal Consolidated Programs	93.110		Rhode Island Hospital	6T73MC30121	147,997	3,435,905	
Environmental Health	93.113					(55)	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116					257,952	
Emergency Medical Services for Children	93.127					200,737	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130					211,322	
Injury Prevention and Control Research and State and Community Based Programs	93.136					5,333,887	573,253
Community Programs to Improve Minority Health	93.137					611,956	88,410
Projects for Assistance in Transition from Homelessness (PATH)	93.150					275,668	274,538
Centers of Excellence	93.157					723,096	145,104
Grants to States for Loan Repayment	93.165					1,145,293	
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197					721,954	
Family Planning Services	93.217				1,134,163		662,183
Family Planning Services	93.217	COVID-19			52	1,134,215	
Research on Healthcare Costs, Quality and Outcomes	93.226					8,050	6,852
Traumatic Brain Injury State Demonstration Grant Program	93.234					215,420	12,893
Grants to States to Support Oral Health Workforce Activities	93.236					396,864	18,545
State Capacity Building	93.240					457,427	26,758
Mental Health Research Grants	93.242					60,952	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243					11,084,183	5,742,783
Early Hearing Detection and Intervention	93.251					218,350	59,108
Immunization Cooperative Agreements (See Note 4)	93.268				21,890,641		217,041
Immunization Cooperative Agreements (See Note 4)	93.268	COVID-19			7,324,575	29,215,216	365,570
Viral Hepatitis Prevention and Control	93.270					557,086	90,337
Drug Use and Addiction Research Programs	93.279					167,371	
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283					82	
Teenage Pregnancy Prevention Program	93.297					520,479	74,403
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314					162,082	
CDC Partnership: Strengthening Public Health Laboratories	93.322					292	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323				3,179,417		750
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	COVID-19			62,140,723	65,320,140	
State Health Insurance Assistance Program	93.324				283,003		146,253
State Health Insurance Assistance Program	93.324	COVID-19			29,891	312,894	1,925
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					426,594	70,334
Behavioral Risk Factor Surveillance System	93.336					584,376	
Student Financial Assistance Cluster: (See Note 7)							
Health Professions Student Loans, Including Primary Care Loans and Loans for Disadvantaged Students (See Note 3)	93.342				2,353,950		
Nursing Student Loans (See Note 3)	93.364				1,815,348	4,169,298	
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354				85,616		2,000
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	COVID-19			678,391	764,007	171,096
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366					7,979	4,384
ACL Independent Living State Grants	93.369					331,443	

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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
National and State Tobacco Control Program	93.387					1,324,201	
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	COVID-19				2,822,648	704,241
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421					65,765	
1332 State Innovation Waivers	93.423					10,759,473	10,758,473
The National Cardiovascular Health Program	93.426					1,006,103	178,627
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433		The Ohio State University	90RTHF0002		526	
Every Student Succeeds Act/Preschool Development Grants	93.434					4,400,963	2,254,469
The Innovative Cardiovascular Health Program	93.435					(708)	
Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.436					617,816	170,063
State Physical Activity and Nutrition (SPAN)	93.439					932,462	215,138
ACL Assistive Technology	93.464					428,852	
ACL Assistive Technology	93.464	COVID-19				9,599	
Congressional Directives	93.493					860,568	34,129
Community Health Workers for Public Health Response and Resilient	93.495	COVID-19				3,360,417	2,394,874
Family Violence Prevention and Services / Sexual Assault/Rape Crisis Services and Supports	93.497	COVID-19				540,508	517,622
Public Health Training Centers Program	93.516					903,813	
State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525					8	
MaryLee Allen Promoting Safe and Stable Families Program	93.556					1,566,327	
Temporary Assistance for Needy Families	93.558				108,078,655		16,884,679
Temporary Assistance for Needy Families	93.558	COVID-19			119	108,078,774	
Child Support Services	93.563					14,766,746	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566					6,331,750	2,331,359
Low-Income Home Energy Assistance	93.568				30,205,630		28,256,501
Low-Income Home Energy Assistance	93.568	COVID-19			581	30,206,211	
Community Services Block Grant	93.569				5,441,000		5,339,123
Community Services Block Grant	93.569	COVID-19			(102)	5,440,898	
CCDF Cluster:							
Child Care and Development Block Grant	93.575				26,684,706		5,865,611
Child Care and Development Block Grant	93.575	COVID-19			286		
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596				12,702,051	39,387,043	
Refugee and Entrant Assistance Discretionary Grants	93.576					197,829	136,531
State Court Improvement Program	93.586				257,631		
State Court Improvement Program	93.586	COVID-19			33	257,664	
Community-Based Child Abuse Prevention Grants	93.590				45,185		
Community-Based Child Abuse Prevention Grants	93.590	COVID-19			20,690	65,875	
Grants to States for Access and Visitation Programs	93.597					93,688	
Chafee Education and Training Vouchers Program (ETV)	93.599					279,234	
Head Start Cluster:							
Head Start	93.600				112,090	112,090	
Adoption and Legal Guardianship Incentive Payments Program	93.603					780,523	
The Affordable Care Act - Medicaid Adult Quality Grants	93.609					7,110	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632					565,890	
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634					38,405	27,548
Children's Justice Grants to States	93.643					59,222	
Stephanie Tubbs Jones Child Welfare Services Program	93.645				866,852		
Stephanie Tubbs Jones Child Welfare Services Program	93.645	COVID-19			(15)	866,837	
Social Services Research and Demonstration	93.647					126,018	
Adoption Opportunities	93.652					(6,494)	
Foster Care Title IV-E (See Note 10)	93.658					17,998,683	
Adoption Assistance (See Note 10)	93.659					13,272,872	
Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	COVID-19				18,667	
Social Services Block Grant	93.667					7,382,420	4,779,008
Child Abuse and Neglect State Grants	93.669				52,111		30,000
Child Abuse and Neglect State Grants	93.669	COVID-19			64,734	116,845	

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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
Family Violence Prevention and Services / Domestic Violence Shelter and Supportive Services	93.671				1,324,296		1,307,884
Family Violence Prevention and Services / Domestic Violence Shelter and Supportive Services	93.671	COVID-19			881,554	2,205,850	820,198
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674					668,804	
Elder Justice Act – Adult Protective Services	93.698					98,447	
Mental and Behavioral Health Education and Training Grants	93.732					842,376	
Elder Abuse Prevention Interventions Program	93.747				(29)		
Elder Abuse Prevention Interventions Program	93.747	COVID-19			628,943	628,914	105,131
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations, financed in part by Prevention and Public Health Funds	93.752					54,799	
Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	93.761					107,251	34,952
Children's Health Insurance Program (See Note 5)	93.767				124,306,634		
Children's Health Insurance Program (See Note 5)	93.767	COVID-19			56,673	124,363,307	
State Grants for the Implementation, Enhancement, and Expansion of Medicaid and CHIP School-Based Services	93.771					174,939	
Medicaid Cluster:							
State Medicaid Fraud Control Units	93.775				940,993		
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777				5,622,172		
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	COVID-19			111		
Grants to States for Medicaid (See Notes 5, 8, and 10)	93.778				2,698,258,417		
Grants to States for Medicaid (See Notes 5, 8, and 10)	93.778	COVID-19			478,887	2,705,300,580	
Opioid STR	93.788					8,055,384	6,075,847
Money Follows the Person Rebalancing Demonstration	93.791					3,041,026	148,714
Organized Approaches to Increase Colorectal Cancer Screening	93.800					666,743	335,808
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829					(3)	
Promoting Population Health through Increased Capacity in Alcohol Epidemiology	93.845					178,092	
Maternal, Infant and Early Childhood Home Visiting Grant	93.870				5,348,923		3,344,341
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	COVID-19			38,194	5,387,117	17,967
National Bioterrorism Hospital Preparedness Program	93.889					1,190,309	386,986
Cancer prevention and Control Programs for State, Territorial and Tribal Organizations	93.898					2,541,622	390,175
Grants to States for Operation of State Offices of Rural Health	93.913					201,443	
HIV Care Formula Grants (See Note 5)	93.917					15,233,739	3,498,459
HIV Prevention Activities Health Department Based	93.940					860,654	152,992
Assistance Programs for Chronic Disease Prevention and Control	93.945					78,051	71,771
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946					546,481	
Block Grants for Community Mental Health Services	93.958				2,219,436		1,609,503
Block Grants for Community Mental Health Services	93.958	COVID-19			1,570,964	3,790,400	1,690,464
Block Grants for Prevention and Treatment of Substance Abuse	93.959				7,815,265		6,889,415
Block Grants for Prevention and Treatment of Substance Abuse	93.959	COVID-19			(42,825)	7,772,440	
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967					2,544,302	
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977				364,764		36,152
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	COVID-19			412,933	777,697	
Mental Health Disaster Assistance and Emergency Mental Health	93.982					120,183	
Cooperative Agreements for Diabetes Control Programs	93.988					896,928	127,696
Preventive Health and Health Services Block Grant	93.991					811,763	515,608
Maternal and Child Health Services Block Grant to the States	93.994					1,461,882	584,134
Mammography Quality Standards Act	93.U01	75F40122C00087				100,861	
Vital Records - National Death Index	93.U02	200-2017-M-93737				1,027	
Vital Records - SSA Death Data	93.U03	28321318P00051242				(6)	
Vital Records - SSA Birth Data/EAB	93.U04	28321319P00050112				(156)	
Vital Records - Data Collection	93.U06	200-2017-92545				160,167	
Childhood Cancer Star Project	93.U09	75D30119C04797				40,876	40,867
Rhode Island Human Food	93.U10	75F40123C00121				23	
Total U.S. Department of Health and Human Services (HHS)						$ 3,318,364,072	$ 126,475,699

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Corporation for National and Community Service (CNCS)							
AmeriCorps State Commissions Support Grant	94.003					$ 230,151	$ 254
Learn and Serve America - School and Community Based Programs	94.004					270	
AmeriCorps State and National	94.006					1,164,121	1,160,868
Training and Technical Assistance	94.009					232,653	
Foster Grandparent/Senior Companion Cluster:							
AmeriCorps Seniors Senior Companion Program (SCP)	94.016				$ 407,905	407,905	207,956
Total Corporation for National and Community Service (CNCS)						$ 2,035,100	$ 1,369,078
Social Security Administration (SSA)							
Disability Insurance/SSI Cluster:							
Social Security Disability Insurance	96.001				$ 10,538,495	$ 10,538,495	
Social Security - Work Incentives Planning and Assistance Program	96.008					286,524	
Social Security Investigations	96.U01	10.066.3005117				183,142	
Total Social Security Administration (SSA)						$ 11,008,161	$ -
U.S. Department of Homeland Security (DHS)							
Non-Profit Security Program	97.008					$ 1,115,558	$ 994,069
Boating Safety Financial Assistance	97.012					1,895,829	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023					159,293	
Crisis Counseling	97.032	COVID-19				35,974	
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (See Note 10)	97.036				$ 4,756,823		3,634,520
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (See Note 10)	97.036	COVID-19			8,554,135	13,310,958	9,320,901
Hazard Mitigation Grant	97.039					296,946	211,482
National Dam Safety Program	97.041					88,061	
Emergency Management Performance Grants	97.042				3,820,640		474,421
Emergency Management Performance Grants	97.042	COVID-19			195,467	4,016,107	
Assistance to Firefighters Grant	97.044					144,777	
BRIC: Building Resilient Infrastructure and Communities	97.047					694,809	634,683
Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas	97.048					8	
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050					22,246	
Emergency Operations Center	97.052					389,415	216,233
Port Security Grant Program	97.056					5	
Homeland Security Grant Program	97.067					3,574,837	907,716
Aviation Research Grants	97.069					148	
Financial Assistance for Targeted Violence and Terrorism Prevention	97.132					66,189	16,946
State and Local Cybersecurity Grant Program Tribal Cybersecurity Grant Program	97.137					89,169	36,976
Total U.S. Department of Homeland Security (DHS)						$ 25,900,329	$ 16,447,947
NeighborWorks America							
Housing Stability Counseling Program	99.U19	COVID-19				$ 66,856	
Total NeighborWorks America						$ 66,856	$ -
Research and Development Cluster: (See Note 1)							
U.S. Department of Agriculture (USDA)							
Agricultural Research Basic and Applied Research	10.001				$ 166,416		
Plant and Animal Disease, Pest Control, and Animal Care	10.025				332,748		
Plant and Animal Disease, Pest Control, and Animal Care	10.025		Louisianna State University	AP23PPQS&T00C161	16,911		
Plant and Animal Disease, Pest Control, and Animal Care	10.025		South Dakota State University	3TB014	228,990		
Wetlands Reserve Program	10.072				146,877		$ 52,006
Acer Access Development Program	10.174				262,983		31,049
Grants for Agricultural Research, Special Research Grants	10.200				115,931		
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	123476-Z5220211	115,898		
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	143672-Z5354201	29,979		
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	143766-Z5354202	66,218		
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	123500-Z5220212	50,147		
Grants for Agricultural Research, Special Research Grants	10.200		Roger Williams University	SG-2234719-URI	57,352		

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Cooperative Forestry Research	10.202				163,691		
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203				1,509,178		31,330
Animal Health and Disease Research	10.207				41,443		
Sustainable Agriculture Research and Education	10.215		University of Vermont	GNE22-283-AWD00000495	6,189		
Sustainable Agriculture Research and Education	10.215		University of Vermont	GNE24-311-AWD00001359	1,007		
Sustainable Agriculture Research and Education	10.215		University of Vermont	GNE24-318-AWD00001359	10,770		
Sustainable Agriculture Research and Education	10.215		University of Vermont	LNE23-464-AWD00001024	87,476		25,846
Sustainable Agriculture Research and Education	10.215		University of Vermont	ONE22-430-AWD00000495	5,697		
Sustainable Agriculture Research and Education	10.215		University of Vermont	ONE21-390-35383	13,601		
Sustainable Agriculture Research and Education	10.215		University of Vermont	SNE23-012-RI-AWD00001024	7,700		
Higher Education - Institution Challenge Grants Program	10.217		Johnson & Wales University	01-480406-001	8,733		
Food and Agriculture Defense Initiative (FADI)	10.304		University of Maine	UMS1426	48,618		
Organic Agriculture Research and Extension Initiative	10.307				385,512		168,732
Specialty Crop Research Initiative	10.309		Pennsylvania State University	S000323-USDA	(3,198)		
Agriculture and Food Research Initiative (AFRI)	10.310				1,078,386		158,133
Agriculture and Food Research Initiative (AFRI)	10.310		Purdue University	18032	1,457		
Agriculture and Food Research Initiative (AFRI)	10.310		South Dakota State University	3TG095	41,186		
Agriculture and Food Research Initiative (AFRI)	10.310		University of Texas, El Paso	226300946B	62,315		
Food Safety Outreach Program	10.328				55,751		
Food Safety Outreach Program	10.328		University of Nebraska	25-6331-0412-003	7,751		
Crop Protection and Pest Management Competitive Grants Program	10.329				109,427		
Urban, Indoor, and Other Emerging Agricultural Production Research, Education, and Extension Initiative	10.333				173,485		66,790
Cooperative Extension Service	10.500				1,116,201		26,664
Cooperative Extension Service	10.500		Extension Foundation	NTAE-2024-2493	34,091		
Expanded Food and Nutrition Education Program	10.514				367,364		
Renewable Resources Extension Act	10.515				48,834		
Agriculture Risk Management Education Partnerships Competitive Grants Program	10.520		Northeast Extension Risk Management	UDR0000560	47,356		
Agriculture Risk Management Education Partnerships Competitive Grants Program	10.520		University of Delaware	UDR0000578	40,407		
Forest Health Protection	10.680				(2,395)		
Soil and Water Conservation	10.902				177,911		57,555
Soil Survey	10.903				199,836		
U.S. Department of Commerce (DOC)							
Integrated Ocean Observing System (IOOS)	11.012				52,679		
Integrated Ocean Observing System (IOOS)	11.012		University of Delaware	UDR000081	11,158		
Integrated Ocean Observing System (IOOS)	11.012		NERACOOS	N21A013007	54,006		
Integrated Ocean Observing System (IOOS)	11.012		NERACOOS	N23A017005	40,939		
Ocean Acidification Program (OAP)	11.017				449,864		78,209
Economic Development Technical Assistance	11.303				84,361		
Cooperative Institute (Inter-Agency Funded Activities)	11.405				5,812,049		2,618,238
Sea Grant Support	11.417				3,235,321		435,624
Sea Grant Support	11.417		Fishing Partnership Health Plan Corp.	NA23OAR4170425	15,136		
Sea Grant Support	11.417		University of Connecticut, Storrs	164276790	24,390		
Sea Grant Support	11.417		University of Connecticut, Storrs	165381913	23,189		
Sea Grant Support	11.417		University of Mississippi	25-12-40	4,576		
Sea Grant Support	11.417		University of New Hampshire	NA23OAR4170628	13,174		
Coastal Zone Management Estuarine Research Reserves	11.420				51,137		
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427				142,911		32,076
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427		University of New Hampshire	PLZ0333	2,741		
Climate and Atmospheric Research	11.431				188,784		45,004
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432				20,816,311		17,446,220
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432		Woods Hole Oceanographic Institution	A101446	81,904		
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432		Woods Hole Oceanographic Institution	A101698	36,444		
Marine Fisheries Initiative	11.433				85,286		12,019

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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
Meteorologic and Hydrologic Modernization Development	11.467		Northeast States Emergency Consortium	NA22NWS4670017-SURI	17,714		
Meteorologic and Hydrologic Modernization Development	11.467		Northeast States Emergency Consortium	NA23NWS4670017	54,856		
Meteorologic and Hydrologic Modernization Development	11.467		Northeast States Emergency Consortium	NA24NWSX467G0006-T1-01	42,420		
Congressionally Identified Awards and Projects	11.469				1,100,008		27,427
Atlantic Coastal Fisheries Cooperative Management Act	11.474		Rutgers University	1194043	(12,129)		
Unallied Science Program	11.472		Rutgers University	837352	78,470		
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478				471,876		98,217
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478		University of Central Florida	GR105883	13,398		
Congressionally-Identified Projects	11.617				766,440		
Marine Debris Asessment U.S. Mid & North Atlantic Coast	11.RD	1305M424D0026	@Orchard, LLC	001ORCHARDWALSH032025	5,278		
Nearshore Real-Time Wave Observations and Assessment of Recent Storm Impacts	11.RD	1305M218FNCNS0131	CSS, Inc.	GSA8-24-URI	9,971		
U.S. Department of Defense (DOD)							
National Defense Education Program	12.006		University of Connecticut, Storrs	150275136	114,739		
Basic and Applied Scientific Research	12.300				3,394,575		225,458
Basic and Applied Scientific Research	12.300		McLaughlin Research Corporation	N00178-19-D-B089-3006	50,563		
Basic and Applied Scientific Research	12.300		The Research Foundation for SUNY	98288/1184488/2	120,640		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	422921	112,375		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157328763	311,851		24,122
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158902343	27,382		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157507720	101,345		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157334323	126,264		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157336841	134,660		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157333334	17,170		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157330959	46,473		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158905075	7,115		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157505062	39,868		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157999203	9,116		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157999663	81,928		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158899849	30,200		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158904200	188,020		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	159548422	652		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176430909	710,974		168,781
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	17663545	23,356		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176827060	30,874		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176842602	6,577		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176847891	10,199		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176848374	6,846		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176850098	4,196		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	182543375	61,993		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157335162	27,065		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176849095	6,743		
Basic and Applied Scientific Research	12.300		HighRI Optics, Inc.	2021 URI	5,328		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386373	(10,362)		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	159633694	68,733		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176463014	36,070		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176600975	21,738		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419209	52,813		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419212	177,483		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419214	8,867		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422925	74		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419221	6,310		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419224	(715)		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	442930	443		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422920	17,827		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422924	17,235		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422926	80,374		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422931	1,429		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	426742	2,192		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	18511143	113,884		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	161290754	142,546		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176404729	131,202		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176407093	10,298		

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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	176408062	65,374		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176409251	15,679		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176410393	20,906		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176411493	38,820		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176412516	146,808		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176426956	131,576		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176428356	137,891		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176429137	239,103		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176430156	153,557		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176463159	219,436		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176463359	6,709		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176464922	52,952		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176465116	103,860		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176466341	389,536		84,742
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176530548	114,554		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176538047	60,252		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176585554	151,540		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176603442	62,870		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176606802	48,315		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	179727501	290,784		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182375870	276,484		34,970
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182506437	84,923		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182508154	51,146		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182508917	165,059		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182509540	94,262		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182511653	152,110		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182542381	18,040		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182544212	84,422		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182544694	104,387		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182545235	225,440		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182631307	50,759		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182748830	110,868		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182884758	142,828		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182886083	227,120		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182889195	62,066		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	183231502	127,591		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182510117	5,610		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182749135	17,654		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	183230976	291,983		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	183231940	29,087		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	184436902	30,861		
Basic and Applied Scientific Research	12.300		University of North Carolina, Chapel Hill	5120732	58,524		
Basic and Applied Scientific Research	12.300		Woods Hole Oceanographic Institution	A101543	15,992		
Scientific Research - Combating Weapons of Mass Destruction	12.351				35,101		
Military Medical Research and Development	12.420				124,382		
Military Medical Research and Development	12.420		Ocean State Research Institute, Inc	242610 DoD-P JMCG.PTSD	14,591		
Basic Scientific Research	12.431				112,902		23,648
Basic Scientific Research	12.431		University of California, Los Angeles	1000 G LF417	38,978		
The Language Flagship Grants to Institutions of Higher Education	12.550		Institute for International Education	BOR21-URI-19-CHN-PO5	329,146		
The Language Flagship Grants to Institutions of Higher Education	12.550		Institute for International Education	BOR21-URI-19-SSC-PO4	106,074		
Basic, Applied, and Advanced Research in Science and Engineering	12.630				976,056		193,305
Air Force Defense Research Sciences Program	12.800				47,789		
Air Force Defense Research Sciences Program	12.800		Bam Technologies	AFWERX STTR	27,248		
Air Force Defense Research Sciences Program	12.800		Brown University	00001913	158,980		
Research and Technology Development	12.910				41,356		
Smart Incineration	12.RD	W912HQ25P0024			891		
CNTS IDIQ for Clinical Research	12.RD	SUB-005753	Cherokee Nation Integrated Health, LLC	SUB-005753	39,248		
Gain-Phase Calibration for Sensor Arrays	12.RD	700588420	Massachusetts Institute of Technology	700588420	81,946		
PSI Base: Sensor Modality Translation through Contrastive Deep Learning	12.RD	SC-140018-001	Physical Science Inc.	SC-140018-001	31,942		
Advancing Naval Careers Through Higher-Ed Outreach and Research (ANCHOR)	12.RD	1000077126	University of Connecticut, Storrs	195252240	1,460,193		33,917

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2025

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 the Interior (DOI)							
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423				192,768		91,633
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423		University of Alaska	UA22-0040	92,171		
SECURE Water Act - Research Agreements	15.560				606		
Wildlife Restoration and Basic Hunter Education and Safety	15.611		Wildlife Management Institute	NEC RPR3 CESU 2024-03	196,602		
Coastal	15.630				55,959		
Coastal	15.630		Wildlife Management Institute	FS2018McGreevy	4,793		
Coastal	15.630		Wildlife Management Institute	GSA 00076	4,065		
Research Grants (Generic)	15.650		HDR / e2M	1000300002152	48,845		
Assistance to State Water Resources Research Institutes	15.805				351,643		
U.S. Geological Survey Research and Data Collection	15.808				71,944		
Cooperative Research and Training Programs - Resources of the National Park System	15.945				281,304		
CI - StateView Program Development and Operations for the State of Rhode Island	15.RD	AV23-RI-01	AmericaView	AV23-RI-01	25,441		
U.S. Department of the Interior (DOI)							
Second Chance Act Reentry Initiative	16.812		Building Futures	FAW-167270	7,384		
U.S. Department of Labor (DOL)							
Community Project Funding/Congressionally Directed Spending	17.289				85,383		
U.S. Department of State (DOS)							
Academic Exchange Programs - Undergraduate Programs	19.009		World Learning	IDEAS22-URI01	18,794		
Investing in People in The Middle East and North Africa	19.021				58,694		
Academic Exchange Programs - English Language Programs	19.421		FHI Development 360 LLC	PO24001951	105,613		
U.S. Department of Transportation (DOT)							
University Transportation Centers Program	20.701		University of Maine	UMS-1185	215,684		
Pipeline Safety Research Competitive Academic Agreement Program (CAAP)	20.724		Brown University	00002280	164,806		
National Aeronautics and Space Administration (NASA)							
Science	43.001				592,616		93,590
Science	43.001		University of Florida	SUB00003622	85,319		
Science	43.001		Farallon Institute	020-241-URI	31,109		
Science	43.001		Beth Israel Deaconess Hospital	GRT65522	19,133		
Science	43.001		Brown University	00002304	9,988		
Science	43.001		Brown University	00002322	12,240		
Science	43.001		Brown University	00002530	15,472		
Science	43.001		Brown University	00002536	24,376		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002158	246,451		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002594	4,941		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002512	13,994		
National Endowment for the Arts (NEA)							
Promotion of the Humanities Federal/State Partnership	45.129				59,047		
National Science Foundation (NSF)							
Engineering	47.041				1,761,208		57,211
Engineering	47.041		Florida International University	00510	13,747		
Engineering	47.041		University of Hawaii	MA2088	69,200		
Mathematical and Physical Sciences	47.049				560,628		46,982
Mathematical and Physical Sciences	47.049		University of Vermont and State Agricultural College	DMS-2436120	2,360		
Geosciences	47.050				9,499,444		130,090
Geosciences	47.050		Oregon State University	IGA112277782	121,924		
Geosciences	47.050		Princeton University	SUB0000525	39,750		
Geosciences	47.050		Columbia University	32F(GG009393-4)	55,493		
Geosciences	47.050		Columbia University	32G(GG009393-4)	36		
Geosciences	47.050		Woods Hole Oceanographic Institution	82267610	231,360		
Computer and Information Science and Engineering	47.070				1,085,047		246,539
Computer and Information Science and Engineering	47.070		Yale University	GR109669(CON-80002382)	5,635		

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
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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
Biological Sciences	47.074				1,095,848		70,995
Biological Sciences	47.074		Old Dominion University Research Foundation	25-224-101101-01	39,147		
Biological Sciences	47.074		University of Tennessee at Chattanooga	A23-0152-S004	11,566		
STEM Education (Formerly Education and Human Resources)	47.076				3,219,539		1,131,925
STEM Education (Formerly Education and Human Resources)	47.076		American Educational Research Association	AERA Grants Program	11,083		
STEM Education (Formerly Education and Human Resources)	47.076		Child Trends, Inc.	75004.URI.01	33,664		
STEM Education (Formerly Education and Human Resources)	47.076		University of Connecticut, Storrs	147203923	42,092		
Polar Programs	47.078				622,163		19,576
Office of International Science and Engineering	47.079				110,346		21,980
Office of International Science and Engineering	47.079		The University of Texas at Austin	UTAUS-SUB00000011	45,089		
Office of Experimental Program to Stimulate Competitive Research	47.081				(191,070)		
Integrative Activities	47.083				1,396,371		169,080
Integrative Activities	47.083		Brown University	OIA-2316271	134,990		
Integrative Activities	47.083		Brown University	00002348	258,964		
Integrative Activities	47.083		Dartmouth College	R1302	78,291		
Integrative Activities	47.083		Roger Williams University	2420136, 2420137, 2420138, 24201	89,405		
Integrative Activities	47.083		University of Illinois	107791-19661	7,600		
NSF Technology, Innovation, and Partnerships	47.084				200,799		
NSF Technology, Innovation, and Partnerships	47.084		University of California, Santa Barbara	KK2313	219,984		
Small Business Administration (SBA)							
Small Business Development Centers	59.037				819,877		
U.S. Department of Veterans Affairs (VA)							
VA IPA Agreement	64.RD	VA New York Harbor Health			9,812		
Environmental Protection Agency (EPA)							
Geographic Programs - Southeast New England Coastal Watershed Restoration Program	66.129		Town of Charlestown	56.000.G210.000	53,957		
Geographic Programs - Southeast New England Coastal Watershed Restoration Program	66.129		University of Maine	SNEP1-06	14,091		
Geographic Programs - Southeast New England Coastal Watershed Restoration Program	66.129		University of Southern Maine	USM-2362	31,569		
Geographic Programs - Southeast New England Coastal Watershed Restoration Program	66.129		Restore America's Estuaries	SNEPMG-14-URI-OSP	9,945		
Geographic Programs - Southeast New England Coastal Watershed Restoration Program	66.129		Restore America's Estuaries	SNEPMG-17-URI-DRED	9,776		
Geographic Programs – Long Island Sound Program	66.437		New England Interstate Water Pollution	LI00A00688-0348-003	71,648		
National Estuary Program	66.456		Boston University	4500004631	(105)		
Office of Research and Development Consolidated Research/Training/Fellowships	66.511		Iowa State University	026213B	146,708		
Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	66.716		Extension Foundation	PSEFMP-2024-2471	14,803		
Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	66.716		Extension Foundation	PSEFMP-2025-2638	7,420		
EPASMAVCS3	66.RD	7SK000011DB	General Dynamics Information Technology	7SK000011DB	(78)		
U.S. Department of Energy (DOE)							
Cybersecurity, Energy Security & Emergency Response (CESER)	81.008		University of Connecticut, Storrs	194457181	6,819		
Office of Science Financial Assistance Program	81.049				862,065		315,276
Office of Science Financial Assistance Program	81.049		Deep Reach Technologies	T2022-URI-004	120,295		
Office of Science Financial Assistance Program	81.049		Donald Danforth Plant Science Center	23217-R	388,705		
Office of Science Financial Assistance Program	81.049		University of Georgia	SUB00002708	79,001		
Renewable Energy Research and Development	81.087				481,837		217,965
Renewable Energy Research and Development	81.087		Biodiversity Research Institute	DE-EE0010287	58,542		
Renewable Energy Research and Development	81.087		Florida International University	UR-K357	64,639		
Fossil Energy Research and Development	81.089		University of California, Davis	A24-2263-S002	7,016		
Fossil Energy Research and Development	81.089		University of Kentucky Research Foundation	3200006126-24-229	15,366		

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2025

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
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117				526,039		
Advanced Research Projects Agency - Energy	81.135		General Electric Research Center	6000004170	45,655		
Transformation of Sorghum for the University of California, Berkley	81.RD	DE-AC02-05CH11231	Lawrence Berkeley National Laboratory	7456216	11,966		
Wind Siting Research and Development	81.RD	DE-AC02-05CH11231	Lawrence Berkeley National Laboratory	7784033	24,510		
Development of Superior Electrolytes for Sodium-Ion Batteries	81.RD	DE-AC02-06CH11357	Uchicago Argonne, LLC	5F-60099	33,428		
U.S. Department of Education (ED)							
Fund for the Improvement of Postsecondary Education	84.116				840,469		
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325				212,857		
Election Assistance Commission (EAC)							
Help America Vote Act Requirements Payments	90.401				1,801		
U.S. Department of Health and Human Services (HHS)							
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084		University of Massachusetts, Amherst	23-017116C00; 017116-9066	357,625		
Food and Drug Administration Research	93.103		University of Wisconsin, Madison	0000004145	37,765		
Area Health Education Centers	93.107		Brown University	00002183	102,136		
Environmental Health	93.113		Case Western Reserve University	RES602145	9,880		
Oral Diseases and Disorders Research	93.121				56,845		52,207
Oral Diseases and Disorders Research	93.121		University of Massachusetts, Boston	B001457297	11,901		
NIEHS Superfund Hazardous Substances - Basic Research and Education	93.143				1,915,530		835,223
Human Genome Research	93.172				31,736		
Research and Training in Complementary and Integrative Health	93.213				416,273		
Research and Training in Complementary and Integrative Health	93.213		Butler Hospital	5001651URI	9,416		
Research on Healthcare Costs, Quality and Outcomes	93.226				247,748		36,839
Mental Health Research Grants	93.242				27,296		
Mental Health Research Grants	93.242		University of Missouri, Columbia	C00078940-2	29,052		
Mental Health Research Grants	93.242		Yale University	CON-80004597 (GR121261)	218,601		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243				604,584		104,934
Occupational Safety and Health Program	93.262				(14,003)		
Alcohol Research Programs	93.273				968,044		92,327
Alcohol Research Programs	93.273		University of Connecticut Health Center	UCHC7-193244932	9,223		
Drug Use and Addiction Research Programs	93.279				1,214,411		334,464
Drug Use and Addiction Research Programs	93.279		Brown University	0001483	172,783		
Drug Use and Addiction Research Programs	93.279		Oregon Health & Science University	1016803_URI	20,579		
Drug Use and Addiction Research Programs	93.279		The Brigham and Women's Hospital, Inc.	126966	122,435		
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286				285,378		
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		University of Massachusetts Medical School	R01EB033581	412,136		
Minority Health and Health Disparities Research	93.307				490,955		172,668
21st Century Cures Act - Beau Biden Cancer Moonshot	93.353				187,949		
Nursing Research	93.361				734,308		
Nursing Research	93.361		University of Massachusetts Medical School	SUB00000152	86,974		
Cancer Treatment Research	93.395		Yale University	CON-80005688 (GR127577)	23,073		
1332 State Innovation Waivers	93.423		Community Care Alliance	MOU-URI	115,902		
Developmental Disabilities Basic Support and Advocacy Grants	93.630				418,644		387,603
Developmental Disabilities Basic Support and Advocacy Grants	93.630		Admin for Community Living	2401RISCDD	233,705		219,330
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		Community Care Alliance	URI-CCBHC-IA	105,926		
Cardiovascular Diseases Research	93.837				169,454		
Cardiovascular Diseases Research	93.837		Ohio State University	SPC-1000012897 | GR132695	90,593		
Cardiovascular Diseases Research	93.837		University of California, Los Angeles	031690-01-URI	32,658		
Lung Diseases Research	93.838				65,092		64,159
Lung Diseases Research	93.838		University of Connecticut Health Center	UCHC7-194717411	38,956		
Blood Diseases and Resources Research	93.839				50,993		
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847				774,461		80,094

STATE OF RHODE ISLAND
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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
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853				2,709,993		669,342
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Northwestern University	60068069 URI	145,496		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Northwestern University	60054064	22,569		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Regennova, Inc.	Regennova, Inc.	2,036		
Allergy and Infectious Diseases Research	93.855				615,291		357,545
Allergy and Infectious Diseases Research	93.855		The Children's Hospital Corporation	GENFD0002235707	9,766		
Allergy and Infectious Diseases Research	93.855		Johns Hopkins University	206598300	77,380		
Allergy and Infectious Diseases Research	93.855		VecTech	02-2R44AI162425-02	16,247		
Biomedical Research and Research Training	93.859				6,379,603		2,976,210
Biomedical Research and Research Training	93.859		Brown University	00001920	20,846		
Biomedical Research and Research Training	93.859		Brown University	00001921	23,179		
Biomedical Research and Research Training	93.859		Brown University	00001928	44,339		
Biomedical Research and Research Training	93.859		Brown University	00001939	153,766		
Biomedical Research and Research Training	93.859		Brown University	00002246	6,271		
Biomedical Research and Research Training	93.859		Brown University	00002420	14,906		
Biomedical Research and Research Training	93.859		Brown University	00002422	4,306		
Biomedical Research and Research Training	93.859		Brown University	00002624	7,118		
Biomedical Research and Research Training	93.859		Brown University	Advance-CTR Pilot Project	32,370		
Biomedical Research and Research Training	93.859		Butler Hospital	5001511-22URI	77,049		
Biomedical Research and Research Training	93.859		Ocean State Research Institute, Inc	312250-NIHS-C3SUP	113,918		
Biomedical Research and Research Training	93.859		Ocean State Research Institute, Inc	312240-SHRADER PILOT	75,000		
Biomedical Research and Research Training	93.859		Rhode Island Hospital	7137849NHW	(5,592)		
Biomedical Research and Research Training	93.859		Rhode Island Hospital	7137963NHW	38,579		
Biomedical Research and Research Training	93.859		Rhode Island Hospital	7137964NHW	4,837		
Biomedical Research and Research Training	93.859		Salve Regina University	85141-526119	31,426		
Biomedical Research and Research Training	93.859		University of Louisville Research Foundation	ULRF_25-0566-01	15,570		
Biomedical Research and Research Training	93.859		Yale University	GR108643	(9,818)		
Child Health and Human Development Extramural Research	93.865		University of California, Davis	A20-0501-S001	129,739		
Aging Research	93.866				2,720,857		1,606,232
Aging Research	93.866		University of Michigan	SUBK00022059	12,443		
Aging Research	93.866		University of Michigan	SUB00019113	9,296		
Aging Research	93.866		University of Michigan	SUBK00018419	35,494		
Block Grants for Community Mental Health Services	93.958		Newport County CHMC, Inc	CCBHC-IA	245,160		53,159
PPHF Geriatric Education Centers	93.969				947,641		204,597
High Accuracy Automated Tick Classification Using Computer Vision	93.RD	5R44AI162425-03	VecTech	02-5R44AI162425-03	58,957		
U.S. Department of Homeland Security (DHS)							
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5101662	181,808		
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5119463	194,318		
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5129379	105,229		
Centers for Homeland Security	97.061		Northeastern University	505309-78058	(712)		
Centers for Homeland Security	97.061		Northeastern University	505245-78058	184,577		
Creating Courageous Communities: Developing a Statewide Learning Community in Media Literacy to Counter Extremist Violence	97.RD	EMW-2022-GR-00055			761,963		263,229
Implementing CISA's IRPF Across Three Case Study Sites	97.RD	5130441	University of North Carolina, Chapel Hill	5130441	88,442		
Support of ARA Explosive Detection	97.RD	505270-78050	Northeastern University	505270-78050	169,646		
U.S. Agency for International Development (USAID)							
USAID Foreign Assistance for Programs Overseas	98.001				6,553,968		1,733,302
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	193900.312455.04F	40,214		
USAID Foreign Assistance for Programs Overseas	98.001		International Union for Conservation	IUCN-Ricci06102019	4,700		
USAID Foreign Assistance for Programs Overseas	98.001		PACT	265-011929	5,441		
USAID Foreign Assistance for Programs Overseas	98.001		The Energy and Resource Institute	Boving_Energy&Res Institu	2,222		
Total Research and Development Cluster						$ 119,307,173	$ 35,056,388
Total Expenditures of Federal Awards						$ 7,047,135,950	$ 592,448,529

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the State of Rhode Island (the State). This Schedule is presented for purposes of additional analysis and in accordance with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The reporting entity is defined in the Notes to the Basic Financial Statements that are presented in *Section A* of this report (see Note 1 to the basic financial statements – Summary of Significant Accounting Policies – B. Reporting Entity). When federal financial assistance is received by one state entity and passed through to another state organization (contained within the reporting entity), the federal financial assistance is reflected by the primary recipient organization to avoid duplication and overstatement of the aggregate level of federal financial assistance expended by the State.

Expenditures reported on the Schedule are recognized consistent with the specific federal compliance requirements for each program regarding allowable costs and, when applicable, the cost principles contained in the Uniform Guidance. Any matching expenditures from non-federal sources are not included in the Schedule.

Programs are generally listed in the Assistance Listing numerical order by federal funding agency. When the Assistance Listing number is not available from the State or component unit's accounting records, the federal funding agency is identified and these amounts are included in the Schedule along with federal awards for that federal grantor agency (e.g., 93.U01). Certain Research and Development expenditures of federal awards are similarly reflected in the accompanying Schedule when the federal awarding agency is known but not the specific Assistance Listing number (e.g., 15.RD).

The Research and Development (R&D) Cluster is presented at the end of the Schedule because there are multiple federal funding agencies. As a result, total expenditures of federal awards presented for some federal funding agencies do not include expenditures for R&D programs.

The State received COVID-19 pandemic related federal assistance under several programs to address the effects of managing the impact of the global pandemic. The related expenditures to this funding have been identified in the Schedule with "COVID-19" as the additional award identification number.

Cash assistance is presented using the same basis of accounting as that used in reporting the expenditures (or expenses) of the related funds and component units in the State's basic financial statements (see Note 1 to the basic financial statements – Summary of Significant Accounting Policies – D. Measurement Focus and Basis of Accounting).

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Loans have been included in the Schedule in accordance with the Uniform Guidance, whereby, loans with continuing federal compliance requirements are recorded at the value of new loans made or received during the audit period, plus the beginning of the audit period balance of loans from previous years, plus cash and/or administrative cost allowances. Loans that do not have continuing federal compliance requirements are recorded at the value of new loans made or received during the audit period, plus cash and/ or administrative cost allowances.

None of the State's large loan programs met the criteria that would require such amounts to be excluded from the State's Type "A" major program threshold.

Non-monetary assistance is also included in the Schedule consistent with Uniform Guidance requirements. Additionally, all non-monetary assistance has been included in determining major programs as defined by the Uniform Guidance. Non-monetary assistance included in the Schedule is listed by federal program in Note 4 to this Schedule.

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% or 15% (depending on the date of the federal award) of modified total direct costs that may be used indefinitely. This methodology must be used consistently for all federal awards until such time as an agency chooses to negotiate for a rate, which an agency may apply to do at any time. Certain programs administered by the Department of Public Safety, Department of Administration, Department of Corrections, Department of Revenue, Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, Executive Office of Housing, Public Utilities Commission, Historical Preservation and Heritage Commission, Department of Business Regulation, and Office of the Postsecondary Commissioner elected to use the de minimis rate in fiscal year 2025.

NOTE 3. LOAN, LOAN GUARANTEE AND INSURANCE PROGRAMS

Expenditures of federal awards include assistance in the form of loans, loan guarantees, and insurance. The following table details all loans, loan guarantees, and insurance included in the Schedule of Expenditures of Federal Awards.

Assistance Listing Number	Program	Expenditures of Federal Awards Year Ended June 30, 2025	Loan Outstanding Balance June 30, 2025
14.117	Mortgage Insurance Homes	$ 436,718,290	*N/A*
14.189	Qualified Participating Entities (QPE) Risk Sharing	319,282,452	$ 308,101,390
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	17,688,818	8,452,612
14.239	Home Investment Partnerships Program	40,895,861	40,230,004
14.275	Housing Trust Fund	18,828,990	18,653,607
21.011	Capital Magnet Fund	18,424,782	17,847,319
84.038	Federal Perkins Loan Program – Federal Capital Contributions	1,032,863	627,044
84.268	Federal Direct Student Loans	115,298,428	*N/A*
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	2,353,950	2,057,655
93.364	Nursing Student Loans	1,815,348	1,468,798

Note: Outstanding Loan Balance containing "N/A" indicates no continuing compliance requirements.

Federal awards which include loan, loan guarantee and insurance programs are presented as follows:

- Mortgage Insurance Homes (14.117), a guaranteed/insured mortgage loan program is reported at the value of loans originated or purchased during the fiscal year.
- Other guaranteed/insured mortgage loan programs are reported at the beginning loan balances of the audit period plus loans originated or purchased during the fiscal year: Qualified Participating Entities (QPE) Risk Sharing (14.189); Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228); Home Investment Partnerships Program (14.239); Housing Trust Fund (14.275); Capital Magnet Fund (21.011). *Note: The amount of expenditures of federal awards as detailed above for the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228) includes non-loan related expenditures of $7,256,318.*
- Federal Direct Student Loans (84.268) are reported at the value of loans made during the fiscal year.
- Federal Perkins Loan Program – Federal Capital Contributions (84.038), Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (93.342) and Nursing Student Loans (93.364) are reported at the beginning loan balances of the audit period plus loans made during the year and any administrative cost allowances.

NOTE 4. NON-MONETARY ASSISTANCE

Expenditures of federal awards include non-monetary assistance in the form of donated food commodities, vaccines, and property. The following table details all non-monetary assistance included in the Schedule of Expenditures of Federal Awards.

Assistance Listing Number	Program	Expenditures of Federal Awards Year Ended June 30, 2025	Non-Monetary Assistance Year Ended June 30, 2025
10.542	Pandemic EBT Food Benefits	$ 11,521	$ 11,521
10.551	Supplemental Nutrition Assistance Program	345,484,654	345,484,654
10.555	National School Lunch Program	44,281,484	5,742,320
10.559	Summer Food Service Program for Children	1,254,393	3,373
39.003	Donation of Federal Surplus Personal Property	1,443,501	1,443,501
93.268	Immunization Cooperative Agreements	29,215,216	17,801,210

Non-Monetary Assistance is presented as follows:

- Pandemic EBT Food Benefits (10.542) and Supplemental Nutrition Assistance Program (10.551) represent actual disbursements for client purchases of authorized food products through the use of electronic benefit cards.
- National School Lunch Program (10.555) and Summer Food Service Program for Children (10.559) are reported at the fair market value of the federally-donated food commodities.
- Donation of Federal Surplus Personal Property (39.003) is reported at the assessed value provided by the federal agency.
- Immunization Cooperative Agreements (93.268) includes the value of vaccines received at the contracted price (amount paid by the federal Centers for Disease Control to the manufacturer).

NOTE 5. REBATES OF PROGRAM EXPENDITURES

The State received the following program expenditure rebates during fiscal 2025:

Assistance Listing Number	Program	Rebate Amount
10.557	WIC Special Supplemental Nutrition Program for Women, Infants and Children	$ 4,872,882
93.767	Children's Health Insurance Program (CHIP)	2,060,454
93.778	Grants to States for Medicaid	105,641,175
93.917	HIV Care Formula Grants	10,901,294

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 2025. 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 $223.2 million funded from the State's account in the federal Unemployment Trust Fund, $613 thousand funded by COVID-19 federal grants, and $19.5 million for administrative purposes.

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 $197,346,598.

NOTE 8. GRANTS TO STATES FOR MEDICAID – ACCRUED PROGRAM EXPENDITURES

The Schedule of Expenditures of Federal Awards reports federal expenditures for the Grants to States for Medicaid (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 Grants to States for Medicaid 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. PRIOR PERIOD ADJUSTMENTS OF THE SEFA FOR RECLASSIFICATION OF EXPENDITURES BETWEEN ALN 20.205 AND ALN 20.934

On October 13, 2023, the Federal Office of Operations changed the ALN associated with a Federal Highway Administration (FHWA) federal award after the award was granted, specifically impacting project number INFR002. No notification was given to the Rhode Island Department of Transportation (RIDOT) regarding this change. The project code Z430 was changed from Highway Planning and Construction (20.205) to Nationally Significant Freight & Highway Projects (20.934).

In December 2024, RIDOT became aware of the change and conferred with the local FHWA Division office to ensure it was an accurate change. At that time, RIDOT processed a correcting journal entry in both the State's accounting system and the Department's Financial Management System to move the cumulative total to date to the correct ALN. Along with the correcting journal entry, federal draws were made to the correct federal award.

NOTE 10. RECONCILIATION BETWEEN THE STATE'S BASIC FINANCIAL STATEMENTS AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Total Federal Expenditures Reported in Financial Statements	**$ 7,032,750,090**
Additions to Schedule of Expenditures of Federal Awards:	
National School Lunch Program (10.555) – USDA donated food commodities[(a)]	5,742,320
Summer Food Service Program for Children (10.559) – USDA donated food commodities[(a)]	3,373
Federal Donated Surplus Property (39.003)[(a)]	1,443,501
Grants to States for Medicaid (93.778) – Health System Transformation Program[(b)]	4,145,744
Coronavirus State and Local Fiscal Recovery Funds (21.027) – amounts passed through to discretely presented component units[(c)]	20,153,103
Guardianship Assistance (93.090) – accrual of fiscal 2025 activity not recorded in the financial statements[(d)]	778,607
Adoption Assistance (93.659) – accrual of fiscal 2025 activity not recorded in the financial statements[(d)]	2,205,172

Reductions from Schedule of Expenditures of Federal Awards:	
Emergency Rental Assistance Program (21.023) – amounts passed through to discretely presented component unit[c]	(478,109)
State Small Business Credit Initiative Technical Assistance Grant Program (21.031) – amounts passed through to discretely presented component unit[e]	(11,517,736)
Drinking Water State Revolving Fund (66.468) – amounts awarded to a discretely presented component unit and passed through to the primary government[f]	(5,851,744)
Foster Care Title IV-E (93.658) – adjustment of fiscal 2025 activity not recorded in the financial statements[d]	(713,624)
Adjustments to SEFA for Prior Period Activity:	
Coronavirus State and Local Fiscal Recovery Funds (21.027) – expenditures reclassified to SFRF from non-federal sources included prior year activity[g]	(2,227,830)
Disaster Grants – Public Assistance (97.036) – revenues received in fiscal 2025 for expenditures incurred in prior fiscal years[h]	703,083
Net Additions to Schedule of Expenditures of Federal Awards	**14,385,860**
Total Expenditures on Schedule of Expenditures of Federal Awards	**$ 7,047,135,950**

[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 Grants to States for Medicaid (93.778) and specific qualifying expenditures of the State's public institutions of higher education related to the training of students in the health care related fields pursuant to the Designated State Health Programs (DSHP). The State has authority to claim FFP under the DSHP to solely support the goals of the HSTP. The DSHP qualifying expenditures are quantified and reimbursed by the federal government independent of the HSTP expenditures. For financial reporting purposes in the basic financial statements, the DSHP amounts are reported as restricted revenue when drawn (to designate their HSTP restricted use) with the State share of HSTP expenditures funded by that restricted revenue source. For purposes of presentation in the Schedule of Expenditures of Federal Awards, the State share of HSTP expenditures is presented (reclassified) as expenditures of federal awards to recognize the expenditure of the DSHP federal reimbursement to the State.

[c] For the Emergency Rental Assistance Program (21.023) and Coronavirus State and Local Fiscal Recovery Funds (21.027), amounts passed through to discretely presented component units by the primary government in fiscal 2025 were not fully expended by those component units during the fiscal year. As these component units are included as part of the reporting entity for the Single Audit, the Schedule was adjusted to reflect the amounts that were recognized as expenditures in fiscal 2025 by the component units, netting against amounts in the State's accounting system that were expended by the primary government as pass-through awards.

[d] For Guardianship Assistance (93.090), Foster Care Title IV-E (93.658), and Adoption Assistance (93.659), certain activity and adjustments related to fiscal 2025 was recorded in fiscal 2026 and was not accrued to the proper financial reporting period.

[e] For the State Small Business Credit Initiative Technical Assistance Grant Program (21.031), amounts were passed through to a discretely presented component unit to administer the program (RI Commerce Corporation). The State's Executive Office of Commerce provides this funding to RI Commerce Corporation (RICC) to held by RICC before it is disbursed to program beneficiaries. Amounts recognized by RICC as fiscal 2025 expenditures have been reflected on the Schedule as program expenditures.

(f) For the Drinking Water State Revolving Fund (66.468), amounts are awarded by the federal grantor to a discretely presented component unit and then passed through to the primary government. As this component unit is included as part of reporting entity for the Single Audit, the Schedule was adjusted to reflect the amounts that were recognized as expenditures in fiscal 2025 by the component unit, netting against amounts in the State's accounting system that were expended by the primary government as pass-through awards.

(g) For the Coronavirus State and Local Fiscal Recovery Funds (21.027), funding obligated to three projects under the revenue replacement eligible use category was unlikely to be expended. These funds were reappropriated by the General Assembly and obligated to a new project under the revenue replacement eligible use category (the State's Eat Well, Be Well program, which provides retail incentives for SNAP recipients that used benefits to purchase fresh fruits and vegetables). Expenditures reclassified in fiscal 2025 included amounts from prior periods (fiscal 2023 and 2024).

(h) The State was reimbursed for eligible COVID-19 related expenditures under the FEMA Stafford Act, Public Assistance (PA) Category B (97.036) in fiscal 2025 for expenditures that were incurred throughout fiscal years 2020 through 2023. For presentation of the Schedule these amounts have been included in fiscal 2025 as expenditures of federal awards. These amounts were not reported on the State's Schedule of Expenditures of Federal Awards in prior fiscal years.

Section C

Auditor's Reports

Section C

Auditor's Reports

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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* C-1

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance C-3

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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, 2025, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated June 24, 2026.

Our report includes a reference to other auditors who audited the financial statements of:

- the Tobacco Settlement Financing Corporation, a blended component unit which represents less than 1% of the assets and deferred outflows and the revenues of the governmental activities and less than 1% of the assets and 1% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 22% of the assets and deferred outflows and 2% of the revenues of the business-type activities;
- the Ocean State Investment Pool, an investment trust fund, and the HealthSource RI Trust, Rhode Island Higher Education Savings, and ABLE private-purpose trust funds, which collectively represent 20% of the assets and 23% of the revenues, including additions, of the aggregate remaining fund information; and
- all the component units comprising the aggregate discretely presented component units.

This report includes our consideration of the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described 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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2025-001, 2025-002, 2025-005, 2025-006, 2025-008, 2025-009, 2025-017, and 2025-018 to be material weaknesses. Other auditors of the discretely presented component units considered the deficiencies in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2025-028 and 2025-029 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 2025-003, 2025-004, 2025-007, 2025-010, 2025-011, 2025-012, 2025-013, 2025-014, 2025-015, 2025-016, 2025-019, 2025-020, 2025-021, 2025-022, 2025-023, 2025-024, and 2025-025 to be significant deficiencies. Other auditors of the discretely presented component units considered the deficiency in the accompanying *Schedule of Findings and Questioned Costs* as Finding 2025-027 to be a significant deficiency.

Report on Compliance and Other Matters

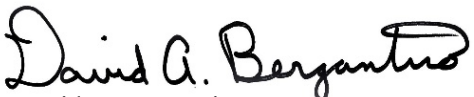
As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of the tests performed by other auditors disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as Finding 2025-026.

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 the accompanying *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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David A. Bergantino, CPA, CFE
Auditor General
June 24, 2026

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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, 2025. 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.

2025 Major Programs Audited by Other Auditors

Program / Cluster Title:	*Assistance Listing No(s).*
Mortgage Insurance Homes [1]	14.117
Section 8 Project-Based Cluster [1]	14.195, 14.856
Emergency Rental Assistance Program [3]	21.023
Coronavirus State and Local Fiscal Recovery Funds [3]	21.027
State Small Business Credit Initiative Technical Assistance Grant Program [4]	21.031
Clean Water State Revolving Fund [1]	66.458
Drinking Water State Revolving Fund [2]	66.468

[1] These programs were solely administered by component units and audited by their respective auditors.
[2] This program was administered by a component unit and funds were passed through to the primary government. These pass-through funds were audited by the Office of the Auditor General. The remaining funds were audited by the component unit auditor.
[3] 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.
[4] This program was awarded to the primary government but administered solely by a component unit. The primary government acts as a custodian of the funds before they are provided to the component unit for use on the program. These pass-through funds were audited by the component unit auditor.

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

Qualified Opinions on Unemployment Insurance, Immunization Cooperative Agreements, Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), Temporary Assistance for Needy Families, and Children's Health Insurance Program

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, Immunization Cooperative Agreements, Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), Temporary Assistance for Needy Families, and Children's Health Insurance Program for the year ended June 30, 2025.

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, 2025.

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, Immunization Cooperative Agreements, Epidemiology and Laboratory Capacity for Infectious Diseases (ELC), Temporary Assistance for Needy Families, and Children's Health Insurance Program

As identified in the following table and as described in the accompanying S*chedule of Findings and Questioned Costs*, the State did not comply with requirements that are applicable to the following major federal programs:

Assistance Listing No(s).	Program / Cluster Name	Compliance Requirement	Finding No.
17.225	Unemployment Insurance	Special Tests and Provisions – UI Program Integrity – Overpayments	2025-035
93.268	Immunization Cooperative Agreements	Cash Management Reporting	2025-044 2025-045
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Cash Management Reporting	2025-044 2025-045
93.558	Temporary Assistance for Needy Families	Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan	2025-049
93.767	Children's Health Insurance Program	Eligibility	2025-058

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

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to these programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the State's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures, and the audit procedures of the other auditors, disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2025-030, 2025-031, 2025-034, 2025-037, 2025-039, 2025-040, 2025-041, 2025-043, 2025-046, 2025-047, 2025-048, 2025-050, 2025-051, 2025-053, 2025-054, 2025-060, 2025-061, 2025-063, 2025-064, 2025-066, 2025-068, 2025-070, and 2025-071. Our opinion, and the opinion of the other auditors, on each major program is not modified with respect to these matters.

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

Government Auditing Standards requires the auditor to perform limited procedures on the State's responses to the noncompliance findings identified in our compliance audit described in the accompanying *Schedule of Findings and Questioned Costs*. The State's responses, included in *Corrective Action Plans* (Section E), were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration, and the consideration of the other auditors, of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

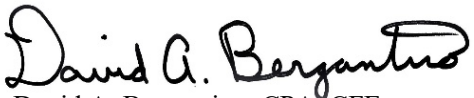
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We, and the other auditors, consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2025-035, 2025-039, 2025-043, 2025-044, 2025-045, 2025-046, 2025-047, 2025-049, 2025-053, 2025-058, 2025-062, 2025-063, and 2025-066 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We, and the other auditors, consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2025-030, 2025-031, 2025-032, 2025-033, 2025-034, 2025-036, 2025-037, 2025-038, 2025-040, 2025-042, 2025-048, 2025-050, 2025-051, 2025-052, 2025-054, 2025-055, 2025-056, 2025-057, 2025-059, 2025-060, 2025-061, 2025-064, 2025-065, 2025-067, 2025-068, 2025-069, 2025-070, and 2025-071 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying *Schedule of Findings and Questioned Costs*. The State's responses, included in *Corrective Action Plans*, were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



David A. Bergantino, CPA, CFE
Auditor General
July 29, 2026

Section D

Schedule of Findings and Questioned Costs

Section D

Schedule of Findings and Questioned Costs

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Section II – Financial Statement Findings D-3

Section III – Federal Award Findings and Questioned Costs

Table of Findings by Major Program D-41

Basic Financial Statements

1) The independent auditor's report on the basic financial statements expressed the following opinions:

Opinion Unit	Opinion
Governmental Activities	Unmodified
Business–type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major funds –	
General	Unmodified
Intermodal Surface Transportation	Unmodified
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:

Program / Cluster Title	***Assistance Listing No(s).***
Unemployment Insurance	17.225
Immunization Cooperative Agreements	93.268
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323
Temporary Assistance for Needy Families	93.558
Children's Health Insurance Program	93.767

   and an unmodified opinion for all remaining major programs.

6) The audit disclosed findings that must be reported in accordance with 2 CFR §200.516(a) of OMB Uniform Guidance provisions.

7) Major programs are listed in the table below:

Program / Cluster Title:	***Assistance Listing No(s).***
SNAP Cluster	10.551, 10.561
Mortgage Insurance Homes	14.117
Section 8 Project-Based Cluster	14.195, 14.856
Unemployment Insurance	17.225
Nationally Significant Freight and Highway Projects	20.934
Emergency Rental Assistance Program	21.023
Coronavirus State and Local Fiscal Recovery Funds	21.027
Coronavirus Capital Projects Fund	21.029
State Small Business Credit Initiative Technical Assistance Grant Program	21.031
Clean Water State Revolving Fund	66.458
Drinking Water State Revolving Fund	66.468
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
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Children's Health Insurance Program	93.767
Medicaid Cluster	93.775, 93.777, 93.778

8) The dollar threshold used to distinguish between Type A and Type B programs was $21,141,408.

9) The State did not qualify as a low-risk auditee as defined by OMB Uniform Guidance.

10) Major programs audited by other auditors are listed in the table below:

Program / Cluster Title:	***Assistance Listing No(s).***
Mortgage Insurance Homes [1]	14.117
Section 8 Project-Based Cluster [1]	14.195, 14.856
Emergency Rental Assistance Program [3]	21.023
Coronavirus State and Local Fiscal Recovery Funds [3]	21.027
State Small Business Credit Initiative Technical Assistance Grant Program [4]	21.031
Clean Water State Revolving Fund [1]	66.458
Drinking Water State Revolving Fund [2]	66.468

[1] These programs were solely administered by component units and audited by their respective auditors.

[2] This program was administered by a component unit and funds were passed through to the primary government. These pass-through funds were audited by the Office of the Auditor General. The remaining funds were audited by the component unit auditor.

[3] 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.

[4] This program was awarded to the primary government but administered solely by a component unit. The primary government acts as a custodian of the funds before they are provided to the component unit for use on the program. These pass-through funds were audited by the component unit auditor.

Finding 2025-001 ***(material weakness – repeat finding – 2024-001)***

INTERNAL CONTROLS NEED STRENGTHENING TO PREVENT MATERIAL MISSTATEMENTS AND INCONSISTENT PRESENTATION IN THE STATE'S FINANCIAL REPORTING

Audit procedures have led to the detection and correction of an excessive number of significant misstatements and misclassifications of financial transactions indicative of the need to improve internal controls over financial reporting, including the adoption of quality control and monitoring procedures. The State's transition to a new enterprise resource planning (ERP) system for the fiscal close further challenged financial reporting for 2025.

Background: The State's financial reporting is performed centrally by the Office of Accounts and Control (OAC) within the Department of Administration. Those State-wide processes rely on State agencies (agencies) to record financial activity in accordance with generally accepted accounting principles (GAAP) with some limited review procedures conducted by OAC personnel. OAC is responsible for the generation of draft financial statements for audit, which includes ensuring consistent presentation of financial activity from one period to another to allow for comparability of the State's financial activity over time.

The State, with the assistance of contractors, began the transition of its accounting and financial reporting to a new ERP system effective July 1, 2025. The financial closing for fiscal year 2025 was performed in the new ERP system, which maps and uploads trial balance reports into an application that supports the preparation and completion of draft financial statements and the Annual Comprehensive Financial Report (ACFR). The design of the new ERP system reinforced responsibility for accounting with State agency chief financial officers (CFOs) as the final agency reviewers and approvers of financial transactions.

Audits in recent years have led to the identification of a significant number of material misstatements, omissions, and misclassifications in the State's financial reporting that required correction. To address prior year recommendations relating to financial reporting deficiencies, the State implemented procedures in fiscal 2025 to provide for better communication between the OAC and the Office of Management and Budget (OMB) to better coordinate the financial reporting of significant and unusual transactions. The implementation of the new ERP system brought additional challenges to the fiscal 2025 closing, including user inexperience with the new system and inconsistent financial statement mapping of new ERP accounts resulting in numerous misstatements. These challenges made it difficult to determine how effective the newly implemented procedures were in fiscal 2025 in improving overall financial reporting quality.

Criteria: Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Financial reporting consistency is critical to the comparability of financial results over time.

Condition: More than 75 audit adjustments, deemed significant (corrected individual misstatements and/or improper presentation of transactions by more than $1 million), were proposed and accepted during the fiscal 2025 audit. With the new ERP system reinforcing the review and approval of transactions by agency CFOs as a key control, internal controls over financial reporting at the agency level must be strengthened to reduce the number of significant misstatements being identified in draft financial statements. While the OAC has final approval authority for journal entries and adjustments greater than $2,500, that review is limited to evaluating these transactions from a financial reporting context and not from an accuracy and completeness standpoint, which remain as agency responsibilities. While there was some commonality in many of the misstatements when compared to those identified in prior years, the challenges of new ERP system implementation clearly contributed to the volume of misstatements identified. Misstatements did vary by agency, with some agencies

faring better than others with the accuracy of their fiscal close. A significant number of misstatements and misclassifications of financial transactions could be categorized into one or more of the following general categories:

a) *Omissions of year-end accruals reported* – The completeness of financial reporting is dependent on agencies and departments completely recording year-end accruals. Current accounting practices require that agency CFOs ensure that all accruals are recorded during the fiscal close. Since a significant amount of financial activity is administered by separate and distinct systems that do not interface with the State's accounting system, significant reliance is currently placed on institutional knowledge to ensure the completeness of reported year-end accruals. As discussed in Finding 2025-002, documented internal control policies at the agency level are often lacking, posing significant risk that certain accruals will be omitted at year-end, especially when agencies experience significant turnover of knowledgeable finance personnel.

b) *Lack of search for unrecorded liabilities by agencies represents a lack of monitoring controls over financial reporting* – Several misstatements noted in the financial statements could have been identified if State agencies and/or the OAC conducted procedures to identify unrecorded liabilities at year-end. Such procedures would be most effective if performed in detail by agencies prior to their conclusion of fiscal close procedures, and subsequently repeated (for significant transactions omitted) by the OAC prior to closing the financial accounting period and preparing draft financial statements. Such monitoring procedures are needed to mitigate the significant risk that accruals are being misstated or omitted during the fiscal close.

c) *Inaccurate financial statement presentation caused by account mapping errors in the transition of the new ERP system* – The new ERP system substantially modified the account structure and coding within the State's chart of accounts and required remapping of the new accounting system to the application utilized to generate draft financial statements. A combination of some inconsistent mapping of accounts during the transition to the new system, with misclassifications not being detected during the review of the fiscal 2025 draft financials, resulted in several presentation misstatements requiring correction.

d) *State processes where the recording of cash movements lagged the actual deposit or transfer of cash at year-end* - Certain transactions are not being categorized properly under GAAP due to timing differences where the recording of the underlying transaction lags the actual cash movements to or from State bank accounts, causing several misstatements at year-end.

e) *Misstatements caused by errors in fiscal 2025 data conversion between the previous accounting system and new ERP system* - The implementation of the new ERP system required batch conversion entries to record the fiscal 2025 financial activity processed in the previous accounting system. This process, while largely accurate, was subject to some errors or incorrect conversions that resulted in certain transactions requiring correction in the financial statements.

Cause: While certain misstatements could be attributed to conversion challenges of the new ERP system, a lack of controls to detect and correct financial statement misstatements continues to hinder the accuracy and completeness of financial reporting. These control deficiencies include the following:

a) *Lack of financial reporting controls at the agency level* – Internal controls are currently lacking at the agency level to ensure the accuracy and completeness of accrual transactions recorded at the fiscal close. Agencies lack documentation of fiscal closing procedures to aid financial staff and managers in ensuring the accuracy and completeness of financial activity reported. Finance staff turnover at all levels is increasing risk to financial reporting due to a lack of well-documented fiscal closing procedures. Further, agencies lack monitoring procedures to detect omitted or misstated accruals as part of their fiscal closing procedures.

b) *ERP system implementation-related deficiencies* – Ensuring that the ERP system is properly mapped to the application utilized to prepare financial statements is critical. While some element of this challenge should be expected during a significant system implementation, controls will need to be improved to identify incomplete or inconsistent mapping in the future as accounts are added or modified.

c) *Controls over journal entry transactions* – The State relies on designed transaction approval hierarchies to ensure that significant transactions receive reviews by both management at the departmental level and financial reporting staff at the OAC prior to posting. This important control was not found to be consistently effective in ensuring that journal entries recorded were accurate. This resulted in numerous inaccurate or incomplete journal entries going undetected and uncorrected by management that materially impacted financial reporting.

d) *Certain accounting for cash transactions lags the actual deposit or transfer of cash from State bank accounts* – The State needs to evaluate instances where the recording of cash transactions currently lags the actual deposit or transfer of cash, resulting in improper financial statement classification at year-end.

Effect: Undetected material misstatements, misclassifications, and omissions in the financial statements.

RECOMMENDATIONS

2025-001a	Require documentation and monitoring of fiscal closing procedures to improve the accuracy and completeness of agency fiscal closings.
2025-001b	Adopt procedures to ensure the accuracy of ERP system account mapping for financial reporting.
2025-001c	Reinforce responsibility of accounting and fiscal closings by agency CFOs to ensure the effectiveness of that control over financial reporting.
2025-001d	Evaluate instances where the recording of cash transactions currently lags the actual deposit or transfer of cash, resulting in improper financial statement classification at year-end.

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

Finding 2025-002 (material weakness – repeat finding – 2024-002)

COMPREHENSIVE DOCUMENTATION OF THE STATE'S INTERNAL CONTROL STRUCTURE

Management focus, training, and implementation resources have been insufficient to ensure that departments and agencies are assessing and documenting internal control consistent with management's overall responsibility for the adequacy of the design and operation of internal control. Internal controls safeguard public resources and support accurate financial reporting.

Background: The State's management has responsibility for the design and operation of internal control. The Committee of Sponsoring Organizations (COSO) has designed a framework for internal control that consists of three categories of objectives – *operations, reporting, and compliance* – and five components – *control environment, risk assessment, control activities, information and communication, and monitoring*. The Government Accountability Office's "Green Book" – *Standards for Internal Control in the Federal Government* tailors this conceptual framework to the public environment. The Green Book is required for federal agencies and is useful to other governments when applying the principles of an internal control framework.

Criteria: RI General Law §35-14-3, *Agency responsibilities*, under the State's Financial Integrity and Accountability statutes, mandates that "State agency heads are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes: (1) Documenting the system; (2) Communicating the system requirements to employees; and (3) Assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions."

An internal control framework, such as COSO and/or the Green Book, provides an overall structure for management to design, document, and monitor its internal control policies and procedures. Both within and outside government, management has responsibility for the adequacy of the design and operation of an entity's control structure. A complete consideration of internal control, in addition to documenting control policies and procedures, must also include how the policies are communicated, documentation of risks associated with financial reporting and operations, and monitoring of those documented controls to ensure their effectiveness.

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

Condition: The majority of agency and statewide policies and procedures are not documented and administered in the manner that is required by statute, federal regulations, or professional standards (COSO, Green Book). While certain control policies and processes have been documented, there is a lack of formalized documentation and comprehensive internal control structure throughout State government that complies with an accepted framework such as COSO and/or the Green Book. To meet the intended standards, internal controls must be documented, periodically evaluated, and revised based on updated risk assessments, effectively communicated to employees (through training if necessary), and monitored for effectiveness by the agency. Formalized documentation of internal controls relating to statewide functions (i.e., accounting, procurement, payroll) is a needed first step that will allow agencies to expand on and supplement with their agency-specific policies and procedures relating to critical program functions. Since each State agency has unique programs and procedures that supplement statewide functions, internal control consideration and documentation must also be performed at the agency level, as required by statute.

The State implemented the finance module of a new ERP system in July 2025, conducting the fiscal year-end closing and financial reporting utilizing the new system. The new ERP system required substantial modification of certain processes and related controls in conjunction with its implementation. As the initial implementation phase progresses, it is critical that internal controls are evaluated and documented consistently with an acceptable framework. Such an exercise will be vital to ensure that the new ERP system and its related configuration and workflow processes provide adequate internal control over the core functions of the new system (e.g., human resources, procurement, accounting and financial reporting, disbursements, etc.). It will also be critical to ensure that agencies have the necessary reporting from the system to meet their operational needs. A coordinated effort is needed to document a comprehensive system of internal control that meets an acceptable framework and to reassess the design of its current control structure (both statewide and at the individual agency level) with emphasis on risk assessment and monitoring - both essential components of internal control.

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

Effect: Errors, omissions, noncompliance, or fraud could go undetected by management due to inadequate design and/or monitoring of internal controls. Management is not complying with statutory requirements for documenting internal controls.

RECOMMENDATIONS

2025-002a Implement an internal control framework, such as COSO or the Green Book, and commit additional resources, including training and implementation materials, to ensure that departments and agencies are adequately documenting their internal controls accordingly.

2025-002b Ensure that internal controls over financial reporting are completed and include documentation of risk assessments, control activities that mitigate identified risks, and monitoring controls to ensure compliance with policies and procedures adopted in conjunction with the new ERP system.

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

Finding 2025-003 (significant deficiency – repeat finding – 2024-003)

EVALUATION OF CONTROLS OVER FUNCTIONS PERFORMED BY EXTERNAL PARTIES

See related Federal Award Finding 2025-032.

The State must continue to improve its consideration of controls over functions performed by external parties through enhanced use and documentation of Service Organization Control (SOC) reports. These improvements require State agencies (the "user entities") to document and review complementary user entity controls designated in those SOC reports which the service organization assumes are in place and operating effectively for proper and secure use of the contracted entity's services. This consideration is necessary and consistent with management's responsibility for the overall adequacy of the design and operation of internal controls.

Background: SOC reports are provided by service organizations (i.e., vendors, contractors) to assure customers/clients that controls are sufficiently designed and in operation over the contracted services they provide (e.g., data processing, claims payment, fiduciary activities). Management of the user entity should use these reports as part of their overall consideration and documentation of the adequacy of the design and operation of internal control. Management should also ensure that their complementary user entity controls (user entity controls) are documented and reviewed to ensure that they are operating effectively. Ineffective user entity controls limit the usefulness of SOC reports when documenting an entity's financial and operational controls as those reports assume that user entity controls are operating effectively.

To provide an example of the significance of financial operations involving service organizations, benefit disbursements by the State's Medicaid fiscal agent and human services eligibility and benefits system represent approximately 39% of the State's General Fund expenditures. Service organizations are currently involved, to some degree, in most finance-related functions of State government. The use of service organizations has increased over time, and will likely continue to, as more services are being administered through cloud-based applications.

The State has made progress by training employees and implementing a uniform SOC report assessment tool to document the consideration of controls at its service organizations. Centralized monitoring by the Office of Accounts and Control has improved agency compliance with obtaining and providing a standard evaluation of the SOC reports by agency personnel. SOC 1 engagements continue to be the responsibility of the agency overseeing the contracted service. The Division of Enterprise Technology Strategy and Services (ETSS) has begun incorporating the review of SOC 2 engagements specific to controls over information security as part of their centralized information technology vendor management and risk assessment processes as a step towards ensuring regular reviews and consideration of vendor information security controls.

Criteria: Management has responsibility for the adequacy of the design and operation of an entity's control structure, including functions performed by external parties. This responsibility also includes documenting and reviewing user entity controls, which the service organization assumes are in place and operating effectively for the proper and secure use of the contracted entity's services.

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

- Agencies are not always identifying when SOC reports should be requested from contractors, especially for new services or when contractors change.
- User agency documentation of key SOC controls within that agency's internal control documentation is currently deficient. As indicated in Finding 2025-002, most State agencies lack formalized documentation of internal control, thus management consideration and documentation of how SOC reports are utilized to mitigate operational risks is equally deficient.
- Documentation and testing of user entity controls at the agency level are lacking. These controls are assumed to be operational by the auditor of the service organization when providing an opinion on the effectiveness of their internal controls. Each agency (user entity) must ensure that relevant user entity controls identified by service organizations are also in place and operating effectively. Such control considerations should be included in the documentation and evaluation of internal controls discussed in Finding 2025-002.

When SOC reports identify exceptions, evaluation of such matters must be timely and thorough. Any highlighted deviations in control testing that may result in a qualified opinion regarding the design and effectiveness of certain control procedures at the service organization, as well as user entity control considerations, should be documented, reviewed, and thoroughly vetted. For fiscal 2025, documentation obtained from State agencies utilizing service organizations was incomplete or insufficient regarding the evaluations of the exceptions and the impact on the State's overall operational controls. While SOC reports evaluate whether service organizations are following their described internal controls, agencies are ultimately responsible for evaluating the adequacy of those controls based on the operational risks inherent in the services being provided.

Cause: The lack of comprehensive documentation and consideration of (1) service organization controls and (2) user entity controls by agencies relying on service organizations to perform critical functions for State government represent a weakness in internal control over financial reporting. In addition, insufficient documentation and review of user entity controls limit the related assurance that can be placed on control objectives reported within SOC reports.

Effect: Deficiencies in the design and/or operation of controls at service organizations could materially impact the State's overall controls over financial reporting and compliance. Ineffective or inoperative user entity controls at the respective State agency level could impact the operating effectiveness of the service organization's internal controls.

RECOMMENDATIONS

2025-003a	For user entity (State agency) controls identified within SOC reports, document and evaluate the agency controls to ensure that they are in place and operating effectively.
2025-003b	Incorporate agency reliance on control objectives documented and reviewed in SOC reports within the agency's formal documentation of internal controls over program operations.
2025-003c	Improve documentation of SOC report results, including consideration and mitigation of service organization control deficiencies reported.

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

Finding 2025-004 ***(significant deficiency – new finding)***

CONSIDERATION OF INTERNAL CONTROL IN TRANSITIONING RECEIVABLES TO THE NEW ERP SYSTEM

Use of the receivable module in the new ERP system was limited upon implementation but will expand in use over time. The limited use highlighted a lack of internal controls that must be addressed to ensure accurate and complete reporting as the use of the receivables module is expanded.

Background: The new ERP system represents the first accounting system used by the State with an integrated accounts receivable module. While the module may not fully eliminate the need for manual recording of accruals during the fiscal close, it could greatly improve reporting of receivables if properly implemented over time. Future use of the receivable module will require transitioning from disparate systems or manual tracking to the new system at a set implementation date. Formal procedures and training will need to be provided to agencies using the receivables module.

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: The State implemented a limited number of receivable categories into the new ERP system upon implementation. One of the limited uses resulted in a significant misstatement of receivables at year-end.

Cause: Misstatement caused by inaccurate data transitioned to the new ERP system and a lack of understanding by the agency of how the receivables module closed to the general ledger.

Effect: Misstatement of reported receivables in the financial statements at year-end.

RECOMMENDATIONS

2025-004a	Fully reconcile agency receivable data prior to transitioning balances to the new ERP system at the scheduled transition date.
2025-004b	Require agencies to reconcile accounts receivable balances reported by the ERP system monthly.
2025-004c	Develop policies and procedures for adjusting or writing off receivables recorded in the module and ensure that agencies are fully trained on the module prior to transition.

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

Finding 2025-005 ***(material weakness – repeat finding – 2024-005)***

MEDICAID PROGRAM COMPLEXITY AFFECTS FINANCIAL REPORTING AND OVERALL PROGRAM CONTROLS

The continued and growing complexity of Medicaid program operations, coupled with the insufficient support of the State's antiquated Medicaid Management Information System, adds to the challenge of accurately accounting for all Medicaid program related financial activity within the State's financial statements.

Background: The complexity of the Medicaid program increases each year through new federal regulations, complex managed care contract settlement provisions, new State initiatives, and continued challenges relating to the State's integrated human services eligibility system, RIBridges. Medicaid is the State's single largest program activity – approximating $4.3 billion in expenditures or approximately 41% 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 totaled $2.1 billion, representing the majority of benefit expenditures reported for Medicaid.

Criteria: Management of the Executive Office of Health and Human Services (EOHHS) is responsible for establishing and maintaining internal control over financial reporting to ensure accurate and complete reporting of transactions in accordance with generally accepted accounting principles.

Condition: Ensuring all financial activity is properly and completely recorded in the State's financial statements is an increasingly complex task. Significant Medicaid program activity is currently being accounted for external to the systemic controls and processes designed within the Medicaid Management Information System (MMIS). The MMIS was developed as a claims processing system over 30 years ago and was not designed to meet the current processing and reporting needs of the State's managed care programs. Managed care requires a system that can handle capitation adjustments and a more robust adjudication of encounter data submitted by the State's contracted managed care organizations (MCOs). While the MMIS has been modified over time to handle the disbursement of capitation and the submission of encounter data, it lacks the functionality to completely process and account for managed care activity.

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

- Manual tracking of amounts due to and from MCOs are subject to error or omission. As an example, audit procedures identified a liability for managed care premiums due to MCOs totaling $6.6 million that had not been accrued at year-end;
- Payments to and recoupments from providers and managed care organizations, each totaling more than $391 million and $85 million, respectively, were disbursed through system and manual transactions processed by the fiscal agent with authorization by the State Medicaid agency. These payments are not subjected to the claims processing controls of the MMIS and often require substantial manual calculations to determine the transaction amounts. These transactions (except for manual payments) are netted within the normal claims processing cycle activity and the MMIS lacks sufficient reporting capability for these transactions. EOHHS currently lacks internal controls and procedures to ensure that only authorized payments are processed. During fiscal 2025, the volume of payment and recoupment transactions were significant (more than 1,000 transactions) and individual system payout and recoupment transactions often exceeded $100,000 (approximately 210 individual payments in 2025); and

- The MMIS's limited ability to process capitation adjustments and to process and report on encounter data makes it very difficult to estimate accruals relating to managed care. The State Medicaid agency currently relies on plan reporting from the MCOs to estimate final contract settlements requiring accrual at year-end. The accuracy of the data provided, the run-out period for providers to continue submitting claims, and the lack of complete encounter data reported in the MMIS remain challenges in accruing accurate managed care settlements at year-end.

While EOHHS's manual procedures are making every attempt to accurately and completely settle and account for its managed care activities, systemic controls do not currently support those efforts, and control deficiencies continue to impact the State's financial reporting. With the State currently exploring procurement for a new MMIS, significant focus should be placed on ensuring that controls over managed care capitation and claiming activity are significantly improved. In the near term, the State should look to utilize federally required audit procedures to improve controls over segments of the managed care settlement process that are currently not being validated.

Cause: The State does not currently have a system that can process retroactive capitation rate changes and/or changes in participant enrollment category to the extent needed to allow the system to fully account for managed care activity without manual payments and settlements. The current MMIS performs limited edits in encounter data submitted by the plans that are no longer adequate for the size and volume of medical claims covered under capitation. Insufficient system reporting for system payouts and recoupments increases the risk that material transactions are not identified that require reporting as prior period activity on federal reports and for financial reporting. The extent to which system payouts are not individually recorded in the State accounting system increases the risk that these transactions are not accounted for properly, as they bypass the State's centralized review procedures designed to ensure that transactions are recorded in the correct accounts and reflected in the correct fiscal period. The State's manual tracking of amounts due to or from managed care organizations is inadequate to ensure the tracking and settlement of these amounts.

Risks relating to inaccurate financial reporting and federal noncompliance have increased due to the length of settlement periods, eligibility discrepancies between the claims payment system and the State's integrated eligibility system, retroactive capitation adjustments, and the volume of transactions being accumulated and evaluated independent of regular program controls.

Effect: Potential effects of this control deficiency include unrecorded or inaccurately recorded financial transactions, incorrect reimbursements to providers or managed care organizations, and noncompliance with federal regulations.

RECOMMENDATIONS

2025-005a	Develop specific objectives for managed care data processing (i.e., premium and encounter data processing functionality) that will be required of and included in the specifications for the next MMIS.
2025-005b	Minimize instances where material financial activities are reliant on manual processes to ensure proper financial reporting.
2025-005c	Develop comprehensive reporting and reconciliation procedures for system payouts, manual disbursements, and system recoupments to improve controls over these transactions which are processed by the Medicaid fiscal agent.
2025-005d	Improve controls over non-claims based financial transactions in the next MMIS to provide for individual reporting and proper financial accounting treatment.

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

Finding 2025-006 ***(material weakness – repeat finding – 2024-006)***

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

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

Background: Receivables and liabilities relating to the Medicaid program at year-end totaled $107 million and $293 million, respectively. Year-end accruals also included $180 million in prepaid managed care capitation premiums for health insurance coverage for Medicaid recipients. Medicaid accruals represent significant financial activity recorded during 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 GAAP. GAAP require that expenditures are recorded in the correct financial period and, when necessary, estimates can be recorded by management to ensure the completeness of financial reporting.

Condition: The estimation, calculation, and reporting of year-end accruals is an entirely manual process involving no systemic controls to ensure the accuracy and completeness of reported amounts. Accruals for certain benefit expenditures and recoveries associated with the Medicaid program were misstated at June 30, 2025. In addition, certain year-end adjustments recorded at June 30, 2025 were incorrect, significantly misstating reported expenditures.

Cause: Misstatements relating to the recording of year-end closing adjustments and accruals relating to the Medicaid program, generally resulted from:

a. Certain estimates where underlying data used at year-end was not adequate to estimate remaining liabilities or receivables to be recorded due to changes in activity during the year (e.g., claim increases/decreases for periods being accrued);

b. Agencies incorrectly estimated liabilities and/or receivables at year-end; in certain instances, staff turnover and the loss of institutional knowledge likely contributed to the errors or omissions;

c. Utilizing data provided by managed care organizations for estimates without factoring the impact of additional medical claim run out required for the plan year; and

d. Errors made during the manually intensive calculations required by certain estimates.

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

RECOMMENDATIONS

2025-006a	Improve overall review processes for material journal entries to ensure complete and accurate financial reporting.
2025-006b	Improve procedures over the identification and determination of receivables and liabilities relating to the Medicaid program to ensure complete and accurate recording at year-end. Consider adjusting estimation methods where prior period accruals have been inconsistent with historical results.
2025-006c	Evaluate prior period estimates to actual results to ensure that methodologies remain appropriate.

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

Finding 2025-007 ***(significant deficiency – repeat finding – 2024-007)***

CONTROLS OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

Background: During fiscal 2025, the State migrated accounting data to its new ERP system for purposes of conducting its fiscal closing in the new system. In the prior accounting system, ALNs were tied to specific appropriation accounts based on the adopted budget. Following transition to the new ERP system, and its integration with Euna Grants (Euna), a cloud-based Grants Management System, the ALN is tied to grant information in Euna, not specific appropriation accounts within the ERP's accounting structure. The appropriation accounts are budgeted to certain ALNs, however there is no direct linkage between appropriation accounts and ALNs within the State's accounting system, leading to additional SEFA reporting challenges in 2025.

Criteria: 2 CFR §200.510(b) states "The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with §200.502".

The preparation of an accurate SEFA is critical to the proper recording of federal revenue and expenditures in the financial statements and to ensure that the State can comply with federal Uniform Guidance (2 CFR Part 200) when submitting the State's *Single Audit Report* required by federal regulations.

Condition: While federal expenditures are reported accurately in the State accounting system based on disbursements for most federal programs and the State as a whole, adjustments are still needed, especially for a statewide Single Audit that also includes federal expenditures of component units, to ensure that expenditures are accurately reported on the SEFA. Several adjustments to expenditures, reported in the State accounting system, were necessary to accurately report the federal expenditure activity for fiscal 2025:

- *Nationally Significant Freight and Highway Projects (20.934)* – During fiscal 2025, the Rhode Island Department of Transportation (RIDOT) became aware of a change in Assistance Listing by the federal grantor for a particular award. RIDOT adjusted fiscal 2025 expenditures to move cumulative expenditures for this award to the proper ALN, which included $25.9 million of prior year expenditures. This amount overstated fiscal 2025 expenditures for Nationally Significant Freight and Highway Projects, while understating program activity for Highway Planning and Construction (20.205). Adjustment to the SEFA was required to accurately report program fiscal 2025 activity for the respective programs.
- *Grants to States for Medicaid (93.778)* – In accordance with provisions in the State's section 1115 waiver, the State receives federal match for certain Designated State Healthcare Program (DSHP) expenditures when incurred. Those proceeds must be utilized to fund the State match for certain Healthcare Systems Transformation Programs (HSTP). HSTP expenditures from restricted DSHP funding totaled $4.1 million in fiscal 2025 and required addition to reported federal expenditures on the SEFA.
- *Other Adjustments (multiple programs)* – Adjustments totaling $52.3 million were needed to prevent duplication of reported federal expenditures for amounts passed through to component units that are included in the State's financial reporting entity. In addition, we identified and adjusted certain federal accounts with reported expenditures approximating $4.3 million in the State accounting system that were either not linked or incorrectly linked to federal programs.

In addition to adjustments for the primary government's federal expenditures, the State does not adequately review and monitor reported federal expenditures of the discretely presented component units. Such monitoring and oversight are necessary to ensure proper reporting as Rhode Island submits a *Single Audit Report* for the entire financial reporting entity. The State also needs to improve its accumulation of required note disclosures that accompany the SEFA to ensure compliance with federal Uniform Guidance requirements.

Cause: There is a disconnect between the agency personnel responsible for accurate recording of federal expenditures in the SEFA and the Office of Accounts and Control, the agency that prepares the SEFA from the accounting system.

Effect: Without correction, the SEFA would not accurately present federal expenditures with required note disclosures in accordance with the Uniform Guidance requirements.

RECOMMENDATIONS

2025-007a Ensure policies and procedures for presenting the SEFA and required note disclosures are consistent with Uniform Guidance requirements.

2025-007b Implement a structured preparation schedule that will ensure a complete and accurate SEFA can be provided along with the State's fiscal closing.

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

Finding 2025-008 (material weakness – repeat finding – 2024-008)

CONTROLS OVER FEDERAL PROGRAM FINANCIAL ACTIVITY

The State should continue improving controls over recording federal revenue through the integration of the grants management system with the newly implemented ERP system to ensure 1) amounts are consistent with the limitations of grant awards from the federal government and 2) claimed expenditures on federal reports are consistent with amounts recorded in the State's accounting system.

Background: Federal programs represented 45% of fiscal 2025 General Fund expenditures. Some federal grants are open-ended entitlement programs where the federal government will reimburse the State for all allowable costs incurred under the program. Other federal grants are limited by a specific award amount and grant period. These grant periods are often for the federal fiscal year and are not aligned with the State's fiscal year.

The State utilizes Euna to manage several federal grant functions. In fiscal 2024, the State began requiring most subrecipient payments to be authorized through Euna prior to being processed for payment through the State accounting system. This process, while an improvement of controls over disbursements to subrecipients, represented the only integrated use of Euna with the State accounting system during fiscal 2025 operations to ensure compliance with grant budgets and award authority.

Criteria: Federal revenue and expenditures recorded by the State must be consistent with the limitations of grant awards from the federal government, and claimed expenditures on federal reports must be consistent with amounts recorded in the State's accounting system.

Condition: Knowledge of grant requirements, spending authorizations, and limitations on reimbursable expenditures all rest with departmental management, who administer the federal grant programs. The Office of Accounts and Control, in preparing the State's financial statements, relies primarily on the coding of expenditures (by funding source – federal) within the State accounting system. All expenditures recorded in

federal accounts are considered reimbursable from the federal government and federal revenue is accrued to match unreimbursed expenditures at year-end. From an overall statewide perspective, controls over financial reporting are ineffective to ensure that all federal expenditures are reimbursable and federal revenue is recognized appropriately. Compensating controls in the form of agency reconciliations of federal reports to the accounting system are not performed consistently or accurately to minimize the need for stronger statewide controls.

While the implementation of the new ERP system began July 1, 2025, integration with Euna Grants was not fully established until October 2025. The State's focus now will be on developing processes and controls between the new ERP and Euna integration that addresses the following internal control deficiencies relating to federal program financial activity:

- *Controls are not currently effective to ensure that federal expenditures are only recognized when sufficient federal grant authority exists* – Federal expenditures should only be recognized if Euna reports sufficient federal grant authority at the time of the transaction. The effectiveness of this interface will require agencies to delineate the applicable grant period when processing transactions in the accounting system to be fully effective.
- *Controls to ensure that federal expenditures are reported consistent with allocation processes approved by the federal government are currently lacking* – Since the new ERP system will not include an integrated cost allocation function, agencies will need to utilize the new ERP system to more accurately allocate costs to federal programs (using time reporting and purchase order allocation functions). Improved cost allocations at disbursement will lessen the significance of periodic adjustments required to align reported expenditures to final cost allocation results.
- *Controls to ensure that agencies are drawing federal funds timely and accurately are lacking* – Improve monitoring by creating better management reporting to identify and remedy instances where agencies are not drawing down federal funds in a timely manner or have drawn amounts in excess of reported federal expenditures.
- *Current reconciliation processes to ensure that amounts reported on federal reports are in agreement with the State accounting system are inefficient or lacking completely* – Streamline and improve the reconciliation of federal expenditures reported in the accounting system with amounts reported by agencies on federal reports.

The State will need to consider standardized processes, reporting, and/or enhanced integration needed between Euna and the ERP system to sufficiently address the above deficiencies. In certain instances, the State will need to utilize reporting from the new ERP system to implement monitoring controls to accomplish the above objectives.

Cause: Sufficient controls were not implemented within the legacy accounting system, and full integration with the new ERP system was not operational during the 2025 fiscal close to ensure amounts were consistent with the limitations of grant awards from the federal government, and claimed expenditures on federal reports are consistent with amounts recorded in the State's accounting system.

Effect: Federal revenue could be overstated and not detected for financial reporting purposes. The share of program costs allocable to funding sources (i.e., general revenue vs. federal revenue) could be misstated.

RECOMMENDATIONS

2025-008a Continue to utilize Euna and its functionalities to improve controls over federal program financial activity.

2025-008b Implement a monitoring process that highlights variances between the State accounting system and federal reports to ensure that adjustments are made in a timely manner to correct reporting.

2025-008c Ensure that the interface of Euna with the new ERP system and other adopted procedures effectively achieve the above control objectives.

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

Finding 2025-009 (material weakness – repeat finding – 2024-009)

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, 2025, the State's short-term deposit, investment portfolio (exclusive of pension and OPEB related investments), and funds on deposit with fiscal agent (State debt proceeds, which are held in trust by fiduciaries but subject to the State's monitoring of permitted investments and other contract requirements) totaled in excess of $2.9 billion. Organizations of a similar size and complexity would typically have sophisticated and integrated information technology systems to facilitate daily cash management operations and ensure compliance with deposit and investment guidelines.

The Treasury has utilized various applications to facilitate its cash management functionalities, but none have been integrated with the State's accounting system. Effective July 1, 2025, the State implemented a new ERP system which included integrated cash management functionalities within the project scope. In addition, the Treasury has been working with a consultant to develop a comprehensive plan to modernize information technology in Treasury operations. This would include automation of critical Treasury functions that are currently manually intensive and prone to error. The comprehensive plan was completed in fiscal 2025 providing several recommendations to the Treasury. The majority of recommendations have been incorporated into a banking request for proposal issued by the Treasury in fiscal 2026. Other recommendations include expanding the Treasury's use of current applications to better manage collateral risk and investment manager oversight.

Criteria: Management is responsible for ensuring internal controls over Treasury operations are well designed and effective. Most important within Treasury operations is ensuring segregation of duties. Treasury is also responsible for ensuring the safety and liquidity of the State's deposits and for ensuring compliance with the deposit and short-term investment guidelines of the State Investment Commission.

Condition: Treasury activities are not adequately supported by current technology that accesses and integrates data from multiple sources (e.g., accounting system, banks, custodians, investment counterparties). Data is independently gathered from a variety of sources, which is time consuming and inefficient. Given the current configuration of non-integrated applications, there is an insufficient number of staff assigned to these functions to allow adequate segregation of duties. The following control deficiencies were noted in the systems and processes used to manage the State's cash deposits and short-term investments:

- Difficulties in ensuring segregation of duties relating to the transfer of funds and the recording and reconciling of investment activity.
- The State is currently utilizing Excel to record the purchase and sale of investments. The program is used to journalize summary investment activity into the State's accounting system. While functional, the lack of transaction level detail being recorded in the State's accounting system, coupled with the lack of controls that a more substantial software application would include, increases the risk of error or omission.
- Managing compliance with investment diversification policies (promulgated by the State Investment Commission) and statutory collateralization requirements (mandated for the State's cash deposits) requires continual monitoring to ensure compliance. The Treasury currently lacks a modern cash management system that would facilitate compliance monitoring, requiring those functions to be performed by personnel already depended on for various other Treasury functions. Current monitoring procedures are prone to errors, including the omission of State deposit accounts, when evaluating collateralization requirements.
- The Treasury lacks dedicated internal audit and information security functions, common in most state Treasury operations, to ensure that financial and information security controls are in place and operating effectively.

Ensuring that the new ERP system, individually or in combination with other applications, effectively addresses the control deficiencies and inefficiencies noted above will be critical to modernizing Treasury functions over the next several years.

Cause: The current systems do not contribute to segregation of duties, and staffing is insufficient to adequately segregate the functions with the required redundancy needed in various positions. Current use of Excel lacks required access, data integrity, and other systemic controls to safeguard the recording of the State's short-term investment activity. There is a lack of sufficient technology and personnel resources needed to manage compliance with investment diversification policies and statutory collateralization requirements.

Effect: There is an inability to (1) maintain proper segregation of duties in key Treasury operations, (2) evaluate and monitor financial and operational controls, and (3) effectively monitor compliance with diversification and permitted investment requirements, as well as collateralization policies, for the State's cash and investments.

RECOMMENDATIONS

2025-009a	Complete the contracted assessment of Treasury operations to identify potential modern technological and/or contract service solutions needed to manage the size and complexity of the State's current cash management and investment operations.
2025-009b	Develop a strategic plan (inclusive of implementation phases and funding plan) needed to modernize the utilization of technology in Treasury operations.
2025-009c	Emphasize integration with the State's new ERP system to maximize the efficient and effective operation of the State's financial systems.

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

Finding 2025-010 ***(significant deficiency – repeat finding – 2024-010)***

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 10,000 journal entries were processed during fiscal 2025 in the RIFANS accounting system through June 30, 2025. An additional 38,000 journal entries were used to record receipts/revenues. The State implemented its new ERP system on July 1, 2025, performing the 2025 fiscal closing process and generating financial reporting in the new system. This implementation resulted in over 2,000 additional journal entries during the fiscal closing alone.

Criteria: Initiation and approval of journal entries is typically restricted to a small number of higher-level accounting staff to record specific financial reporting related entries or to make corrections.

Condition: A significant volume of journal entries were required during fiscal 2025 due to the lack of functionality in the RIFANS accounting system and a significant number of journal entries required in conjunction with the fiscal closing and conversion to the new ERP system. For example, journal entries continued to be utilized to:

- Allocate costs to multiple programs and activities. These journals primarily adjust expenditures based on the results of various disparate federal cost allocation systems and agency time reporting systems that are utilized throughout the State;
- Record receipts due to the lack of a revenue and receivable module in the RIFANS accounting system; and
- Reclassify expenditures recorded in governmental funds to facilitate capital asset recording in the government-wide financial statements.

Journal entries typically are considered higher risk from an internal control perspective as approval level controls require appropriate understanding and review of complex transactions to be effective. As the volume increases, less time is allocated to review and approve each transaction, threatening the effectiveness of the control and resulting in an inadequate review. Attaching sufficient documentation to journal entries to allow for informed approval by the reviewer also remained a challenge. In addition to often requiring substantial reviews of manual calculations that support journal entries, evaluating the adequacy of journal entries processed requires significant agency budget and programmatic knowledge, often lacking by the approvers of the transactions processed.

While the new ERP system is expected to eliminate the use of journal entries to record cash receipts, a significant number of adjustments is still anticipated, reinforcing the need for comprehensive review by agency chief financial officers or other finance managers to ensure that transactions are accurate, complete and properly reported in the financial statements. Several adjustments were proposed to correct misstatements of financial activity reported through journal entries during the fiscal close, highlighting the need for additional controls over journal entries. While the new ERP system does segregate the initiation and approval of receipts and certain allocations from journal entries, the State will need to ensure that agencies properly manage cost allocations and agency payroll allocations to reduce the volume of journal entries and fully realize the benefits of an integrated ERP system. Establishing purchase orders and assigning payroll allocations that accurately identify the correct budgetary line item and revenue source allocations for expenditures will be key to minimizing the volume and size of journal entries required.

Cause: The lack of integrated functionality relating to cost allocation subsidiary systems, agency subsidiary systems used for disbursements and receipts, and a host of centralized services that require billing across the primary government all contribute to the high volume of journal entries recorded in the State accounting system. Journal entries are also often supported by intensive manual spreadsheets that are difficult to review, and agency managers often lack sufficient knowledge to review and validate the journal entries when approving them.

Effect: Controls are weakened through the large volume of high-dollar transactions that are recorded through journal entries, increasing the possibility that a material misstatement could occur and remain undetected in the normal course of operations.

RECOMMENDATIONS

2025-010a Enhance review and oversight of material journal entries to ensure appropriate recording of transactions and avoid misstatement of the financial statements.

2025-010b Monitor agency use of journal entries in the new ERP system to identify how utilization of new ERP functionality could minimize the volume and size of these transactions to the extent possible.

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

Finding 2025-011 (significant deficiency – repeat finding – 2024-011)

PREPARATION OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

Background: The State accounting system maintains accounting records to support the preparation of the government-wide financial statements (accrual basis of accounting) and the governmental fund financial statements (modified accrual basis of accounting). This is accomplished in the new ERP system through a designed government-wide reporting "book" that compiles fund level activity with distinct government-wide reporting transactions necessary for full accrual reporting. A capital asset module is utilized to maintain detailed recording for capital asset categories (except for project-based assets such as infrastructure and construction in progress, which are tracked and recorded through more manual processes) throughout the year, and support presentation on the government-wide financial statements. The State's debt obligations are managed through a separate application that is not integrated with the accounting system, requiring manual journal entries to accurately record debt-related activities. Conversion entries are utilized to record noncurrent assets and liabilities and to reclassify fund-level activity as needed. A significant amount of manual processing, mostly in Excel workbooks, is required to compile data needed to prepare these conversion entries.

Criteria: Management is responsible for maintaining controls that prevent or detect material misstatements in the government-wide financial statements. GAAP require the completion of reconciliations between the governmental funds and the government-wide Statements of Net Position and Activities as a key control over the accuracy and completeness of reported Governmental Activities.

Condition: The fiscal 2025 draft government-wide financial statements required several audit adjustments to ensure proper and accurate presentation. The State continues to be challenged in providing a complete and accurate government-wide financial statement with the required reconciliations between the government-wide and governmental fund financial statements in a timely manner. Adjustments in fiscal 2025 were largely attributed to (1) net position reclassifications, (2) revenue categorization differences between operating and capital grants, (3) misstatements in reported capital assets, and (4) reporting long-term liabilities and receivables.

Cause: Most misstatements related to errors in process or classification which occur in conjunction with manual processes inherent in the State's current preparation of the government-wide financial statements.

Effect: Material misstatements could exist and not be detected in the government-wide financial statements.

RECOMMENDATIONS

2025-011a Enhance procedures for preparing the government-wide financial statements to ensure consistent and accurate recording of transaction activity. Minimize manual processes to the extent possible when preparing the financial statements.

2025-011b Implement quality control procedures designed to detect and correct misstatements in the government-wide financial statements.

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

Finding 2025-012 (significant deficiency – repeat finding – 2024-012)

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

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

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

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

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

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

Condition: Amounts reported for other financing sources, capital outlay, assets, and liabilities were materially misstated, requiring adjustment, in the respective financial statements due to several errors noted during our audit, including, but not limited to, the following:

- Several leases and SBITAs that were reported by respective agencies were not accounted for properly in EZLease due to the underlying reporting template not being properly completed.
- Several new leases and SBITAs that were not accurately measured to determine the right-of-use asset and related liability amounts (inclusion of service/maintenance costs, incorrect frequency of payments). These measurement issues created additional errors in amounts presented as related debt service, reduction of liabilities, and amortization of the right-of-use assets.

- Certain misstatements noted were caused by a misinterpretation of the journal outputs generated by EZLease and activity recorded in the general ledger in previous fiscal years.

Cause: Inaccurate completion of agency reporting templates led to improper recording of lease and SBITA activity during the fiscal year. Review of agency-provided templates was insufficient to accurately identify all applicable agreements that are required to be reported by GASB. Additionally, review of changes to existing agreements did not result in proper accounting treatment based on the specific circumstances of the arrangements.

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

RECOMMENDATIONS

2025-012a Improve internal controls by implementing supervisory review procedures over the determination, recording, and adjustment of reported assets and liabilities relating to leasing and subscription-based information technology arrangements.

2025-012b Enhance monitoring controls over tracking of historic information to ensure fiscal year activity is consistent with balances recorded in the general ledger.

2025-012c Educate agency personnel on how to more accurately complete the standard template, including the level of detail required to properly evaluate leasing agreements and subscription-based IT arrangements, in accordance with applicable accounting standards.

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

Finding 2025-013 (significant deficiency – new finding)

CONTROLS OVER REPORTING OF CAPITAL ASSETS

Controls did not operate effectively in fiscal 2025 to ensure accurate and complete reporting of capital assets.

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

Condition: A significant number of audit adjustments were needed to adjust or record capital asset amounts reported in the financial statements. Specifically, significant misstatements in reported capital assets were most notable in construction in progress and intangible asset categories (e.g., land easements). Omissions and misstatements relating to the reporting of contributed capital in conjunction with capital asset acquisitions and gains or losses in conjunction with asset disposals were also noted. Other misstatements impacting capital assets are reported separately in findings relating to leases and subscription-based information technology arrangements (Finding 2025-012) and transportation infrastructure (Finding 2025-018) due to the unique processes relating to the recording of those asset categories.

Cause: Changes in personnel and the conversion to the new ERP system contributed to deficiencies in controls over capital asset recording in fiscal 2025. The State also lacks monitoring controls to detect and correct misstatements and omissions in capital asset reporting.

Effect: Material misstatements of capital assets in the financial statements are not being detected and corrected.

RECOMMENDATION

2025-013 Improve internal controls by reinforcing capital asset procedures in the new ERP system and implementing monitoring procedures to detect and correct misstatements and omissions in reported capital assets.

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

Finding 2025-014 ***(significant deficiency – new finding)***

CONTROLS OVER FINANCIAL REPORTING – EMPLOYEE BENEFIT FUNDS

Significant misstatements were identified and corrected in the Employment Security and Temporary Disability Insurance Funds.

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

Condition: Significant misstatements were noted in the financial statements of the Employment Security and Temporary Disability Insurance Funds, requiring audit adjustments to correct.

Cause: Misstatements were caused by a misunderstanding of transactions accounted for in prior years that resulted in an incorrect adjustment being recorded in fiscal 2025. The Department of Labor and Training's review of transactions and year-end closing did not detect the misstatements. Certain agency reconciliations were not completed timely and reviewed in conjunction with the fiscal closing.

Effect: Material misstatements in fund financial statements are not being detected and corrected.

RECOMMENDATION

2025-014 Improve and formalize agency processes for reviews of journal entries and the fiscal year-end closing to ensure detection of material misstatements.

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

Finding 2025-015 ***(significant deficiency – new finding)***

ESTIMATING COMPENSATED ABSENCES LIABILITIES

The implementation of a new accounting standard relating to accounting for compensated absences did not fully meet the requirements of the new pronouncement.

Background: The State utilized a public accounting firm to provide recommendations regarding the implementation of GASB Statement No. 101, *Compensated Absences,* (GASB 101) which became effective in fiscal year 2025. The contracted firm provided specific considerations regarding the applicability of the new standard on different categories of compensated absences.

Criteria: Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles. Requirements of GASB 101, as stated, included but were not limited to the following requirements:

1) "That liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled".
2) "Changes adopted at transition to conform to the provisions of this Statement should be reported as a change in accounting principle in accordance with Statement No. 100, *Accounting Changes and Error Corrections*, including the related display and disclosure requirements." GASB 100 requires retroactive application in relation to a change in accounting principle by restating beginning net position.

Condition: The State's implementation of GASB 101 resulted in two misstatements that required audit adjustments to ensure proper financial reporting in accordance with the new standard. The State understated the compensated absences liability amount relating to sick time earned by employees but not utilized at year-end. The accrued liability was limited to only time for employees that were eligible to be paid out for their sick leave upon retirement and did not consider accrued sick time expected to be used by employees (i.e. paid when discharged) in future periods. Additionally, the State did not restate beginning net position in conjunction with the implementation of GASB 101 as required by accounting standards.

Cause: The estimation methodology was not substantially modified by the State to account for the requirements for sick time in the compensated absences liability reported at year-end. The State did not comply with the accounting standard requirement to retroactively apply the accounting statement in the period of implementation.

Effect: Material misstatements in the financial statements due to noncompliance with the new accounting standard.

RECOMMENDATION

2025-015 Revise the compensated absences liability estimation methodology, specifically for employee sick time earned but not utilized at year-end to comply with the requirements of GASB 101.

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

Finding 2025-016 ***(significant deficiency – repeat finding – 2024-013)***

DIVISION OF MOTOR VEHICLES – CONTROLS OVER REVENUE COLLECTIONS

Controls can be improved over the recording of license, registration, and surcharge fees collected by the Division of Motor Vehicles (DMV) and deposited in the Intermodal Surface Transportation (IST) Fund.

Background: In fiscal 2025, the DMV collected $114 million in revenues (excluding sales tax) of which $103 million was remitted to the IST Fund's Highway Maintenance Account.

Criteria: DMV must have controls in place to ensure the completeness of revenue reflected within the IST Fund. RI General Law chapter 39-18.1 designates certain fees to be deposited in the IST Fund for transportation purposes.

Condition: DMV lacks procedures to provide reasonable assurance that the appropriate fees earmarked for the IST Fund have been received and recorded as revenue. This should include documentation of the fee structure identified by the RI General Laws, the surcharge amount being applied to each DMV transaction code, and how the DMV computer system, RIMS (Rhode Island Motor Vehicle System), is programmed to identify such amounts for the IST Fund. We identified the following control deficiencies:

- There is a partial, but incomplete, crosswalk of the fee structure identified by the RI General Laws for licenses, registrations, surcharges, etc. and how RIMS is programmed to identify such amounts.
- The current reconciliation between the State accounting system 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 reconciliation with the State accounting system.

To be an effective control over financial reporting, the reconciliation needs to be completed prior to the fiscal closing by the State.

Cause: Controls to ensure the completeness of the DMV revenues earmarked for transportation purposes within the IST Fund require improvement. DMV should consider ways that the RIMS system can be utilized to enhance monitoring of compliance with statutory revenue requirements and assist the agency in completely reconciling with the State accounting system.

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

RECOMMENDATIONS

2025-016a	Ensure the timely completion of monthly and annual reconciliations between the State accounting system and RIMS to ensure that recorded revenue is supported by RIMS data.
2025-016b	Complete the crosswalk linking the fees assessed in RIMS to the authorizing sections of the Rhode Island General Laws to ensure their accuracy.

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

Finding 2025-017 ***(material weakness – repeat finding – 2024-014)***

INTERMODAL SURFACE TRANSPORTATION FUND – FINANCIAL REPORTING

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

Background: The IST Fund accounts for transportation-related activities of the State, including the federal highway construction program, transportation bond proceeds, and designated revenues collected by the Division of Motor Vehicles. The IST Fund financial statements, although generated by the State accounting system, are the responsibility of the RI Department of Transportation (RIDOT) and are significantly impacted by its internal Financial Management System (FMS).

Criteria: Controls over the preparation of financial statements should ensure consistent and accurate financial reporting. RIDOT management is responsible for establishing and maintaining effective controls over financial reporting.

Condition: Our audit identified a significant number of misstatements in the IST Fund financial statements that required adjustment. The misstatements impacted most financial statement categories and materially misstated the financial statements for the major fund. Individual line items were misstated by amounts ranging from $3 million to $75 million in the draft financial statements, requiring adjustments to correct significant misstatements due to:

- Omitted transactions and errors in estimate calculations;
- Classification errors resulting in inconsistent presentation under GAAP;
- Federal revenue and expenditures being recorded with no supporting documentation or requiring correction in relation to other misstatements; and
- Fund balance misclassifications caused by a lack of control procedures to detect and correct misalignments or reclassifications needed based on fund financial activity.

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

Cause: The current review process of the draft financial statements is not adequate to identify significant errors and misclassifications. Identified misstatements resulted from manual procedures designed to compensate for deficiencies in the accounting system. Examples include the allocation of fund balance and allocation of expenditures from the FMS. These manual processes can be prone to error and lack controls to ensure completeness. In addition, most of these accounting processes are performed by the more experienced accounting staff at RIDOT, reducing the likelihood that independent reviews will be performed. Most of the exceptions noted may have been identified if RIDOT had been performing a more detailed review of account balances in conjunction with the fiscal close.

Effect: Account balances within the IST Fund financial statements could be materially misstated and go undetected.

RECOMMENDATIONS

2025-017a Ensure the transactions identified through the reconciliation of each activity and/or funding source within the IST Fund result in the appropriate categorization and reporting of revenue, expenditures, and fund balance components on the financial statements.

2025-017b Document and implement controls to ensure the accuracy of recorded amounts in the financial statements, including 1) account reconciliations, 2) complete reconciliations between the FMS and State accounting system, and 3) detailed review of financial statement accounts.

2025-017c Implement quality control processes to ensure proper classification and presentation of the financial statements.

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

Finding 2025-018 ***(material weakness – repeat finding – 2024-015)***

TRANSPORTATION INFRASTRUCTURE REPORTING

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

Background: RIDOT enhanced its process to identify transportation infrastructure assets which use the FMS to identify each project and ensure that total project costs (e.g., design and construction costs) are included in the capitalized amounts. Since the source of the information used to identify capitalized infrastructure is FMS and the financial statements are based on the State accounting system (as recorded by the Office of Accounts and Control), the data used must be reconciled between the two systems.

Projects are assigned to one of nine infrastructure codes established to identify the type of asset (road, bridge, etc.) and the estimated useful life of the asset which drives depreciation expense.

Criteria: GAAP requires the State's investment in infrastructure assets to be reported in the government-wide financial statements. Such amounts should be capitalized and depreciated, consistent with the State's adopted accounting policies. Amounts are recorded as construction in progress until placed in service, at which time depreciation commences. Infrastructure disposals should be recorded when assets are replaced or permanently taken out of service.

GAAP also requires capital assets to be evaluated for impairment when events or changes in circumstances suggest that the service utility of a capital asset may have significantly and unexpectedly declined.

Condition: The cost and related accumulated depreciation associated with infrastructure assets that have been replaced or are no longer in service have not been removed from reported infrastructure amounts. The State asserts that these assets are fully depreciated, thus not resulting in a significant misstatement of reported net infrastructure, however, a process for removal to support that assertion by management needs to be implemented. A reasonable process to identify and record infrastructure disposals is also needed to ensure accurate note disclosure of infrastructure assets and related accumulated depreciation.

RIDOT utilizes its FMS to report the amount of infrastructure additions to the Office of Accounts and Control annually. The FMS does not reflect accrued expenditures, while the State accounting system includes accruals for financial reporting purposes. Significant adjustments were required to ensure the proper reporting of the State's road and bridge infrastructure at June 30, 2025.

In conjunction with its review of asset disposals, RIDOT should consider whether it has transportation infrastructure assets that may be impaired and require proper accounting recognition in accordance with government accounting standards.

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

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

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

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

RECOMMENDATIONS

2025-018a Enhance controls by documenting and implementing procedures to reconcile RIDOT departmental records of construction in progress and infrastructure assets to amounts reported in the State's financial statements.

2025-018b Implement and document a process to ensure the timely removal of estimated infrastructure assets and related accumulated depreciation when such assets are replaced or taken out of service.

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

Finding 2025-019 ***(significant deficiency – repeat finding – 2024-016)***

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

See related Federal Award Finding 2025-032.

Additional resources are needed to mitigate the current risks that have been validated by both internal and contracted cybersecurity assessments. The State's ability to assess, document, and mitigate risks will require continued implementation and maturation of many of the State's current information technology (IT) security initiatives. Those initiatives will need additional resources to achieve and maintain their intended objectives.

Background: The Division of Enterprise Technology Strategy and Services (ETSS) within the Department of Administration (DOA) has responsibility for the State's varied and complex information systems. This includes ensuring that appropriate security measures are operational over each system and the State's information networks (the "enterprise"). Information security (InfoSec) is critical to ensure that IT dependent operations continue uninterrupted, and that sensitive data accumulated within State operations remain secure with appropriately controlled access.

The State has comprehensive policies and procedures promulgated by ETSS that collectively serve as controls over the State's InfoSec. However, ETSS's ability to update these policies and procedures in a timely manner and evaluate enterprise compliance continues to be lacking due to limited resources.

Periodic comprehensive technology risk assessments are key to uncovering underlying vulnerabilities in the environment, as well as providing guidance on where to best spend limited resources to reduce risk. The State's most recent external assessment of its cybersecurity readiness was completed in June 2022. The assessment noted improvements by the State in several areas and identified and prioritized a significant number of critical improvements required to mitigate current security risks. In recent years, ETSS has performed its own self-assessment of cybersecurity and mapped certain enterprise risk levels. Critical and high priority improvements will require substantial resources to be devoted by the State to mitigate identified risks. The State also continues implementation of a governance, risk, and compliance (GRC) application as a tool to manage risks, ensure compliance with relevant regulations, and align operations with adopted IT security policies and procedures.

ETSS management has employed various applications in recent years to improve the State's overall IT security and ability to identify and manage risks to the enterprise, however, staffing limitations and competing priorities have prevented these initiatives from reaching a level of maturity needed to achieve their intended objectives. The State's implementation of a new ERP system, which became operational on July 1, 2025, further strained

ETSS's resources. ETSS management is working to formally document the State's comprehensive information system security plan and continues to advance that plan annually.

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

Criteria: National Institute of Standards and Technology (NIST) SP 800-53, §RA-1, requires the development and documentation of IT risk assessment policies and procedures. Risk assessments should be performed on an ongoing basis or whenever there are significant changes (e.g., new system or network implementations) (NIST SP 800-53, §RA-3). Risk assessments are vital to managing and mitigating risks, maintaining compliance (e.g., IRS and HIPAA requirements), prioritizing IT spending, and supporting business continuity. The management and oversight of the State's InfoSec relies upon the implementation of a comprehensive plan, which includes detailed policies and procedures that are designed to safeguard all systems and data contained within the State's IT environment. Assessments of compliance with IT policies and procedures for all critical IT systems and data should be performed routinely as part of the risk assessment process.

Condition: Insufficient resources and competing priorities continue to challenge the State's maturation of critical InfoSec functions. The review and update of related statewide policies and procedures remains untimely. Agency compliance with ETSS policies and procedures and the identification and mitigation of risks remains lacking. The State has improved technology in recent years to identify and report on certain risks, however, the personnel resources needed to evaluate and mitigate them remain insufficient.

The State needs to formalize a strategic plan that identifies the InfoSec resources needed to advance the maturation of critical InfoSec functions to a level appropriate for the State's size and complexity. An integrated GRC platform, while implemented to aid the State's GRC function, needs to be significantly matured to provide the necessary technical support for the volume of InfoSec risks managed by a large entity.

External resources (contractors) have been employed to expedite implementation, support, and maintenance of critical InfoSec functions, such as firewall and networking services. ETSS's advancement in recent years of InfoSec applications and other contractor initiatives, however, has outpaced the availability of the skilled personnel needed to operate, maintain, and monitor these new functions (e.g., applications, contractors, system reporting). In fiscal 2025, staff reassignments to support the ERP rollout, hiring limitations, and heavy reliance on contractors challenged operational stability and eroded the institutional knowledge needed to properly monitor contracted InfoSec functions.

Cause: Current resources are insufficient to maintain InfoSec over the State's IT infrastructure, systems, and data. Personnel resources lacking in number and specific knowledge areas, along with competing priorities, have limited further maturation of many InfoSec initiatives implemented by the State. The rapid pace at which information technology evolves has challenged the State's ability to align its current needs with the appropriate personnel and skills required to expedite InfoSec initiatives. This remains a challenge in the State's classified personnel system due to outdated job classifications and rigid administrative processes that are not conducive to addressing the State's evolving InfoSec needs.

Effect: Critical systems and data may be exposed to security vulnerabilities and cyberattacks when comprehensive information security risk assessments are not performed on an ongoing basis and identified risks are not mitigated timely. This could impact the State's ability to ensure continued operation of mission critical systems and the security and integrity of the data within those systems.

RECOMMENDATIONS

2025-019a Establish and maintain a routine review cycle that keeps all InfoSec policies and procedures aligned with evolving frameworks, technologies, and major organizational changes.

2025-019b Identify and employ the resources necessary to mature the State's GRC application to ensure that InfoSec risks are effectively tracked and managed throughout the enterprise.

2025-019c Conduct recurring third-party and internal risk assessments to maintain an accurate security baseline and produce prioritized remediation plans aligned with recognized standards.

2025-019d Identify and employ the resources necessary to ensure timely analysis, prioritization, and mitigation of threats and vulnerabilities, especially those affecting high-risk or mission-critical systems.

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

Finding 2025-020 ***(significant deficiency – repeat finding – 2024-017)***

PROGRAM CHANGE CONTROLS

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

Background: Program change controls are critical to ensuring that only authorized, tested updates move into production, yet not all agencies across the State have adopted a consistent approach. ETSS continued to mature the Center of Excellence (CoE), inclusive of the Infrastructure Change Advisory Board (CAB) processes for reviewing network changes that consider the potential risks and impacts of the changes upon implementation, a process that aligns with NIST and ITIL best practices. In fiscal year 2025, the CoE launched the Applications CAB based on the Infrastructure CAB model to apply similar governance for all application-level changes. Application program management has nuances and greater complexity that must be addressed, thus development and implementation of the Applications CAB will take time to complete. At the end of fiscal year 2025, the Applications CAB was still in development.

Criteria: NIST SP 800-53, §CM-3, 7b, requires organizations to implement structured configuration change-control processes, including proposing, justifying, testing, reviewing, approving, and documenting system changes. ITIL 4 Governance & Projects, Change & Release controls provide complementary guidance and recommendations to ensure processes are supported by formal governance bodies such as Change Advisory Boards to ensure changes are authorized and appropriately managed.

Condition: The State's formalization of policies and procedures for program change controls continued to mature with related initiatives in the development and implementation phases. While it could be some time before the Applications CAB is implemented and effectively applied across the enterprise based on current resources, program change-controls rely on agency level procedures which are often found to be lacking or undocumented. Many agencies with contracted applications rely heavily on the contractor to ensure proper program change controls, however, the monitoring and review of those controls at the agency level are often lacking.

Cause: A standardized, NIST-aligned application change management framework has not been fully developed and adopted across agencies. Many agencies continue to rely on manual or semi-manual processes, such as emails, memoranda, and forms to document and approve application changes, and lack adequate controls to

prevent unauthorized or inappropriate changes. With limited resources dedicated to support an enterprise-wide program change control process, more automated tools to improve consistency, reduce errors, and strengthen system integrity should be considered.

Effect: Unauthorized, untested, or improperly approved program changes may be implemented, increasing the risk of system instability, compromised data integrity, and noncompliance with NIST SP 800-53 change-control management requirements.

RECOMMENDATION

2025-020 The State should consider the resources needed to fully implement a standardized, NIST-aligned change management framework across all agencies in a timely manner. This should include mandatory use of automated change control tools, consistent participation in CoE/CAB governance processes, and auditable documentation of all proposed, tested, and approved changes.

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

Finding 2025-021 (significant deficiency – repeat finding – 2024-018)

PERIODIC SYSTEM ACCESS AND PRIVILEGE REVIEWS

The State's current practices for periodic logical access and privilege reviews at both the application and network levels do not fully comply with the State's InfoSec policies and procedures.

Background: Within the Department of Administration (DOA), ETSS manages the State's complex information systems and ensures proper user account administration. This includes elevated and shared resource accounts, which require heightened oversight to maintain segregation of duties and preserve accountability. Strong access rights governance is essential to managing security, operational, and compliance risks. Routine review, and recertification of user, vendor, and contractor access help ensure appropriate system privileges are retained by individuals within their respective systems. Validating identities, assessing access levels, and monitoring privileged activity support a reliable internal control environment.

In fiscal year 2025, enhancements to Privileged Access Management (PAM) and Endpoint Privilege Management (EPM) solutions advanced slowly. PAM provides centralized oversight of privileged accounts, while EPM enforces least-privilege principles at the device level. Together, these tools are intended to improve and support more consistent IT control operations. Privileged accounts that can bypass standard controls and affect system integrity require heightened oversight. These accounts benefit from a properly configured PAM environment. Until these measures are consistently in place, continuous monitoring and rigorous review is required to avoid an increased risk of unauthorized access, misuse, and security incidents.

ETSS also recently completed a new data classification policy and initial automated workflows to serve as a foundation for sensitive data categorization and role-based access controls (RBAC) moving forward.

Criteria: ETSS Policy 10-10, *Access Control*, and Policy 10-20*, Identification and Authentication*, consistent with control standards promulgated in NIST SP 800-53, detail specific State policies for the implementation and management of logical and physical access controls and for identifying and authenticating user access to information systems and network resources. These policies, amongst several requirements, include maintaining accurate security- group documentation, enforcing RBAC, and periodic reassessment of privileges to ensure they remain appropriate and that access to sensitive data is limited to those with a business need.

Condition: While the State has improved overall logical and physical access controls, specifically in identifying and authenticating user access to information systems and network resources, routine assessments of compliance with IT policies, procedures, and data classification controls need further advancement to ensure compliance with the State's InfoSec policies and procedures. ETSS made limited progress strengthening access controls,

PAM, and EPM improvements during fiscal year 2025. The State lacks consistent, uniform reviews of directory service access privileges and oversight of generic, service, and privileged accounts remain insufficient. Growing generic account utilization, inadequate credential rotation, and inconsistent deactivations remain concerns. Agencies also inconsistently use the ticketing system for access changes. Lack of a modern passwordless user account management environment further hinders progress on account security program modernization.

Cause: Due to competing priorities and ongoing resource constraints, the State remains challenged to provide sufficient training, automation, and formalized processes to consistently track, monitor, and manage system and privileged access. ETSS has also been unable to complete a comprehensive Active Directory (directory service for Windows domain networks) review as required by State policy.

Effect: The lack of consistent access reviews and other areas of noncompliance with State policy collectively increase the State's exposure to unauthorized activity, data manipulation, and security incidents. These conditions also undermine least-privilege principles, impact accountability, and result in noncompliance with established security policies and governance requirements, elevating overall organizational risk.

RECOMMENDATIONS

2025-021a	Ensure account management practices comply with relevant security frameworks, organizational policies, and regulatory requirements to maintain strong governance and prevent unauthorized access.
2025-021b	Deploy and enhance PAM and credential-vaulting capabilities for all generic, shared, and elevated accounts, expanding automation and reducing manual processes. Consider replacing passwords with stronger, biometric-based, or endpoint token-based authentication methods to improve security controls.
2025-021c	Require all access-related modifications to follow a formal change management process with complete documentation, while reinforcing adherence to established standards through training, quality checks, and periodic compliance reviews.
2025-021d	Conduct privileged access reviews, ensuring designated personnel validate access rights in accordance with ETSS policy and security best practices.
2025-021e	Perform a comprehensive cleanup of the Active Directory environment to remove dormant, duplicate, or unnecessary accounts.

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

Finding 2025-022 (significant deficiency – repeat finding – 2024-019)

DATABASE LOGGING AND ACTIVITY MONITORING

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

Background: Database logging and activity monitoring is an essential component to maintaining proper security and control over systems. Having an effective mechanism for monitoring and remediating accidental changes or intentional insider threat actions is imperative. ETSS continued the implementation of a solution used for database activity logging and monitoring, including efforts to integrate those applications with the State's developing security information event monitoring (SIEM) processes during fiscal 2025.

Criteria: Proper database logging, monitoring, and alerting is identified as an important step in securing the database by both the Information Systems Audit and Control Association (ISACA) and other IT security frameworks as an industry best practice. It is essential to have logging and monitoring at the application level for key financial and sensitive data to guard against unauthorized transactions, errors, and unauthorized changes occurring at the database level outside of the scope of application controls.

Condition: Database logging and monitoring for most SQL server environments continued to be deployed in fiscal 2025 but its integration in the State's SIEM process needs significant maturation to provide effective monitoring. In addition, several State applications utilize older database technology that is not compatible with the solution being implemented by the State. Database logging and monitoring on these applications remain insufficient or ineffective due to the manually intensive processes involved or a lack of resources or procedures to review logs and alerts for unauthorized activity. Although these instances continue to reduce over time as new systems and applications are implemented, they still represented a number of key applications in fiscal 2025. While the State continued to progress in this area, consistent application of controls and additional resources are still needed. Interfacing the current solution with the State's SIEM application is the effective longer-term solution that will allow for proper actionable and centralized monitoring of database activity across the enterprise.

Cause: The State's implementation of database logging and monitoring progressed in fiscal 2025 but lacked integration with the State's SIEM process to allow for effective monitoring. In addition, State applications that utilize older database technology are incompatible with the State's deployed solution and lack controls to effectively identify unauthorized database activity.

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

2025-022a Complete implementation of a consistent and effective database logging and monitoring process across all compatible State applications by effectively interfacing the technology solutions with the State's maturing SIEM processes.

2025-022b For applications with incompatible database technologies, communicate policies and procedures for database logging and monitoring to assigned agency IT managers and require those agencies to adopt controls for critical financial and operational systems that would effectively identify unauthorized database changes in a timely manner.

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

Finding 2025-023 ***(significant deficiency – repeat finding – 2024-020)***

SECURITY INFORMATION EVENT MONITORING – LACK OF ITIL BEST PRACTICE PROCEDURES

The State's security information event monitoring (SIEM) function lacks the maturity, staffing, and technological resources required to support an enterprise of its size. Current SIEM activity exceeds available capacity, hindering timely analysis and remediation.

Background: The State relies on multiple products for SIEM and risk mitigation. However, these tools are not consistently integrated with the State's ticketing or knowledge-based systems. The legacy SIEM platform operates on hardware that cannot communicate with the established ticketing system, resulting in decentralized, inconsistent, and non-searchable incident documentation. This lack of centralized tracking is contrary to Information Technology Infrastructure Library (ITIL) framework best practices and limits the State's ability to

maintain institutional knowledge or ensure consistent remediation. Security orchestration, automation, and response (SOAR) workflows are important tools for larger entities that assist the management and remediation of security risks identified through automated responses. The State's current SOAR capabilities are limited.

Criteria: SIEM integration with ticketing systems is generally considered a best practice that supports centralized incident tracking and coordinated response. NIST SP 800-37 outlines continuous monitoring practices applicable to SIEM operations. Additionally, ITIL best practices recommend maintaining a centralized knowledge base for incident documentation to support consistent remediation and organizational learning.

Condition: ETSS has begun implementing a new SIEM/SOAR solution, but it remains in early configuration stages and is not expected to be deployed until the end of fiscal year 2026. The legacy SIEM contract has already been terminated, accelerating the need for migration despite limited resources. Current SIEM activity exceeds available capacity, hindering timely analysis and remediation, and SOAR playbooks remain largely undeveloped. The legacy platform no longer meets operational needs, and while a new cloud-based SIEM/SOAR system is being configured, it remains an ambitious timeline for such a complex implementation. This critical InfoSec function will need additional resources to ensure timely implementation and maturity. The lack of centralized documentation and automated response capabilities limits the State's ability to track trends, ensure consistent remediation, and maintain institutional knowledge. Delays in fully implementing the new SIEM/SOAR solution prolong the period during which the State remains vulnerable to future security incidents.

Cause: The State's SIEM function lacks the maturity, staffing, and technological resources required to support an enterprise of its size. Legacy systems with limited integration capabilities, insufficient personnel, and the loss of key technical staff have hindered the development and deployment of a fully functional SIEM/SOAR environment.

Effect: Security events and threats detected may not be acted upon in a timely manner, increasing the risk of unmitigated vulnerabilities and potential security incidents.

RECOMMENDATIONS

2025-023a	Prioritize the SIEM/SOAR migration and add resources including experienced cybersecurity architects to maintain momentum and reduce risk.
2025-023b	Establish strong oversight to ensure timely delivery and provide staff training to fully leverage the new platform.

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

Finding 2025-024 ***(significant deficiency – repeat finding – 2024-022)***

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

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

Background: The Rhode Island State Employees' and Electing Teachers OPEB System (the System), acts as a common investment and administrative agent for post-employment health care benefits provided by six plans covering state employees and certain employees of the Board of Education (BOE). In fiscal 2025, required employer and employee contributions to OPEB plans approximated $46 million, with $34 million in retiree benefits paid. OPEB assets totaled $765 million at June 30, 2025.

When the State began to advance fund its retiree health benefits, OPEB trusts were established for each of the plans and a formalized governance structure was established by statute; however, no dedicated personnel were specifically tasked with administering the System and no administrative systems were implemented at that time, or subsequently, to capture and control membership data for the various OPEB plans. Instead, membership data, the determination of eligibility for benefits and any required retiree copays are administered through a variety of processes which largely lack the controls needed to administer plans of this size and complexity.

The System's functions are managed across various units within State government. The Department of Administration's Office of Employee Benefits (OEB) currently determines eligibility and manages member benefits for the State Employees, Teachers, Judges, State Police and Legislator plans. The Human Resources Department at the University of Rhode Island separately determines eligibility, calculates benefits, and manages member subsidy receivables for the BOE plan. The Office of Accounts and Control handles the accounting and financial reporting aspects of the System and coordinates the actuarial valuations. The Office of the General Treasurer oversees the investment activity of the System.

The State currently manages OPEB enrollment by ensuring that all pre-65 retirees are registered in the State's Workterra software platform, which the State also utilizes to administer active employee benefits. This improvement provides systemic reporting of pre-65 enrollees and assists in ensuring their timely transition to Medicare and post-65 OPEB benefits. State employees (except for State Police, judges, legislators, and certain employees of the colleges and university), once enrolled in Medicare, are enrolled in Via Benefits which establishes a health reimbursement arrangement (HRA) for the retiree. The State funds a predetermined amount for the retiree who can utilize the funds to pay health claims or purchase Medicare supplemental or Advantage health insurance coverage. The State, however, lacks a complete system that it considers to be the official record of System enrollment.

Census data for each plan is provided to the System's actuary to prepare required actuarial valuations of the plans. Each plan has unique benefit eligibility and healthcare coverage provisions.

Criteria: As the System grows and matures, the administrative infrastructure supporting the System should be assessed to ensure adequate resources and systems with appropriate controls are in place to manage the System effectively.

Maintaining membership data and determining the eligibility for benefits and required copays should be managed through systems and processes with adequate controls to ensure that membership data is reliable, benefits are accurately and consistently determined in accordance with plan provisions, and census data is maintained to facilitate extraction for actuarial valuations. Duties should be appropriately segregated to ensure that no one individual is responsible for determining eligibility and required copays, enrolling the individual for coverage, collecting and accounting for copay amounts, and maintaining plan census data.

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

- Insufficient resources have been allocated and centralized to administer the System effectively. Knowledge of key System benefit provisions, administrative operations and operating procedures are dispersed amongst too many separate units of State government without effective coordination.
- The accumulation of census data provided to the actuary for plan valuation purposes is derived from multiple sources and requires analysis of other external source data to establish the active and retiree plan members for each plan. Controls are inadequate to prevent duplicate or inaccurate census data from being provided to the actuary. The State lacks a documented comprehensive reconciliation of all System members and retirees that ensures completeness and accuracy of reported census data to the State's actuary. The most notable concerns regarding the completeness and accuracy of census data to the actuary included 1) certain individuals included in the census data not reported in the records of the third party administrator/insurer, 2) individuals noted in the records of the third-party administrator/insurer not

included in the census data, and 3) inaccurate health coverage information (type of health insurance plan, most notably with Medicare Advantage and supplemental coverages) reported for retirees.

- 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. Our audit procedures continued to note that the census data provided to the actuary continued to include deceased retirees.
- Documentation and monitoring of user entity controls relating to functions contracted to service organizations (health insurance provider - Blue Cross / CVS Caremark, health benefits administration system - Workterra, HRA administrator - VIA Benefits) are lacking.
- Monitoring and analysis of OPEB liabilities reported for retirees over age 65 requires determining an estimate of the percentage of HRA commitment that is ultimately utilized by retirees over the course of their retirement to prevent overstatement of the liability amount accrued annually.
- Oversight of the accounting for the OPEB System needs improvement. The 2025 OPEB system financials included an accrual of the first HRA funding for 2026 and improperly classified retiree co-shares in the BOE plan as member contributions, inconsistent with its treatment in the other plans. While incorrect, these accounting misstatements did not have a material impact on the System's financial statements.

During fiscal 2025, the OPEB Board created a working group to study the issues cited in this finding to identify corrective actions. In conjunction with those efforts, we recommend that the working group formalize the internal controls over key plan functions. The working group should include the controls over the BOE plan employees at the colleges and university as the contribution and benefit provisions for the BOE plan differ significantly and many of the inconsistencies relating to census data and plan oversight relate specifically to that plan.

Cause: The State and System have not implemented administrative processes and computer applications to effectively support the overall administration of the OPEB System, including 1) accumulating plan census data, 2) managing member eligibility, 3) determining and monitoring member copays, and 4) plan enrollment functions. Existing processes in place to support healthcare plan enrollment for active employees have generally been adopted to support the OPEB System but lack certain functions and controls that are unique to and requisite for the administration of the OPEB System.

Effect: Inadequate controls over key plan administrative functions could impact the reliability of amounts (e.g., member copays and member benefits) reported on the System's financial statements as well as the accuracy of census data used by the actuary to determine each plan's annual contribution amount and the net OPEB liability or asset for each plan.

RECOMMENDATIONS

2025-024a	Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled.
2025-024b	Enhance the utilization of information technology to accumulate and centrally manage plan membership and health coverage data to support the overall administration of the OPEB System with enhanced controls.

2025-024c Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions.

2025-024d 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 2025-025 ***(significant deficiency – repeat finding – 2024-023)***

EMPLOYEES' RETIREMENT SYSTEM OF RHODE ISLAND (ERSRI) – INTERNAL CONTROL OVER DEFINED CONTRIBUTION PLAN FINANCIAL REPORTING

Background: The Employees' Retirement System of the State of Rhode Island (System) oversees a defined contribution (DC) plan for members which is part of the overall "hybrid" pension benefits, in conjunction with defined benefit plans, for most covered employees. The DC plan is administered totally by the Teachers Insurance and Annuity Association of America (plan administrator) and the System is reliant on information provided by the plan administrator for financial reporting purposes. No independent records are maintained by the System for the DC plan activities.

As expected, total assets of the DC plan have grown considerably since plan inception and members are beginning to withdraw funds to meet their retirement objectives. Total assets in the DC plan at June 30, 2025 approximated $2.5 billion.

Criteria: Management is responsible for the accuracy of the System's financial reporting and related internal control over financial reporting. The System should have sufficient information to support effective compliance monitoring of statutory and plan requirements in addition to the plan administrator's reporting that is the source for financial reporting of the DC plan.

Condition: The System does not receive information on the employer remittances of employer and employee contributions to the DC plan and therefore has limited information to ensure employer compliance with the DC plan provisions. System management currently places significant reliance on employer financial audits to identify if employers are not complying with statutory requirements for contributions to DC plans in place of more active monitoring.

During fiscal 2025, the System conducted a risk assessment over defined contribution plan financial reporting in response to the prior year finding. The System's initial assessment documented broad risks relating to financial reporting, information technology, and plan membership and identified current policies and procedures conducted by the System or other data sources being relied on. The assessment, however, lacked the identification of specific risks associated with financial reporting for the defined contribution plan and the designated controls that mitigate significant risks. In addition, the System relies significantly on the controls of the plan administrator and receives Service Organization Control (SOC) reports to obtain assurance regarding the adequacy and effectiveness of the plan administrator's internal controls. Since the System places significant reliance on these reports in relation to defined contribution plan financial reporting, the risk assessment should identify specifically the plan administrator's key controls that are relied on to mitigate financial reporting risks identified. As an example, the System relies completely on plan reporting from the plan administrator for financial reporting for the defined contribution plan, yet the risk assessment does not delineate the key plan administrator controls that ensure the reporting is complete and accurate.

Due to the significance of financial activity (i.e., contributions, distributions, investment activity and valuation) reported by the plan administrator, these items should be specifically considered in the risk assessment for defined contribution plan financial reporting. In addition to identifying the plan administrator's key controls in these areas that are included in the scope of the SOC reports, the System should also identify specific monitoring controls designed to ensure the completeness and accuracy of information reported by the plan administrator.

While the System does review the SOC reports for the plan administrator and identifies user entity controls, the System considers many of the user entity controls to be the responsibility of the participating employers and does not currently have procedures in place to evaluate how effectively employers comply with those responsibilities.

As a step to begin addressing this control deficiency during 2025, the System began performing quarterly reviews of total contributions for each unit to ensure the allocation between employer contributions and employee contributions was reasonable when compared to statutorily required contributions. This monitoring control was deemed effective to provide reasonable assurance that employee contribution allocations to the defined contribution plan were materially accurate and presented properly in the financial statements.

The System will need to more fully consider remaining risks associated with financial reporting for the defined contribution plan to ensure the material completeness and accuracy of financial statement amounts. Certain risks currently not being addressed by the System, beyond relying on the controls of the plan administrator, include but are not limited to the following:

- Risks that employers are not remitting contributions to the defined contribution plan in a timely manner. The risk assessment provided by the System indicated that it relies on employer unit financial audits to detect if employers are not making required DC contributions timely but did not identify any monitoring performed by the System. Since the plan administrator communicates with plan sponsors when contributions are not received in accordance with payroll schedules, the System should consider a documented monitoring process that ensures that corrective actions were taken by the employer unit and that the employer remained current with contributions in subsequent periods.
- Risks that employers are not remitting the statutorily required contribution amounts to the plan administrator. While the System has access to contribution data via the plan administrator portal, it does not currently perform any monitoring to validate that employers are remitting the appropriate amount of contributions based on employee pensionable wages each pay period. The System should consider utilizing the contribution data available in the plan administrator portal in combination with the reported pensionable wages uploaded by employers to the defined benefit plan system to monitor for potential instances of noncompliance with statutorily required contribution amounts.
- Risks that new employees are not enrolled in the defined contribution plan timely and properly. The System does not evaluate enrollment in the DC plan for completeness. The System should periodically reconcile the population of the defined benefit pension plan with those enrolled in the DC plan and confirm the appropriateness of those omitted from the DC plan or included only in the DC plan.
- Risk that assets reported by the plan administrator which are utilized for financial reporting of the DC plan are not complete and accurate. In response to this risk, the System should consider 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.

The System is highly reliant on plan administrator controls to mitigate certain risks, including those associated with the accuracy of plan reporting and participant distributions. In accordance with that reliance, the System must ensure that significant complementary user entity controls are in place and operating effectively in those areas. Our review of the plan administrator SOC reports noted the following user entity controls, as examples, deemed significant in relation to plan reporting, asset valuation and pricing, and participant distributions:

- Plan sponsors are responsible for reconciling plan reports to internal records in a timely manner.
- Plan sponsors are required to provide employee termination data in a timely manner.
- Plan sponsors are responsible for monitoring the plan's withdrawal programs in accordance with adopted plan guidelines.

The System must implement specific monitoring procedures that provide reasonable assurance of the operation and effectiveness of significant plan sponsor controls. In addition, since the plan administrator relies heavily on a third-party subservice organization for trading activities, the System needs to obtain and consider the SOC report for that subservice organization and potential monitoring of the plan administrator's relevant user entity controls deemed critical to the trading service provided.

Many of the monitoring procedures identified above would be better suited to an internal audit function within the System rather than layering these additional duties on the existing financial reporting and operations staff. While not implemented in fiscal 2025, the System has been developing a request for proposal to contract some internal audit resources. The System also continues to work with the plan administrator to implement an industry standard SPARK data file format, a standardized format for retirement plan information developed by the SPARK (Society of Professional Asset Managers and Recordkeepers) Institute. The SPARK data file format would allow the System to utilize reports generated by the plan administrator to more effectively monitor contributions submitted by employers.

As the System considers implementing additional monitoring procedures in relation to identified risks to DC plan financial reporting, the System should specifically detail the documentation requirements for monitoring procedures being implemented in response to this finding to allow for those procedures to be evaluated as controls over financial reporting.

Cause: At the inception of the DC plan, the plan design, enacted by legislation, provided for employer and employee contribution data to flow directly from the employer to the plan administrator without any data capture by the System. The System lacks sufficient accounting and contribution data to monitor compliance (through effective control processes) with contribution requirements and to ensure the completeness and accuracy of plan administrator reporting that is the sole basis for amounts reported in the DC plan financial statements. System reliance on plan administrator SOC reports lacks the necessary monitoring of complementary user entity controls to ensure their operating effectiveness in conjunction with plan administrator controls over critical functions.

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

RECOMMENDATIONS

2025-025a	Continue to identify and implement monitoring procedures (similar to those suggested for risks detailed above) designed to ensure the completeness and accuracy of plan administrator reporting that supports amounts reported in the financial statements.
2025-025b	Continue to explore expanding the responsibilities of the plan administrator (or other third party) to include capturing, verifying and validating employee and employer contribution data to enhance monitoring of employer compliance with the plan provisions.

2025-025c Enhance consideration of SOC reports that specifically relate to DC plan reporting by identifying key control objectives being relied on by the System and the specific complementary user entity controls and/or subservice organization controls that merit monitoring by the System due to their importance.

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

Finding 2025-026 (reportable noncompliance – repeat finding – 2024-024)

RHODE ISLAND CONVENTION CENTER AUTHORITY – RESTRICTIVE COVENANTS

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

Condition: During the year ended June 30, 2025, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the AMP pursuant to the indentures. The Authority is currently in violation of certain debt indentures with respect to the Operating Reserve requirement.

Cause: The Authority does not have sufficient cash flow to fund the Operating Reserve.

Effect: As a result of this fund not being funded, the Authority is in noncompliance with certain bond indentures.

RECOMMENDATION

2025-026 The auditors recommended that the Authority fund the Operating Reserve.

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

Finding 2025-027 (significant deficiency – repeat finding – 2024-025)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY – FARE REVENUES

Criteria: The Rhode Island Public Transit Authority should reconcile the daily farebox report and GFI Software daily summary report, as well as deposits to the related documentation.

Condition: During our current year testing of fare revenue policies and procedures, we noted all the days selected had variances between the daily farebox report and GFI daily summary report.

Cause: The Authority's farebox technology sensors report fares using weight which results in variances between the GFI report and the cash collected. This leads to variances between the amounts reported and amounts deposited to the bank.

Effect: Daily reconciliations of cash received in comparison to the farebox reports are consistently showing variances which, if not corrected going forward, could result in material variances.

RECOMMENDATION

2025-027 The auditors recommended that the Authority enhance the farebox technology to correct this process going forward.

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

Finding 2025-028 ***(material weakness – repeat finding – 2024-028)***

QUONSET DEVELOPMENT CORPORATION – TIMELINESS AND ACCURACY OF FINANCIAL REPORTING

Criteria: The Quonset Development Corporation should be completing monthly reconciliations on any significant transaction areas relating to the business, which should include but not be limited to, accruals, capital assets, utility billings, deposit liabilities, grants and reporting of the schedule of federal expenditures.

Condition: Final reconciliations regarding accounting for accruals, capital assets, utility billings, deposit liabilities, grants and the reporting of the schedule of federal expenditures were delayed when the audit commenced.

Cause: The Corporation finance team had turnover in fiscal 2025, which lead to many of the delays in reconciliations and reporting being done timely.

Effect: The results of this process identified adjustments to deposit liabilities of $5 million, accrued expenses for $3.8 million, net capital assets of $9.3 million. Further, grant expenses were adjusted by $2.7 million, resulting in an adjustment to the schedule of expenditures of federal awards. All adjustments were identified by the Corporation during the audit.

Further, it was noted that the Corporation had errors in utility billings as a result of incorrect rates being used resulting in a recorded adjustment of $29 thousand and a passed adjustment of $65 thousand.

RECOMMENDATION

2025-028 The auditors recommended that the Corporation enhance internal control policies and procedures to correct this process going forward.

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

Finding 2025-029 ***(material weakness – new finding)***

RHODE ISLAND RESOURCE RECOVERY CORPORATION – INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: The Corporation is responsible for financial reporting in the form of financial statements that present fairly, in all material respects, the respective financial position, changes in financial position, and statement of cash flows.

Condition: The Corporation did not account for its 401(a) Profit Sharing Plan, a defined contribution plan, in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 84.

Cause: The Corporation accounted for its 401(a) Profit Sharing Plan, a defined contribution plan, in as Fiduciary Activities in the June 2024 financial statements.

Effect: The Corporation had an overstatement of $38,456,931 in Fiduciary Net Position as of July 1, 2024.

RECOMMENDATION

2025-029 The auditors recommended that the Corporation evaluate the current financial reporting processes and controls to ensure that controls are in place to present external financial statements in accordance with U.S. GAAP.

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

Statewide / Non-Major Programs with Reportable Findings Required by Uniform Guidance		
Program / Cluster Title	***Assistance Listing No(s).***	***Applicable Findings***
Statewide Cost Allocation Plan	n/a	2025-030
Guardianship Assistance	93.090	2025-057

Table of Findings by Major Program		
Program / Cluster Title	***Assistance Listing No(s).***	***Applicable Findings***
SNAP Cluster	10.551, 10.561	2025-031, 2025-032, 2025-033
Mortgage Insurance Homes	14.117	None
Section 8 Project-Based Cluster	14.195, 14.856	None
Unemployment Insurance	17.225	2025-034, 2025-035, 2025-036, 2025-037
Nationally Significant Freight and Highway Projects	20.934	None
Emergency Rental Assistance Program	21.023	2025-038, 2025-039
Coronavirus State and Local Fiscal Recovery Funds	21.027	2025-039, 2025-040, 2025-041
Coronavirus Capital Projects Fund	21.029	2025-042
State Small Business Credit Initiative Technical Assistance Grant Program	21.031	2025-041
Clean Water State Revolving Fund	66.458	None
Drinking Water State Revolving Fund	66.468	2025-043
Immunization Cooperative Agreements	93.268	2025-043, 2025-044, 2025-045
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	2025-043, 2025-044, 2025-045
Temporary Assistance for Needy Families	93.558	2025-032, 2025-033, 2025-046, 2025-047, 2025-048, 2025-049, 2025-050, 2025-051
CCDF Cluster	93.575, 93.596	2025-032, 2025-033, 2025-050, 2025-051, 2025-052, 2025-053, 2025-054
Foster Care Title IV-E	93.658	2025-033, 2025-055, 2025-056
Adoption Assistance	93.659	2025-033, 2025-055, 2025-056, 2025-057
Children's Health Insurance Program	93.767	2025-032, 2025-033, 2025-058, 2025-059, 2025-060, 2025-061, 2025-062, 2025-063, 2025-064, 2025-065
Medicaid Cluster	93.775, 93.777, 93.778	2025-032, 2025-033, 2025-060, 2025-061, 2025-062, 2025-063, 2025-064, 2025-065, 2025-066, 2025-067, 2025-068, 2025-069, 2025-070, 2025-071

Finding 2025-030 (other noncompliance / significant deficiency – repeat finding – 2024-030)

STATEWIDE COST ALLOCATION PLAN
Federal Cognizant Agency: U.S. Department of Health and Human Services (HHS)
State Fiscal Year: 2025
Federal Award Number: Not Applicable
Administered by: Rhode Island Department of Administration (DOA), Office of Accounts and Control (OAC)
Compliance Requirement: Allowable Costs/Cost Principles

DOCUMENTATION OF FUNDING MECHANISMS WITHIN THE STATEWIDE COST ALLOCATION PLAN

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

Criteria: Consistent with Uniform Guidance cost principles, allocated centralized costs to federal programs are required to be included in the State's statewide cost allocation plan (SWCAP). This plan is submitted annually for approval by the State's federal cognizant agency, the U.S. Department of Health and Human Services. The SWCAP agreement includes the approval of billed costs, charges for services that are billed in accordance with rates established by the State and approved by the federal government as part of the SWCAP agreement.

Condition: While the costs for statewide grants management services appear to be included in the allocated cost section of the SWCAP, the State is allocating those costs to federal programs based on a "billed" methodology. The methodology for these services assesses departments and agencies based on a two-tiered calculation: first, a per license fee for users of the State's grants management system, and secondly, an assessment to cover other grants management unit costs applied to the respective departments based on a proportionate share of total federal expenditures, excluding certain programs.

We were unable to determine whether the mechanism used to assess the costs related to statewide grants management services across departments and agencies during fiscal 2025 was in accordance with the most recently approved statewide cost allocation plan (fiscal 2023).

Cause: The State did not include the grants management services as part of its billed costs in the most recent federally approved SWCAP agreement.

Effect: Centralized costs were allocated to several federal programs without an approved cost allocation methodology required by the Uniform Guidance.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2025-030a	Submit cost allocation methodology for grants management services allocated to federal programs as part of billed costs in the statewide cost allocation plan.
2025-030b	Ensure revised cost allocation methodology is also submitted for prior fiscal years in which the grants management services were assessed as billed costs.

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

Finding 2025-031 ***(other noncompliance / significant deficiency – new finding)***

SNAP CLUSTER – 10.551, 10.561
Federal Awarding Agency: U.S. Department of Agriculture (USDA); Food and Nutrition Service (FNS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 244RI405S2514; 254RI405S2514
Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Special Tests and Provisions – EBT Reconciliation

SNAP EBT RECONCILIATIONS

Controls over SNAP EBT reconciliations require improvement.

Criteria: Federal regulations require agencies participating in the Supplemental Nutrition Assistance Program (SNAP) to maintain accurate and complete records of program transactions. 7 CFR §274.4(a) requires that agencies perform reconciliations to ensure that benefit issuance and redemption records are accurate and agree with agency accounting records. Reconciliations must promptly investigate and resolve discrepancies, undergo supervisory or independent review, and include sufficient documentation to demonstrate compliance with federal requirements and the proper management and safeguarding of federal funds.

Condition: The agency's Electronic Benefits Transfer (EBT) reconciliations contained formulaic errors that resulted in misstatements of balances. In addition, unreconciled balances were carried forward from prior days without sufficient investigation or resolution. The agency failed to prepare reconciliations for funds remaining in the system, and supervisory review of these reconciliations was not conducted.

Cause: Staff responsible for reconciliations did not consistently apply proper procedures and processes were not adequate to ensure discrepancies were resolved and documented in a timely manner. Formal review procedures were not established.

Effect: Potential for discrepancies indicative of overpayments or duplicative benefit issuances going undetected by management.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2025-031a	Implement procedures to ensure EBT reconciliations are accurate and calculations are verified.
2025-031b	Investigate and resolve all unreconciled balances promptly.
2025-031c	Establish formal supervisory review process and documentation of review.

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

Finding 2025-032 ***(significant deficiency – repeat finding – 2024-053)***

SNAP CLUSTER – 10.551, 10.561
Federal Awarding Agency: U.S. Department of Agriculture (USDA); Food and Nutrition Service (FNS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 244RI405S2514; 254RI405S2514
Administered by: Rhode Island Department of Human Services (DHS)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS); Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RITANF; 2501RITANF
Administered by: Rhode Island Department of Human Services (DHS)

CCDF CLUSTER – 93.575, 93.596
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS); Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RICCDF; 2501RICCDF
Administered by: Rhode Island Department of Human Services (DHS)

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5021; 2505RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – ADP Risk Analysis and System Security Review

COMPREHENSIVE DEPARTMENTAL AUTOMATED DATA PROCESSING (ADP) RISK ANALYSIS AND SYSTEM SECURITY PROGRAM

See related Financial Statement Findings 2025-003 and 2025-019.

The State continued to maintain systems security oversight over systems used to administer multiple federally funded programs. Certain internal control deficiencies should be addressed to improve the State's monitoring of information security over RIBridges and the Medicaid Management Information System (MMIS).

Background: EOHHS and DHS are charged with managing and securing ADP systems, which administer various federal HHS and State programs (e.g., Medicaid, TANF, etc.). These programs had eligibility, benefit determinations, and payments processed mainly by two systems – MMIS and RIBridges. State agencies (EOHHS, DHS, and the Department of Administration's Division of Enterprise Technology Strategy and Services – ETSS) were required to determine appropriate ADP security requirements based upon recognized industry standards for each system, optimally within a comprehensive plan.

During fiscal year 2025, a breach of the RIBridges system went undetected for a period of time, compromising the personal information of approximately 650,000 individuals. This security incident highlighted the critical importance of information security (InfoSec) within the impacted federal programs and further supported the need for additional improvement and monitoring, which had been recommended in prior year findings since the system's inception.

Criteria: Federal regulation 45 CFR §95.621 requires State agencies to review the ADP system security of installations used in the administration of HHS programs on a biennial basis or when a significant change to the security or system(s) occurs. At a minimum, State agencies must establish and maintain an ADP security plan and implement a program for conducting periodic risk analyses to ensure that appropriate, cost-effective safeguards are incorporated into new and existing systems. In addition, the Federal Information Security Modernization Act requires non-federal systems housing, processing, or transmitting federal data to maintain adequate InfoSec.

Condition: The State continued to maintain its InfoSec oversight of the MMIS and RIBridges systems to ensure compliance with federal regulations for ADP risk analysis and system security reviews. The following internal control deficiencies were noted during our audit and should be addressed to further improve the State's monitoring of InfoSec over the MMIS and RIBridges systems.

MMIS – EOHHS oversees the IT security requirements of the MMIS. EOHHS largely utilizes independent system organization control (SOC) reports to meet their security and risk monitoring activities for the MMIS. However, the ADP system security plan should be improved by ensuring that the coverage provided by the SOC reports is supplemented with other documented monitoring procedures (e.g., frequent monitoring of system access, timely removal of system access upon user termination, and improved documentation of user entity controls). The SOC report identifies several complementary user entity controls that EOHHS is responsible for implementing and ensuring that they are operating effectively. Examples of areas in need of improvement include the reliability and consistency of data transmitted from RIBridges to the MMIS, monitoring of system access, change management, and oversight of InfoSec activities performed by the system contractor (e.g., penetration testing and vulnerability scans). InfoSec deficiencies identified through these processes should be tracked by the State to ensure timely remediation by the contractor.

RIBridges – The State relies on several contractor/external party reviews to monitor InfoSec over the RIBridges system. These include the following:

- Attestation reports relating to the RIBridges contractor, Deloitte Consulting, and Deloitte's subcontractor, NTT Data, that has been delegated certain InfoSec functions over the system (contracted to occur biennially);
- MARS-E (Minimum Acceptable Risk Standards for Exchanges) assessments of a set of security and privacy standards, established by the Centers for Medicare and Medicaid Services, applicable to entities managing Health Insurance Exchanges. These assessments are performed annually with the audit scope rotating over a three-year period; and
- Internal Revenue Service Safeguard Reviews – InfoSec reviews over State systems and applications that utilize federal tax information.

The Deloitte and NTT attestation reports noted above were not available in fiscal 2025 as it was a scheduled non-performance year. Although the State met regularly with the contractor to review outstanding InfoSec deficiencies and discuss the results of penetration tests and vulnerability scans, these monitoring activities did not provide sufficient assurance that controls over critical InfoSec functions remained effective throughout the fiscal year. Due to prolonged delays in resolving critical deficiencies, the State must document the risks associated with medium and high priority issues. This documentation should justify why immediate contractor remediation is not feasible and verify that compensating controls have been implemented to mitigate the risks.

The MARS-E evaluation for the quarter ending June 30, 2025 cited significant findings and recommendations within the RIBridges IT security assessment, including:

- Ensuring that InfoSec policies and procedures are reviewed and updated annually;
- Continued use of unsupported applications in need of update or patching;
- Lack of authenticated security scans on critical infrastructure to ensure comprehensive InfoSec validation;
- Lack of a formal risk assessment process (e.g., lack of a risk register);

- Lack of a consolidated tool to track logical access requests (which impacts the ability to review logical access accounts in a timely manner); and
- Lack of proper management of service accounts and privileged accounts.

Several of these findings were also identified in prior MARS-E assessments.

Cause: Certain deficiencies in the State's current IT security practices relating to ADP Risk Analysis and System Security Review need improvement to enhance systems security.

Effect: Certain collective deficiencies could undermine IT security over the RIBridges and MMIS systems.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2025-032a	Improve monitoring of MMIS system access, oversight of IT security activities performed by the system contractor and tracking of IT security deficiencies to ensure timely remediation by the contractor.
2025-032b	Implement recommendations identified in the MARS-E assessment to improve IT security administration of the RIBridges system.
2025-032c	Utilize risk assessment results annually to document how expected audit coverage will ensure that critical risk areas are included in the scope of work for assessments planned for that year.
2025-032d	Consider whether annual SOC engagements are needed if the State is unable to conduct specific reviews of the operating effectiveness of the contractor's InfoSec controls.

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

Finding 2025-033 ***(significant deficiency – repeat finding – 2024-057)***

SNAP CLUSTER – 10.551, 10.561
Federal Awarding Agency: U.S. Department of Agriculture (USDA); Food and Nutrition Service (FNS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 244RI405S2514; 254RI405S2514
Administered by: Rhode Island Department of Human Services (DHS)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS); Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RITANF; 2501RITANF
Administered by: Rhode Island Department of Human Services (DHS)

CCDF CLUSTER – 93.575, 93.596
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS); Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RICCDF; 2501RICCDF
Administered by: Rhode Island Department of Human Services (DHS)

FOSTER CARE TITLE IV-E – 93.658
Federal Award Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Numbers: 2401RIFOST, 2501RIFOST
Administered by: Rhode Island Department of Children, Youth and Families (DCYF)

ADOPTION ASSISTANCE – 93.659
Federal Award Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Numbers: 2401RIADPT, 2501RIADPT
Administered by: Rhode Island Department of Children, Youth and Families (DCYF)

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5021; 2505RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5ADM; 2505RI5ADM
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

INTERNAL CONTROLS OVER COST ALLOCATION

Internal controls over administrative costs allocated to certain federal programs need to be improved to ensure that costs allocated to the programs comply with federal regulations.

Background: Administrative expenditures incurred by various State agencies involved in the administration of certain federal programs (e.g., EOHHS, Department of Behavioral Healthcare, Developmental Disabilities & Hospitals (BHDDH), Department of Human Services (DHS), and Department of Children, Youth, & Families (DCYF)) are allocated to the programs through federally approved cost allocation systems. The majority of administrative expenditures claimed are determined through each agency's cost allocation system (administered through the use of a proprietary web-based application supported by a contractor) and claimed on the respective federal reports. Agencies must periodically adjust administrative expenditures reported in the State accounting system to align with the administrative costs determined through their respective cost allocation systems.

Criteria: Management is responsible for implementing and maintaining internal controls to ensure administrative costs are charged in accordance with federal regulations. Specifically, 2 CFR §200.303(a) requires recipients and subrecipients of federal assistance to establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: While most State health and human services agencies administering federal programs utilize federally approved cost allocation plans (CAP), internal controls are not sufficiently documented and monitored to ensure expenditures allocated to federal programs are accurate and in compliance with federal regulations. Recommended controls found to be specifically lacking included:

- Documented reconciliations between costs allocated to federal programs and the State accounting system were lacking or untimely;
- Supervisory review and monitoring were lacking or not formalized, as most agency cost allocation systems are operated by one individual;

- Monitoring to ensure that administrative expenditures being allocated to federal programs meet the requirements of federal Uniform Guidance is not being performed; and
- Analysis of quarterly cost allocation results to ensure that the contractor application is properly allocating agency costs in accordance with its federally-approved cost allocation plan.

EOHHS, BHDDH, DCYF, and DHS administer their cost allocation processes through a contracted proprietary web-based application called AlloCAP. We have found that each department's understanding of their individual CAP is limited to the manual processes carried out each quarter to complete the allocation process with little understanding or analysis being performed to validate the accuracy of the allocation results. While the application has built-in quality control checks, the State agency responsible for the administration of the federal program to which the costs are allocated is responsible for ensuring the accuracy and federal compliance of the costs allocated. The State needs to consider implementing processes (e.g., reviewing supporting documentation, conducting analytics) across the agencies utilizing AlloCAP or consider obtaining a SOC 1 Type 2 audit (an independent report that evaluates the operating effectiveness of the contractor application) to validate that the contracted cost allocation processes are consistently and accurately allocating costs in accordance with the federally approved cost allocation plan for the respective programs.

Cause: Controls over the allocation of administrative costs through AlloCAP lacked documentation and based on current procedures, would not be effective in detecting errors in the quarterly CAP results due to a lack of evaluation and monitoring.

Effect: Potential noncompliance with federal requirements relating to allowable costs.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2025-033 Improve internal controls over administrative claiming to federal programs by 1) completely documenting cost allocation policies and procedures, 2) reconciling quarterly cost allocation results to the State accounting system, 3) enhancing supervision and monitoring of the cost allocation process, and 4) implementing procedures to validate that AlloCAP quarterly results (or consider the need for SOC engagements with that objective) are consistent with underlying federally approved cost allocation plans.

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

Finding 2025-034 (other noncompliance / significant deficiency – repeat finding – 2024-038)

UNEMPLOYMENT INSURANCE – 17.225
Federal Awarding Agency: U.S. Department of Labor (DOL), Employment and Training Administration
Federal Award Fiscal Year: Not Applicable
Federal Award Number: Not Applicable – Direct Payments with Unrestricted Use Funded through U.S. Treasury Trust Fund
Administered by: Rhode Island Department of Labor and Training (DLT)

Compliance Requirement: Eligibility

CONTROLS OVER UNEMPLOYMENT INSURANCE BENEFIT PAYMENTS

Controls to evaluate applicant work search requirements needs to be improved to detect noncompliance.

Background: Individuals applying for unemployment benefits must comply with certain eligibility requirements to qualify for and maintain benefits through the program. States need to rely on systems and technology to administer unemployment insurance (UI) programs and ensure that individuals meet the various program requirements to receive benefits. The current system used by DLT to process UI benefits utilizes outdated technology. This legacy system is mainframe-based and has reached end of life with a need for replacement. The State utilizes a "cloud-based" front-end application as the user interface for administering UI benefit applications and to validate applicant identity and prevent program fraud. Upon application completion, required applicant data flows to the UI legacy system for benefit administration. The legacy benefit administration and payment system lacks the integration and controls inherent in modernized unemployment insurance systems and represents a risk to business continuity. During fiscal year 2025, benefit payments exceeded $228 million.

DLT maintains a BAM program as required by federal regulations as a quality control system designed to assess the accuracy of UI benefit payments and denied claims. Using a statistical sampling model, the program estimates error rates (i.e., number of claims improperly paid or denied, and the dollar amounts of benefits improperly paid or denied) by projecting the results from payment and denial reviews.

Criteria: Management is responsible for establishing and maintaining effective internal controls to process and disburse unemployment insurance benefits consistent with State and federal program requirements. The structure of the federal-state UI program partnership is based on federal statute (20 CFR Chapter V); however, it is implemented through state law.

State responsibilities include: (1) establishing specific, detailed policies and operating procedures which comply with the requirements of federal laws and regulations; (2) determining the state UI tax structure; (3) collecting state UI contributions from employers (commonly called "unemployment taxes"); (4) determining claimant eligibility and disqualification provisions; (5) making payment of UI benefits to claimants; (6) managing the program's revenue and benefit administrative functions; (7) administering the programs in accordance with established policies and procedures; and (8) enacting state unemployment compensation (UC) law that conforms with federal UC law and that state law and operations substantially comply with federal law.

State UI regulations (RI Code of Regulations) specific to our findings on eligibility include the following:

- Title 260, Chapter 40, *Income Support*, Subchapter 05 – *Unemployment and Temporary Disability Insurance*, Section 1.18(F) – "Every claimant shall make such personal efforts to find suitable work as are customarily made by persons in the same occupation or in any other occupation for which the claimant is reasonably suited, commensurate with current economic conditions. These efforts include but are not limited to:

1) Registering for work with the EmployRI,
2) Conducting an active, independent work search with at least three (3) work search contacts in each week that benefits are claimed and maintain a written record of the work search,
3) Submitting a weekly work search to the department as prescribed by the director and as indicated in the Department of Labor and Training's guidelines for an active and independent search for work,
4) Posting a résumé on the Employment Services' online job seeker tool kit and inquiring upon any job opportunities presented by the department,
5) Completing a skills review or similar activity through Employment Service as prescribed by the Director, and
6) Registering on the Virtual Recruiter or similar tool through Employment Service as prescribed by the Director."

- Section 1.18 (G) – "The Director has discretion in determining whether to require one or all activities identified in §1.18(F)(4), (5), and (6) of this Part."
- Section 1.18 (M) – "An individual who fails to provide any documentation requested by the Department or fails to comply with an instruction given by the Director or his/her designee shall be denied benefits for the week(s) in which such failure occurs and until the individual complies unless the reason for such failure to comply with the Department's requirements is based upon good cause as shall be determined by the Director."

Applicants that do not comply with program work search requirements should be referred to DLT's Central Adjudication Unit.

Condition: While our testing found that UI payments complied with most program eligibility requirements, noncompliance with certain requirements was noted. We tested a random sample of 60 individual benefit payments totaling $27,092 in fiscal 2025. As part of our testing, we evaluated applicant compliance with job search activities (e.g., résumé posting, completing a skills review, registering on the Virtual Recruiter or similar tool) required within UI policies and procedures. Our testing identified 1 exception in our sample of 60 (1.7%) that was not registered in the EmployRI system and determined to be noncompliant with program work search requirements (sample item - $610, questioned costs of benefits paid during fiscal 2025 totaled $9,760). Using the population of UI payments sampled, we project likely questioned costs to approximate $5.2 million.

DLT indicated that the error resulted from the department's failure of the automated EmployRI registration and not the applicant. From an audit perspective, the State's lack of monitoring and ability to detect when this critical control is not performed is deemed a control weakness relating to eligibility. DLT does not mandate that other job search activities be completed in addition to the automatic applicant registration which was consistent with our test results. While meeting minimum compliance under the State's work search requirements, the automated registration without applicant follow-up and use of the functionalities of EmployRI limits its benefits as a work search tool.

In addition to the results above, DLT's BAM program identified significant noncompliance with UI claimant job search requirements. DLT's reported BAM program results for the State fiscal year 2025 reporting period cited noncompliance with work search activities in 32% of the cases reviewed. While DLT's current policies and processes ensure material compliance with federal regulations regarding work search requirements, they could be enhanced to more effectively achieve the program objectives intended by the UI program.

In conjunction with our testing, we noted a control deficiency relating to the documentation of Social Security Numbers for applicant dependents. In our sample, we noted one case where Social Security Numbers were not included in the UI system for reported dependents. Although DLT was subsequently able to provide documentation of Social Security Numbers for the dependents, the UI system lacks systemic controls to prevent benefit payments when Social Security Numbers are not reported in the case record.

When documenting our understanding of certain State UI policies on file with the Secretary of State regarding work search requirements (e.g., submission of weekly work search, résumé posting requirements), we noted certain inconsistencies between those policies and the UI claimant guidance available on the DLT website. These discrepancies should be addressed to ensure guidance and policy are aligned.

Beyond the above control considerations, DLT's current mainframe system has reached end of life and poses significant business continuity risks to UI benefit operations. The State's planning to modernize DLT's systems is underway and should consider how enhanced and more integrated system controls over eligibility (including monitoring of work search activities) can be employed.

Cause: The lack of integration between the current mainframe and other support applications (i.e., Onbase imaging and EmployRI systems) limits DLT's ability to implement automated controls to enhance compliance with certain UI requirements. DLT does not have adequate controls in place to detect noncompliance with work search requirements (i.e., EmployRI registration). In addition, current processes are not reducing significant noncompliance rates with work search requirements cited by DLT's BAM processes.

Effect: UI benefits paid to individuals who did not comply with program eligibility requirements, specifically work search requirements.

Questioned Costs: $9,760

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2025-034a	Implement compensating controls to identify noncompliance with UI eligibility requirements.
2025-034b	Ensure that ongoing considerations for the modernization of the unemployment benefit program administration system maximize automated processes designed to enhance controls over eligibility requirements.
2025-034c	Ensure that official State UI policies and procedures on file with the Secretary of State relating to work search requirements are consistent with UI claimant guidance available on DLT's website.

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

Finding 2025-035 (material noncompliance / material weakness – repeat finding – 2024-039)

UNEMPLOYMENT INSURANCE – 17.225
Federal Awarding Agency: U.S. Department of Labor (DOL), Employment and Training Administration
Federal Award Fiscal Year: Not Applicable
Federal Award Number: Not Applicable – Direct Payments with Unrestricted Use Funded through U.S. Treasury Trust Fund
Administered by: Rhode Island Department of Labor and Training (DLT)
Compliance Requirement: Special Tests and Provisions – UI Program Integrity - Overpayments

UNEMPLOYMENT INSURANCE PROGRAM INTEGRITY – OVERPAYMENTS

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

Criteria: Federal law provides that (1) States are required to impose a monetary penalty (not less than 15%) on claimants whose fraudulent acts resulted in overpayments and deposit the funds in the State's account in the Unemployment Trust Fund, and (2) States are prohibited from providing relief from charges to an employer's UC account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

In compliance with federal law (42 USC §503(a)(11), *State Laws*), the State enacted these requirements into State law effective October 1, 2013, including a 15% penalty on overpayments due to claimant fraud (RIGL §28-42-62.1(a)(4)) and a prohibition on relieving the employer's account of charges relating to any benefit overpayments made if the employer was at fault for failure to respond timely or adequately to a DLT request for information relating to the claim (RIGL §28-43-3(2)(viii)).

Condition: During fiscal 2025, DLT was not properly identifying and handling overpayments due to system limitations, including, as applicable, assessing the 15% penalty on claimants who commit fraud, and not relieving an employer's account of charges for overpayments when their untimely or inaccurate responses cause improper payments. Overpayments must be established and communicated to the recipient to initiate collection. We tested a random sample of 40 individuals with overpayments totaling $100,159. Of the 40 individuals tested, 9 were fraud claims totaling $20,987 with federally mandated (15%) penalties, (questioned costs $3,148). Using the population of existing 2025 overpayments, we project likely questioned costs to approximate $509,635. DLT is aware of the requirement and the need for programming modifications to its current system or planned modernization.

Cause: DLT has not implemented the UI system programming required to impose penalties for overpayments due to fraud. DLT has no procedures currently in place to materially comply with federal regulations for program integrity overpayments.

Effect: Material noncompliance with Federal and State laws as well as lost revenue on penalties not assessed.

Questioned Costs: $3,148

Valid Statistical Sampling: Yes

RECOMMENDATION

2025-035 Implement procedures to: (1) impose and collect a 15% penalty on benefit overpayments of claimants who commit fraud (RIGL §28-42-62.1(a)(4)) and (2) prohibit providing relief to an employer account when an overpayment is the result of the employer's failure to respond timely or adequately to a request for information by the State agency (RIGL §28- 43-3(2)(viii)).

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

Finding 2025-036 ***(significant deficiency – new finding)***

UNEMPLOYMENT INSURANCE – 17.225
Federal Awarding Agency: U.S. Department of Labor (DOL), Employment and Training Administration
Federal Award Fiscal Year: Not Applicable
Federal Award Number: Not Applicable – Direct Payments with Unrestricted Use Funded through U.S. Treasury Trust Fund
Administered by: Rhode Island Department of Labor and Training (DLT)

Compliance Requirement: Reporting

UNEMPLOYMENT INSURANCE PROGRAM REPORTING

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

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 the following ETA reports in accordance with ETA's requirements:

- ETA 2112 – The report is due the 1st day of the second month following the month of reference and will be transmitted electronically.
- ETA 9050, 9052, and 9055 – The reports are 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 9130 – The report is due 45 days after the end of the quarter.
- ETA 191 – The report will be transmitted electronically to the National Office by the 25th of the month following the close of the quarter.
- ETA 2208A – The report is due 30 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 documented 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 22 submissions of the ETA reports.

- 4 of 22 (18.2%) reports tested were submitted beyond the due date.
- 17 of 22 (77.3%) reports tested were not signed by a manager/reviewer.
- 1 of 22 (4.5%) reports tested was inaccurate. An ETA 9130 report overstated expenditures by $8,330.

Cause: DLT has failed to segregate duties regarding preparation and review/submission of reports. Reconciliations were not performed timely to identify issues with expenditures reported on the ETA reports.

Effect: Noncompliance with reporting deadlines and errors in expenditures reported. Errors in reports went undetected without a proper review process.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2025-036a Implement procedures for a documented secondary review of all reports submitted. Establish deadlines for preparation and review to ensure timely submission.

2025-036b Amend the ETA 9130 report to correct expenditures reported.

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

Finding 2025-037 (other noncompliance / significant deficiency – new finding)

UNEMPLOYMENT INSURANCE – 17.225
Federal Awarding Agency: U.S. Department of Labor (DOL), Employment and Training Administration
Federal Award Fiscal Year: Not Applicable
Federal Award Number: Not Applicable – Direct Payments with Unrestricted Use Funded through U.S. Treasury Trust Fund
Administered by: Rhode Island Department of Labor and Training (DLT)

Compliance Requirement: Special Tests and Provisions – Worker Profiling and Reemployment Services (WPRS) and Reemployment Services and Eligibility Assessments (RESEA)

UNEMPLOYMENT INSURANCE (UI) PROGRAM – WPRS AND RESEA

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

Background: The WPRS and RESEA programs serve as the Unemployment Insurance's (UI) primary programs that facilitate the reemployment needs of UI claimants. WPRS, which is mandated by Section 303(j) of the Social Security Act, is designed to identify UI claimants who are most likely to exhaust their benefits and need reemployment assistance to return to work, and refer them to appropriate reemployment services, such as: job search and job placement assistance; counseling; testing; provision of occupational and labor market information; and assessments.

RESEA is authorized by Section 306 of the Social Security Act to address individual reemployment needs of Unemployment Compensation (UC) claimants and to prevent and detect UC improper payments. RESEA uses an evidence-based integrated approach that combines an eligibility assessment for continuing UI eligibility and the provision of reemployment services. The purposes of the RESEA program are identified in Section 306(b) of the SSA:

(1) To improve employment outcomes of UC recipients and reduce the average duration of UC receipt through employment;

(2) To strengthen program integrity and reduce improper UC payments through the detection and prevention of such payments to ineligible individuals;

(3) To promote alignment with the Workforce Innovation and Opportunity Act's (WIOA) broader vision of increased program integration and service delivery for job seekers, including UC claimants; and

(4) To establish RESEA as an entry point for UC claimants into other workforce system partner programs.

Criteria: For WPRS, Unemployment Insurance Program Letter **(**UIPL) No. 41-94 requires, "State agencies establish and utilize a system of profiling 'all new claimants for regular compensation' (i.e., regular UI) that 'identifies which claimants will be likely to exhaust regular compensation and will need job search assistance services to make a successful transition to new employment.'" Additionally, UIPL No. 10-22 requires states take the following actions:

(1) "Evaluate all new UC claimants to identify those who are most likely to exhaust UC, refer such individuals to reemployment services, and collect follow-up information related to employment outcomes for these individuals; this is known as the WPRS program."

(2) "Select UC claimants identified as most likely to exhaust UC in accordance with Section 303(j), SSA, for participation in the RESEA program will have met the WPRS requirements and does not need to provide a separate WPRS program."

(3) "Do not serve individuals identified as most likely to exhaust in accordance with Section 303(j), SSA, as part of their RESEA program, must operate a separate WPRS program to serve these claimants. States operating separate WPRS programs under Section 303(j), SSA, may not use funds appropriated for RESEA activities to administer a WPRS program."

A work search exemption is granted for adult basic education or vocational training per RIGL §28-44-60:

"(a) Notwithstanding any provisions of this title to the contrary, a claimant shall not be ineligible for benefits because of his or her regular attendance, whether full-time or part-time, in an adult basic education or a vocational training program as approved by the director and as defined in § 16-63-5(1) and (2)."

For RESEA, the DOL provides guidance and program requirements in the form of Training and Employment Guidance Letter (TEGL) for the administration of the RESEA program. Per TEGL NO. 11-23, federal guidance indicate the following is required when administering the RESEA program:

"Minimum requirements for a subsequent RESEA. The subsequent RESEA is considered "completed" when, at a minimum, all of the following services have been provided:

(1) A UC eligibility review that is conducted on a one-on-one basis, including review of work search activities (if such activities have not been waived) and referral to adjudication if an issue or potential issue(s) is identified; and

(2) Review of the claimant's activities to determine if additional assistance is needed to support the claimant's return to suitable work at the earliest possible date. Additionally, if the claimant is required to search for work as a condition of UC eligibility, the state should provide any additional assistance necessary to support the claimant's compliance with the state's work search requirements."

Condition: DLT's WPRS profiling selection strategy does not include factors used to identify claimants based on their likelihood of exhausting UC benefits. The current approach of randomization satisfies RESEA requirements but cannot be used to simultaneously satisfy WPRS. DLT is not complying with federal profiling requirements of WPRS.

Our review of DLT's RESEA program administration found that while DLT requires selected applicants to participate in an initial RESEA orientation, it does not mandate any RESEA follow-up activities as encouraged by federal regulations. While DLT appears to minimally comply with federal requirements for RESEA activities based on State plan documentation provided, its effectiveness in meeting the federal intent of the program requirements would be enhanced by mandating certain RESEA subsequent activities in conjunction with the program administration. Such follow-up activities with those referred to the program would also provide additional evaluation of the applicant's work search efforts, in addition to BAM processes previously noted.

Cause: DLT has not developed a model to ensure claimants most likely to exhaust UC are identified as required for the WPRS program.

Effect: Noncompliance with RESEA and WPRS program requirements.

Questioned Costs: None

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2025-037a Enhance RESEA activities by mandating subsequent activities be performed by referred applicants beyond the initial orientation to improve overall program participation and effectiveness.

2025-037b Modify the current claimant selection model to ensure claimants most likely to exhaust UI benefits are identified as instructed in the DOL WPRS corrective action plan.

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

Finding 2025-038 ***(significant deficiency – new finding)***

EMERGENCY RENTAL ASSISTANCE PROGRAM – 21.023
Federal Awarding Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Years: 2021 to 2025
Federal Award Number: ERAE0006
Administered by: Rhode Island Department of Administration (DOA), Pandemic Recovery Office (PRO)
Compliance Requirement: Reporting

PERFORMANCE REPORTING

Controls over reporting were not adequate to verify the accuracy of certain data reported by the component agency.

Background: The Pandemic Recovery Office has subgranted with the Rhode Island Housing and Mortgage Finance Corporation (RI Housing), a component unit of the State, to administer certain aspects of the Emergency Rental Assistance (ERA) program. Certain required data elements, including a portion of program expenditures and key demographic information, are generated at RI Housing and reported back to the PRO for inclusion in the required program reporting.

Criteria: The U.S. Treasury has prescribed financial and performance reporting requirements for pandemic recovery programs through electronic submission. Reporting requirements for ERA include certain financial and demographic information to showcase the use of funds to aid eligible participants.

Condition: Adequate procedures were not in place during fiscal 2025 to verify the accuracy and consistency of information provided by RI Housing prior to its inclusion in the ERA Compliance Report. Further, key demographic information was found to be inconsistently reported and required modification. The Pandemic Recovery Office, subsequent to year-end and in conjunction with the program closeout during fiscal 2026, performed procedures to verify the demographic information reported by RI Housing. Demographic data in subsequent reports in fiscal 2026 reflected modifications requested by the PRO as a result of its review.

Cause: Lack of adequate guidance to and oversight of information provided by the component unit agency.

Effect: Reports may not be accurate for all required information.

Questioned Costs: Undetermined

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2025-038 Resubmit corrected reports, as needed.

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

Finding 2025-039 (other noncompliance / material weakness – repeat finding – 2024-044)

EMERGENCY RENTAL ASSISTANCE PROGRAM – 21.023
Federal Awarding Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Years: 2021 to 2025
Federal Award Number: ERAE0006
Administered by: Rhode Island Department of Administration (DOA), Pandemic Recovery Office (PRO)

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – 21.027
Federal Awarding Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Years: 2021 to 2025
Federal Award Number: SLFRP0136
Administered by: Rhode Island Department of Administration (DOA), Pandemic Recovery Office (PRO)

Compliance Requirements: Subrecipient Monitoring; Allowable Costs/Cost Principles

SUBRECIPIENT PAYMENTS AND MONITORING

Subrecipient monitoring procedures were insufficient to ensure subrecipient audit reports are obtained and reviewed. Monitoring procedures were not in place to ensure adequate documentation was obtained regarding the use of payment advances.

Background: The Pandemic Recovery Office, as the administering agency of both the Emergency Rental Assistance Program (ERA) and the State Fiscal Recovery Fund (SFRF), executes memoranda of understanding with the various departments and agencies to conduct projects under the allowable uses of the program. The departments and agencies then often execute subawards within the scope of the specific project. In fiscal 2025, expenditures related to these subawards were primarily executed by the Executive Office of Housing.

Criteria: 2 CFR §200.332(e) *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. The pass-through entity is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward 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, and (4) resolving audit findings specifically related to the subaward.

Uniform Guidance cost principles dictate that, in order to be allowable under Federal awards, costs must be adequately documented (2 CFR §200.403(g)).

2 CFR §200.332(b)(1) requires that subawards clearly identify certain federal award identification information to the subrecipient.

Condition: For SFRF, our sample consisted of 34 subawards executed with 20 unique subrecipients. For ERA, our sample consisted of 29 subawards executed with 15 unique subrecipients. In fiscal 2025, subrecipient *Single Audit Reports* were not obtained and reviewed by the pass-through entity for 19 of the 20 SFRF subrecipients or any of the 15 ERA subrecipients. *Note: Between ERA and SFRF, there were 27 unique subrecipients; eight subrecipients received funding from the Executive Office of Housing under both programs. Subrecipients noted under both programs were issued separate subawards for ERA and SFRF.*

As part of our testing, we performed an independent review of *Single Audit Reports* submitted to the Federal Audit Clearinghouse (FAC) for each sampled subrecipient to identify if there were any findings reported. While we did not note any findings related to the subawards sampled (i.e. no findings reported on ERA or SFRF), we did note several subrecipient entities with findings reported on internal control over financial reporting and/or internal control over compliance with federal awards on other programs that could be of interest to the pass-through entity in evaluating the level of monitoring necessary for each subrecipient.

Additionally, many of these subrecipients receive funding on a periodic basis. Of 34 SFRF subrecipient payments reviewed, 4 were payment advances to subrecipients for which no additional documentation or reconciliation was available to support subrecipient expenditures related to those prepayments. We noted several other subrecipient reimbursement payments for SFRF that were lacking adequate support for the expenditures being reimbursed. We did not note any deficiencies in the review of reimbursement requests for ERA.

The Executive Office of Housing (responsible for 32 of the 34 sampled subawards and 18 of the 20 subrecipients under SFRF and all subawards under ERA) made several improvements to its subrecipient monitoring procedures in fiscal year 2026, including periodic site visits (depending on the nature of the project) and requiring subrecipients to submit their *Single Audit Report* or financial audit report when requesting annual funding. Monitoring deficiencies in fiscal 2025 were significantly impacted by organization restructuring and related resource constraints.

We also noted several subawards that were missing certain required federal award identifying information; subawards include an appendix that details the required information. For ERA, we noted 1 subaward that appeared to include the incorrect entity name in the appendix, 1 subaward that was missing the Federal Award Identification Number (FAIN), Assistance Listing Number (ALN), and program title, and 2 instances where a subrecipient had differing Unique Entity IDs (UEIs) between their respective subawards. For SFRF, we noted 4 subawards that did not include the UEI, 3 subawards that did not include the FAIN, 5 subawards that did not include the ALN and program title, and 6 subawards that did not include the federal award date.

Cause: Subrecipient monitoring procedures are not in place to ensure audit reports are reviewed and management decisions are issued, as required by Uniform Guidance. Other monitoring procedures were inadequate to ensure that subrecipients appropriately utilized the funds provided to support program objectives.

Effect: Noncompliance with program guidelines and/or federal regulations at the subrecipient level could go undetected and unresolved.

Questioned Costs: Undetermined

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2025-039a	Enhance internal control procedures to ensure timely review of audit reports and issuance of management decisions in accordance with Uniform Guidance. Ensure review of reports is adequately documented, including notation of findings unrelated to the subaward, which could have an indirect impact on the administration of the subaward.
2025-039b	Enhance controls to ensure adequate documentation of monitoring procedures performed and support for subrecipient expenditures is obtained. Document any meetings and/or conversations with the subrecipients and discussion had therein.
2025-039c	Continue to strengthen and improve subrecipient monitoring procedures to ensure subrecipient compliance with terms and conditions of the grant award and subaward.
2025-039d	Enhance controls to ensure all award identifying information required by 2 CFR §200.332(b)(1) is accurately included in the subaward.

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

Finding 2025-040 (other compliance matter / significant deficiency – new finding)

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – 21.027
Federal Awarding Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Years: 2021 to 2025
Federal Award Number: SLFRP0136
Pass-through Entity: Rhode Island Department of Administration (DOA), Pandemic Recovery Office (PRO)
Administered by: Rhode Island Commerce Corporation (RICC)

Compliance Requirement: Procurement, Suspension and Debarment

RHODE ISLAND COMMERCE CORPORATION – IMPROVE INTERNAL CONTROLS AND COMPLIANCE WITH PROCUREMENT

Criteria: Per Uniform Guidance (2 CFR §200.327 and 2 CFR Part 200, Appendix II), all contracts made by non-federal entities under federal awards must contain specific provisions as applicable, such as those for equal employment opportunity, Davis-Bacon, termination for cause, compliance with laws and regulations, and others. These provisions are required to ensure compliance with federal program requirements for procurement.

Condition: During testing of contracts for the American Rescue Plan Act (ARPA) program, we noted that contracts selected for testing did not contain all the required provisions outlined in Appendix II to 2 CFR Part 200. While services were otherwise procured appropriately, documentation of the required contract clauses was not consistent across all contracts selected for review.

Cause: The Corporation's procurement processes did not include sufficient controls to ensure that all federally required contract provisions were incorporated into every contract funded with federal awards.

Effect: Lack of inclusion of all required federal contract provisions increases the risk of noncompliance with Uniform Guidance and could lead to disputes or enforcement issues if regulatory or compliance matters arise. No questioned costs were identified, as the services procured were determined to be allowable and otherwise appropriate.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2025-040 The Corporation should enhance its procurement procedures to ensure all contracts funded by federal awards include every provision required by Appendix II to 2 CFR Part 200 as applicable. Regular review of contract templates and procurement checklists should be implemented to support compliance.

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

Finding 2025-041 ***(other compliance matter – new finding)***

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – 21.027
Federal Awarding Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Years: 2021 to 2025
Federal Award Number: SLFRP0136
Pass-through Entity: Rhode Island Department of Administration (DOA), Pandemic Recovery Office (PRO)
Administered by: Rhode Island Commerce Corporation (RICC)

STATE SMALL BUSINESS CREDIT INITIATIVE TECHNICAL ASSISTANCE GRANT PROGRAM– 21.031
Federal Awarding Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Years: 2024 to 2027
Federal Award Number: SSBCI-21031-0038
Pass-through Entity: Rhode Island Executive Office of Commerce (EOC)
Administered by: Rhode Island Commerce Corporation (RICC)

Compliance Requirement: Other

RHODE ISLAND COMMERCE CORPORATION – DOCUMENT POLICIES AND PROCEDURES OVER FEDERAL AWARDS

Criteria: Uniform Guidance (2 CFR Part 200) requires non-federal entities administering federal awards to establish and maintain written policies and procedures to address all requirements specified in the regulations, including but not limited to internal controls, determination of allowable costs, procurement, subrecipient monitoring, financial management, and reporting.

Condition: During our audit, we noted that the Corporation did not have formal policies and procedures in place covering all requirements of Uniform Guidance as specified in 2 CFR Part 200. Certain elements, such as procurement conflict of interest, property and equipment management, internal control, and other compliance areas, were not addressed in written policies or documented procedures.

Cause: The Corporation has not developed comprehensive written policies and procedures to address all compliance requirements under Uniform Guidance.

Effect: The absence of complete written policies and procedures for all elements under Uniform Guidance increases the risk of noncompliance with federal requirements, reduces consistency in federal program administration, and limits transparency and accountability.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2025-041 The Corporation should develop and implement comprehensive written policies and procedures that address all major compliance requirements under Uniform Guidance (2 CFR Part 200). Periodic review and updates should be performed to ensure ongoing compliance.

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

Finding 2025-042 ***(significant deficiency – new finding)***

CORONAVIRUS CAPITAL PROJECTS FUND – 21.029
Federal Awarding Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Years: 2022-2027
Federal Award Number: CPFFN0169
Administered by: Rhode Island Department of Administration (DOA), Pandemic Recovery Office (PRO)
Compliance Requirement: Subrecipient Monitoring

REVIEW OF SUBRECIPIENT AUDIT REPORTS

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

Background: Under the Coronavirus Capital Projects Fund (CPF), the State awarded funding to cities and towns to invest in multipurpose community facility projects that directly and jointly enable work, education, and health monitoring. Twenty-one facility projects were awarded to eighteen municipalities across the State.

Criteria: 2 CFR §200.332(e) *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. The pass-through entity is responsible for monitoring the overall performance of a subrecipient to ensure that the goals and objectives of the subaward 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, and (4) resolving audit findings specifically related to the subaward.

Condition: The PRO obtained and documented its review of subrecipient audit reports during fiscal 2025, however, the review did not document the pertinent information related to the CPF subawards. This would include the amount of CPF expenditures, whether the program was audited as major, if any findings were reported and any management decisions issued from PRO if findings existed specific to the subaward. Additionally, any other reported findings that could have an indirect impact on the subrecipient's administration of the CPF subawards (e.g., a finding on cash management related to a different federal award could indicate an underlying issue that may affect CPF) were not documented.

As part of our testing, we performed an independent review of *Single Audit Reports* submitted to the Federal Audit Clearinghouse (FAC) for each subrecipient to identify if there were any findings reported. No findings were reported on CPF subawards and therefore, no additional follow-up was necessary from the PRO as the pass-through entity.

Cause: The scope of subrecipient audit report reviews did not focus on the subaward or other aspects related to the administration of federal programs.

Effect: Lack of thorough review could result in reported findings related to CPF subawards not being resolved, as required by Uniform Guidance. Lack of documentation of other findings could impact extent of other monitoring procedures to mitigate risks that may indirectly impact CPF subawards.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2025-042 Improve documentation of subrecipient audit report reviews to include notation of whether any findings pertained to the CPF subaward that require issuance of a management decision in accordance with Uniform Guidance and whether any other findings reported could indirectly impact the administration of the subaward.

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

Finding 2025-043 (other noncompliance / material weakness - repeat finding – 2024-046)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 to 2027
Federal Award Number: NU50CK000519
Administered by: Rhode Island Department of Health (RIDOH)

IMMUNIZATION COOPERATIVE AGREEMENTS – 93.268
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 to 2025
Federal Award Number: NH23IP922618
Administered by: Rhode Island Department of Health (RIDOH)

DRINKING WATER STATE REVOLVING FUND – 66.468
Federal Awarding Agency: Environmental Protection Agency
Federal Award Fiscal Years: 2022-2030
Federal Award Numbers: 99126120, 99126122, 99126E22, 99126S22, 99126L22, 99126123, 99126E23, 99126S23, 99126121 and 99126L23
Pass-through Entity: Rhode Island Infrastructure Bank (RIIB)
Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirement: Allowable Costs/Cost Principles

TIME AND EFFORT REPORTING

RIDOH controls over time and effort reporting are lacking to ensure accurate allocations and reimbursements from federal programs.

Background: RIDOH has built and implemented a complex time-reporting system using internal worksheets for employees to allocate time spent on various activities during the pay periods. Reconciliations of the hours worked versus the hours charged to the State's payroll and accounting systems are performed quarterly. Recorded amounts are adjusted quarterly (using quarterly variance reports prepared using a spreadsheet application) accordingly to ensure charges to the federal programs are consistent with actual time worked on the various programs.

Criteria: 45 CFR §75.430(i)(1) and 2 CFR §200.430(g)(1) require that "Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed."

Condition: Our testing of personnel costs and payroll allocation controls identified a variety of documentation discrepancies and control deficiencies for the ELC, Immunization, and DWSRF programs. As part of our testing, we determined a complete population of RIDOH personnel by payroll period that we reconciled to the State accounting system to validate the completeness of payroll costs charged directly to the programs. For each program tested, we randomly selected 40 distinct RIDOH employee time reporting periods (2-week periods with weekly timesheets) to test the accuracy and completeness of time and effort reporting. For each employee selected, we verified that the time reported for the period selected agreed to RIDOH's internal worksheets that supported the personnel cost allocation adjustments made by RIDOH. Once the employee time was verified, we determined if the adjustment required for that employee to adjust the respective allocation of personnel costs to

the program agreed to the adjustments posted to the State accounting system. These procedures noted the following:

- Our procedures commonly noted discrepancies between required adjustments per the quarterly variance report and the actual adjustments posted in the accounting system. We noted exceptions in 39 of the 120 adjustments (33%) selected for testing, which were provided to RIDOH to research and make any necessary corrections. The actual amount of personnel expenditures incorrectly allocated to federal programs remained undetermined as RIDOH efforts to review the adjustments and reported discrepancies remained incomplete.
- To evaluate the significance of potential personnel misstatements by program, we conducted analytical procedures of personnel expenditures charged in fiscal 2024 where audit work performed found that personnel expenditures charged to the program were supported by RIDOH. Our analytical procedures found that personnel expenditures charged to the ELC, Immunization, and DWSRF programs in fiscal 2025 were reasonably consistent as a percentage of total program expenditures with fiscal 2024. We relied on this analysis, and other considerations, to conclude that while RIDOH made clerical errors when adjusting payroll allocations amongst federal grants, the amount of likely personnel expenditures improperly allocated to these programs in fiscal 2025 was not deemed to be material to the programs as a whole.
- Our review of sampled timesheets (240 weekly timesheets) in conjunction with time and effort reporting noted isolated instances where timesheet documentation and/or supervisory review and approval were deficient.

Cause: Current policies and procedures were ineffective to ensure amounts claimed and reimbursed by Federal programs for personnel costs were reflective of the actual work performed on the various programs/projects listed. Personnel changes, in conjunction with a lack of documented policies and procedures, during fiscal 2025 contributed to the difficulties in adjusting personnel cost allocations cited above.

Effect: Personnel costs reimbursed from Federal awards could be unallowable due to insufficient support and/or improper allocation.

Questioned Costs: Undetermined

Valid Statistical Sample: Yes

RECOMMENDATIONS

2025-043a	Enhance reporting of time and effort for general timesheet category activities to improve documentation and support for personnel costs charged to Federal programs. RIDOH should explore capabilities in the State's new ERP system to allow for direct charging of personnel costs through time and effort reporting directly in the ERP.
2025-043b	Ensure all payroll allocation adjustments are supported by complete, accurate, and independently verifiable documentation.
2025-043c	Review all payroll allocation entries that were not supported by RIDOH's internal worksheets and determine if additional adjustment of personnel costs to federal programs is required.

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

Finding 2025-044 ***(material noncompliance / material weakness – new finding)***

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 to 2027
Federal Award Number: NU50CK000519
Administered by: Rhode Island Department of Health (RIDOH)

IMMUNIZATION COOPERATIVE AGREEMENTS – 93.268
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 to 2025
Federal Award Number: NH23IP922618
Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirement: Cash Management

CONTROLS OVER CASH MANAGEMENT REQUIREMENTS

RIDOH controls over cash management are lacking to ensure records and support are accurate, complete, and in compliance with federal requirements. RIDOH could not provide adequate supporting documentation for several drawdowns made during fiscal 2025.

Background: RIDOH has constructed comprehensive workbooks, Uniform Grant Spreadsheets (UGS) / Monthly Federal Grants Tracking (MFGT), to assist in monitoring award activity throughout the period of performance. Agency staff populate the UGS/MFGT workbooks with transactional information (expenditures) from the State's accounting system. Accounting details maintained in the UGS are utilized to reconcile and determine the amounts available for proper cash drawdowns. RIDOH has historically performed federal funding draws for the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) and Immunization Cooperative Agreements (Immunization) programs monthly. During fiscal 2025, RIDOH, on occasion, drew down funds during the month due to concerns over funding availability by the federal government to ensure that resources were available to sustain current program operations.

Criteria: Federal regulation 2 CFR §200.305(b) requires recipients of federal awards to minimize the time elapsing between the transfer of federal funds from the federal government and the disbursement of those funds for program purposes. Reimbursement requests must be supported by allowable expenditures incurred under the federal award, and recipients are required to maintain adequate records to demonstrate compliance with federal cash management requirements.

Condition: Internal control over cash management was insufficient to ensure compliance with federal regulations. Populating UGS spreadsheets is a manual process and lacks the required access, data integrity, and other monitoring controls necessary to ensure the accuracy of the recorded activity and subsequent calculations contained within. Additionally, these tracking tools are not designed to accurately track and record the required support for drawdowns outside the scheduled monthly payment requests. Cash drawdown records were not adequately maintained, limiting our ability to substantiate RIDOH's drawdown requests through supporting documentation or the State's accounting system.

As part of our sample testing, we noted the following:

- For the ELC program, 3 out of a sample of 13 (23%) lacked adequate support for drawdowns, 1 of which included a mid-month drawdown inclusive of future expenditures.
- For the Immunization Cooperative Agreements program, 7 out of a sample of 12 (58%) lacked adequate support for drawdowns, 4 of which included mid-month drawdowns inclusive of future expenditures.

Attempts to reconcile unsupported drawdown amounts with RIDOH were unsuccessful. While RIDOH was unable to specifically detail the expenditures incurred in support of a large percentage of draws, the supporting documentation for several draws indicated that projected future expenditures were included in some amounts drawn. Our audit results noted a significant percentage of drawdowns without adequate supporting documentation that we deemed to represent material noncompliance for both ELC and Immunization with federal requirements for cash management.

In support of our finding that RIDOH drew down federal funds in advance of expenditure disbursement, the State's monitoring in relation to the Cash Management Improvement Act also identified the ELC program as having drawn federal funds in excess of reported expenditures during the year. The State's monitoring reported excess cash on hand for the ELC program collectively for 3 days during fiscal 2025. A review of the individual accounts in the State accounting system representing the various grants incorporated under the collective program noted a large number of individual grant awards where federal revenue far exceeded the expenditures reported for those accounts. The underlying accounting detail suggests that RIDOH was not reconciling its federal accounts in a timely manner to ensure that grants were not being overdrawn. Several federal accounts were reporting overdrawn funds at year-end in need of reconciliation.

Cause: RIDOH did not establish and maintain adequate controls to ensure that federal reimbursement requests were supported by expenditures incurred at the time of the drawdown and that sufficient documentation was retained to support the amounts requested. Deficiencies in internal controls coupled with the use of estimates and spending projections, resulted in unsupported and excessive draws deemed noncompliance with federal cash management requirements. Personnel changes, in conjunction with a lack of documented policies and procedures, during fiscal 2025 contributed to cash management difficulties cited above.

Effect: Noncompliance with federal requirements, specifically 2 CFR §200.305(b), for cash management going undetected by program management.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2025-044a	Document and implement formal policies and procedures over federal drawdowns to ensure compliance with federal regulations.
2025-044b	Reconcile grant awards reporting excess cash drawdowns at June 30, 2025, and adjust amounts accordingly to ensure accurate grant award tracking for the ELC and Immunization programs.

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

Finding 2025-045 (material noncompliance / material weakness – repeat finding – 2024-048)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 to 2027
Federal Award Number: NU50CK000519
Administered by: Rhode Island Department of Health (RIDOH)

IMMUNIZATION COOPERATIVE AGREEMENTS – 93.268
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 to 2025
Federal Award Number: NH23IP922618
Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirement: Reporting

CONTROLS OVER FEDERAL FINANCIAL REPORTING REQUIREMENTS

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

Criteria: Federal regulation 45 CFR §75.341, requires the Federal Financial Report (FFR), SF-425A, to be submitted on an annual basis in accordance with the terms and conditions of the Federal award. Recipients must submit FFRs to the U.S. Department of Health and Human Services (HHS) Centers for Disease Control and Prevention no later than 90 days after the end of the reporting period and final FFRs within 120 days after the end of the period of performance. FFRs are to be complete, accurate and the amounts reported able to be substantiated by the entity's accounting records. In addition, the report is designed to capture key financial data for a grant award, such as the amount of Federal funds disbursed and spent so far.

Condition: We noted deficiencies in RIDOH's controls over the preparation, support, and submission of required FFRs for the ELC and Immunization programs, specifically:

- RIDOH was unable to substantiate expenditure amounts recorded on the FFR for the ELC Core award and its supplements. In addition, testing specific to the ELC program noted 13 of 35 (37%) required FFR submissions for fiscal year 2025 had not been submitted. Although RIDOH indicated that the outstanding FFRs were in the process of being prepared and submitted, the reports remained delinquent beyond the applicable federal reporting deadlines.
- Testing specific to the Immunization program noted that 5 of 10 (50%) required FFR submissions could not be adequately supported with detail in the State's accounting system. Specifically, expenditures reported on the FFRs related to multiple overlapping grant awards and reporting periods. RIDOH relies upon Uniform Grant Spreadsheets (UGS) to accumulate and report expenditures; however, the UGS did not provide sufficient detail to distinguish expenditures among the applicable awards or reporting periods. As a result, we were unable to reconcile reported expenditures to the State's accounting system in detail and could not verify the accuracy of amounts reported on the affected FFRs. RIDOH was researching exceptions noted during testing and determining if report revisions are needed.

We deemed the audit results noted above to be material noncompliance with program reporting requirements for the ELC (37% of required reports were not filed) and Immunization programs (lack of support for expenditures reported on 50% of the reports filed). Further, RIDOH's lack of procedures to reconcile federal reporting to the State accounting system represents a material weakness in internal control over federal reporting.

Cause: RIDOH currently utilizes workbooks, Uniform Grant Spreadsheets (UGS), to track federal expenditures during the term of the award. Information reported on the annual FFRs is compiled using the cumulative information within the UGS. There is a lack of sufficient control over access and data integrity to ensure that the underlying transactional account details within RIDOH's UGS are complete and accurate. The UGS are not

reconciled on a routine basis to ensure consistency with the State's financial accounting system's detail, and management's review of the required SF-425A reports was insufficient to identify inaccuracies in amounts reported. Personnel changes, in conjunction with a lack of documented policies and procedures, during fiscal 2025 contributed to reporting difficulties cited above.

Effect: Material noncompliance with federal reporting requirements.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2025-045a	Enhance internal control over the UGS to ensure the accuracy and integrity of cumulative financial information used in generating required Federal financial reports.
2025-045b	Reconcile the details contained within the UGS to the underlying transactional information recorded in the State's accounting system, to verify that amounts reported within the required SF-425A forms are complete and accurate.
2025-045c	Amend FFRs submitted during fiscal 2025 with inaccurate expenditures reported and complete and submit overdue FFRs.

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

Finding 2025-046 (other noncompliance / material weakness – repeat finding – 2024-049)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RITANF; 2501RITANF
Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Eligibility

CONTROLS OVER ELIGIBILITY DETERMINATIONS IN THE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) PROGRAM

Internal controls are lacking to ensure that TANF eligibility is supported by documentation required by program regulations.

Background: RIBridges is the State's federally approved integrated eligibility system used to manage multiple health care and human service programs. It was designed to allow for enhanced client accessibility and provide for periodic validation of client attested data through multiple electronic interfaces.

Criteria: Federal regulation 45 CFR §260.20 requires the TANF program to serve needy families. Rhode Island regulation sets the specific criteria to determine if a family qualifies for assistance, consistent with federal regulations and requirements. 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 is maintained in the case file.

Federal regulations define appropriate sources of documentation to verify TANF applicant data when determining TANF eligibility, including proof of residency. According to the RI State plan, acceptable documentation for proof of residency includes rental receipts, lease agreements, utility bills, medical bills, bank statements, payroll statements, mortgage statements, car registrations, city or town tax statements, and/or school records.

State regulation 218-RICR-20-00-2 requires TANF recipients to have a redetermination of eligibility at least once every 12 months, and whenever a significant change occurs.

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.

For State fiscal year (SFY) 2025, we tested a sample of 60 cases (sampled on a monthly benefit payment). Documentation deficiencies for critical eligibility requirements were noted in 21.7% of the cases we tested. Questioned costs of $47,032 were calculated by totaling all monthly payments disbursed during fiscal 2025 for sampled cases in which eligibility was either unsupported, incorrectly determined or continued despite reason for discontinuance (i.e. incomplete recertification). Total SFY 2025 TANF payments for the cases sampled totaled $384,511, resulting in a benefit issuance error rate of 12.2% projected over the total benefit population of $31.6 million. Based on our test results, we estimated likely questioned costs of $3.9 million or 3.8% of total program expenditures.

While our projected questioned costs did not rise to the level of material noncompliance for TANF eligibility requirements, significant noncompliance is resulting from documentation deficiencies. The following exceptions resulted in eligibility being unsupported by case records. Note that an individual case may have more than one noted error (15 total exceptions relating to 13 unique cases – 21.7% error rate):

- 4 of 60 (6.7%) cases in which the required documentation supporting household residency was not maintained in the electronic case file.
- 10 of 60 (16.7%) cases in which signed recertification documents were not scanned and maintained in the electronic case file.
- 1 of 60 (1.7%) cases in which the initial benefit application (DHS-2) was not scanned and maintained in the electronic case file.

In addition to the noncompliance issues identified above, we identified 7 of 60 (11.7%) case files that did not contain identification documents or other supporting case information for all household members. These deficiencies represented nonconformance with the established eligibility process and/or control procedures, however, they were not deemed to represent ineligible benefit payments.

While applicant attested information in most cases supported applicant eligibility for TANF, the lack of required critical supporting documentation and the significant number of other documentation deficiencies noted were deemed to be a material weakness in internal control over TANF eligibility.

Our consideration of compliance also included the eligibility testing results noted in Finding 2025-053 relating to Child Care provider payments, which are partly funded by TANF. Although DHS's inability to identify federal program funding source at a provider payment level required actual questioned costs to be reported specific to the Child Care program, we estimated that likely questioned costs relating to Child Care provider payments funded by TANF totaled $1.4 million. Our evaluation of eligibility results for benefit payments in these findings, while deemed significant, were not deemed to represent material noncompliance with TANF eligibility requirements.

Cause: Lack of supporting documentation included in the TANF case record (file) and insufficient procedures to ensure that critical case documentation is included in the case record prior to eligibility approval for the applicant.

Effect: Noncompliance with TANF eligibility requirements and/or documentation requirements mandated by DHS policy. Ineligible benefit payments claimed to the TANF program.

Questioned Costs: $47,032

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2025-046 Improve policies and procedures to ensure that all required eligibility compliance requirements for TANF are documented within RIBridges.

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

Finding 2025-047 (other noncompliance / material weakness – repeat finding – 2024-050)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RITANF; 2501RITANF
Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Special Tests and Provisions – Income Eligibility and Verification System

INCOME ELIGIBILITY AND VERIFICATION SYSTEM

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

Background: RIBridges, the State's integrated eligibility system, interfaces with various electronic data exchanges in determining the initial and subsequent continuance of eligibility. The State utilizes information, most notably, wage and unemployment income (UI), obtained from the State Wage Information Collection Agency (SWICA), the Rhode Island Department of Labor and Training (DLT), and the federal Beneficiary & Earnings Data Exchange (BENDEX), in addition to other data sources to comply with IEVS.

Criteria: 2 CFR §200.303 requires that a non-federal entity must "establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control-Integrated Framework' issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)."

Federal regulation 45 CFR §205.55 requires that "each state shall participate in the Income Eligibility and Verification System (IEVS) required by Section 1137 of the Social Security Act as amended. Under the state plan the state is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations and adhere to standardized formats and procedures in exchanging information with other programs and agencies. Specifically, the state is required to request and obtain information as follows (42 USC 1320b-7; 45 CFR §205.55): (a.) Wage information from the state Wage Information Collection Agency (SWICA) should be obtained for all applicants at the first opportunity following receipt of the application, and for all recipients on a quarterly basis. (b.) Unemployment Compensation (UC) information should be obtained for all applicants at the first opportunity, and in each of the first three months in which the individual is receiving aid. This information should also be obtained in each of the first three months following any recipient-reported loss of employment. If an individual is found to be receiving UC, the information should be requested until benefits are exhausted. (c.) All available information from the Social Security Administration (SSA) for all applicants at the first opportunity. (d.) Information from the US Citizenship and Immigration Services and any other information from other agencies in the state or in

other states that might provide income or other useful information. (e.) Unearned income from the Internal Revenue Service (IRS)."

45 CFR §205.55 provides that the State shall review and compare the information obtained from each data exchange against information contained in the case record to determine whether it affects the applicant's or the recipient's eligibility or the amount of assistance within 45 days.

Condition: DHS did not outline within its TANF state plan how it complies with Section 1137 of the Social Security Act, as amended, as it relates to IEVS requirements.

As part of our testing, we sampled 25 newly enrolled/added cases and determined if information was obtained from external data exchanges (SWICA, DLT UI & BENDEX) for all applicants at the first opportunity, and within 45 days of application as defined by federal regulations. The following errors were noted in our testing (note that an individual case may have more than one error):

- 8 new cases not run against SWICA interface data within 45 days of application;
- 7 new cases not run against BENDEX interface data within 45 days of application; and
- 6 new cases not run against DLT UI interface data within 45 days of application.

While income verifications were eventually performed in the cases reviewed, three of the errors noted above exceeded 175 days before verification was performed.

Additionally, as part of eligibility compliance testing, we determined whether ongoing data exchange interfaces were performed, verified and processed by the agency for individuals already receiving benefits.

- 2 of 60 cases where SWICA information was identified and not verified, processed, or added to the eligibility case file timely.

While our testing found the IEVS processes to be operating during fiscal 2025, substantial delays in initial data verification and follow-up on data identified by periodic revalidation processes were noted in a significant percentage of cases reviewed. We considered the high percentage of untimely verifications to represent a material weakness in controls over eligibility as ineligible benefits could be expended for significant periods of time without detection.

Cause: Absence of IEVS procedures documented within the TANF state plan. Lack of supporting documentation in the case record and insufficient procedures to ensure that income interfaces are run against client information prior to and during eligibility periods.

Effect: Noncompliance with TANF IEVS requirements mandated by federal regulations. Improper or incorrect benefit payments could be claimed to the TANF program.

Questioned Costs: Undetermined

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2025-047a	Conduct a review of the TANF state plan and update it to include detailed procedures for utilizing IEVS interfaces and incorporating the resulting information into eligibility determinations.
2025-047b	Ensure that income data interfaces are properly executed and that the information obtained is used to make timely benefit eligibility determinations.

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

Finding 2025-048 ***(other noncompliance / significant deficiency – new finding)***

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RITANF; 2501RITANF
Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Reporting

ACF-199 REPORTING INACCURACIES

DHS failed to update its ACF-199 reporting process to reflect changes in reporting instructions. Reported ACF data elements were unsupported by case/client information.

Criteria: Under 42 USC §611, states must submit TANF program data in accordance with reporting instructions established by the Department of Health and Human Services. The Administration for Children and Families (ACF) official TANF reporting guidance requires states to adhere to prescribed data definitions, element codes, formatting rules, and validation criteria for ACF-199 submissions. States must ensure completeness, accuracy, and conformity with federally mandated reporting standards.

Condition: During our review of the State's TANF reporting processes, we identified that the ACF-199 quarterly data files submitted to ACF contained incorrect coding for several required data elements when compared to case information in RIBridges, the State's eligibility system. We tested a sample of 25 cases reported in the ACF-199 for key line items and noted the following reporting discrepancies (note that an individual case may have more than one noted error):

- Item 12 – Type of Family for Work Participation – 1 error
- Item 17 – Receives Subsidized Child Care – 2 errors
- Item 39 – Parents with a Minor Child – 10 errors
- Item 48 – Work-Eligible Individual Indicator – 1 error
- Item 49 – Work Participation Status – 2 errors
- Items 50-62 – Work Participation Activities – 2 errors

Separate analysis relating to procedures performed over earmarking identified 14 individuals reported in the ACF-199 data as having received assistance more than the allowable 60 months and were incorrectly coded as non-hardship exemptions.

It was also determined that new guidance for coding definitions from ACF was not implemented by the agency and that supervisory review of the reports by agency personnel was not performed prior to submission to ACF.

Cause: Deficiencies were due to inadequate internal controls over federal reporting. Agency staff did not update the system to reflect current federal coding guidelines. Formal review procedures were not established by the agency.

Effect: Inaccurate or noncompliant coding increases the risk of inaccurate data reporting to ACF. Failure of oversight by the agency can result in federal penalties to the program including a reduction in the grant amount.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2025-048a Implement procedures to ensure ACF-199 reports are accurate and comply with federal coding guidelines.

2025-048b Establish a documented quality assurance review process for the ACF-199 reports prior to submission.

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

Finding 2025-049 (material noncompliance / material weakness – new finding)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RITANF; 2501RITANF
Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Special Tests and Provisions – Penalty for Failure to Comply with Work Verification Plan

WORK VERIFICATION PLAN NONCOMPLIANCE

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

Background: DHS's approved Work Verification plan documents the State's internal controls over ensuring the accuracy of work verification data submitted as part of the ACF-199 report. Noncompliance with federal regulations over work verification may result in federal action to impose a penalty.

Criteria: 45 CFR §261.62 requires the State to verify the accuracy of work participation data.

45 CFR §261.63(c) requires the State to submit amendments to its work verification plan for (1) procedural changes for verification of work activities or (2) changes in internal controls for ensuring consistent measurement of the work participation rate.

45 CFR §261.65 requires the state to maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of data used in calculating work participation rates.

Condition: Our review of DHS procedures relating to Work Verification Plan requirements noted the following deficiencies:

- The State has not submitted an amended Work Verification Plan to ACF for approval reflecting the material changes in current procedures performed by the agency in verifying work participation. The existing plan continues to include documentation of operations relating to the previous eligibility system and is not representative of current processes employed by DHS.
- The internal controls documented in the State's Work Verification Plan provide that DHS performs a monthly review of sampled cases to ensure work verification procedures are properly followed. During our audit, we randomly selected 3 months to obtain documentary evidence of the controls operating as described, however, DHS was unable to provide any evidence of the control activities having been implemented and performed.
- As we reported in Finding 2025-048, we identified 2 errors in the accuracy of reported worker participation data. Such inaccuracies support the need for improved controls over reported data to ensure that required data is accurately reported to the federal government.

Cause: DHS did not submit an amended Work Verification Plan for approval as required and did not implement the control activities as documented.

Effect: Noncompliance with federal regulations.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2025-049a Amend the existing Work Verification Plan to reflect current procedures and operations performed by the agency in ensuring the validity of work participation data and submit to ACF for approval.

2025-049b Implement internal controls as documented in the State's Work Verification Plan.

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

Finding 2025-050 (other noncompliance / significant deficiency – repeat finding – 2024-051)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RITANF; 2501RITANF
Administered by: Rhode Island Department of Human Services (DHS)

CCDF CLUSTER – 93.575, 93.596
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RICCDF; 2501RICCDF
Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Reporting

FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA)

Subawards were not reported timely in accordance with federal regulations. Controls over reporting of subawards to a federal transparency website can be enhanced to ensure accurate reporting in compliance with the requirements of FFATA.

Criteria: Subaward reporting under the Federal Funding Accountability and Transparency Act (FFATA) requires the awarding agency to report subawards in the Federal Subaward Reporting System (FSRS) no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made (2 CFR Part 170, Appendix A, *Award Term*, *Reporting Requirements*).

Condition: DHS did not report subaward information in the FSRS in a timely manner. Our testing of subaward reporting for compliance with FFATA reporting requirements are detailed in the following tables:

TANF Transactions Tested	**Subaward Not Reported**	**Report Not Timely**	**Subaward Amount Incorrect**	**Subaward Missing Key Elements**
9	0	1	0	0
Dollar Amount of Tested Transactions	**Subaward Not Reported**	**Report Not Timely**	**Subaward Amount Incorrect**	**Subaward Missing Key Elements**
$14,591,868	$0	$404,480	$0	$0

CCDF Transactions Tested	**Subaward Not Reported**	**Report Not Timely**	**Subaward Amount Incorrect**	**Subaward Missing Key Elements**
3	0	1	0	0
Dollar Amount of Tested Transactions	**Subaward Not Reported**	**Report Not Timely**	**Subaward Amount Incorrect**	**Subaward Missing Key Elements**
$2,674,077	$0	$200,702	$0	$0

Cause: DHS lacks monitoring controls to ensure that subawards are reported timely in accordance with FFATA requirements.

Effect: Noncompliance with FFATA reporting requirements.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2025-050 Implement monitoring controls to ensure that subaward information is submitted timely in accordance with FFATA reporting requirements.

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

Finding 2025-051 ***(other noncompliance / significant deficiency – new finding)***

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RITANF; 2501RITANF
Administered by: Rhode Island Department of Human Services (DHS)

CCDF CLUSTER – 93.575, 93.596
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RICCDF; 2501RICCDF
Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Reporting

DHS FINANCIAL REPORTING

Misstatements identified in quarterly financial reports.

Background: ACF requires separate financial reports in place of the SF-425 for both CCDF and TANF. The ACF-696 quarterly report provides information on CCDF expenditures to ensure compliance with federal spending requirements. The TANF ACF-196R reports quarterly expenditure data on the use of federal TANF funds, State TANF Maintenance of Effort (MOE) and State expenditures.

Criteria: Per 45 CFR §265.7(b)(1) the requirements for the TANF Financial Report to be "a complete and accurate report" means that the reported data accurately reflect information available to the State in case records, financial records, and automated data systems.

Per 45 CFR §98.65(g) Lead Agencies shall submit financial reports, in a manner specified by ACF, quarterly for each fiscal year until funds are expended.

Per 2 CFR §200.303(a), a non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework," issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition: Ineffective controls over financial reporting to ensure complete and accurate program information is reported to the federal grantor.

As part of our audit testing, we randomly selected two quarters and reviewed all submitted reports for open grants during the selected period. Our review noted the following:

1) ACF-196R: Our review of the TANF Financial Reports for the quarter ending December 31, 2024, for grant year 2023, found that the Department of Human Services (DHS) did not accurately report certain amounts, specifically, line item 11.b. Pre-Kindergarten/Head Start – DHS overstated reported expenditures by $1,411,129.
2) ACF-696: Our review of the CCDF Financial Reports found that the DHS did not accurately report certain amounts on the CCDF Financial Reports. Most notably, misstatements in the quarter ending March 31, 2025 included:

- Line Item 1 Mandatory Funds Total – expenditures overstated by $1,135,189.
- Line Item 1 Matching Funds Total – expenditures overstated by $2,635.
- Line Item 1 MOE Total – expenditures understated by $475,489.

Additional discrepancies were noted in the report for the quarter ending June 30, 2025 and DHS reconciliations of variances reported for Matching and Discretionary Funds remained ongoing.

Cause: Inadequate review of the report compilation process and lack of reconciliation between costs reported in the financial reports to the underlying detail in the State's accounting system for the period being reported.

Effect: Inaccurate reporting and noncompliance with federal regulations.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2025-051a	Reconcile reported federal expenditures to the corresponding accounting detail.
2025-051b	Implement adequate review controls to ensure accurate and timely financial reporting.
2025-051c	Amend the ACF-196R and ACF-696 reports to correct expenditures reported.

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

Finding 2025-052 ***(significant deficiency – new finding)***

CCDF CLUSTER – 93.575, 93.596
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RICCDF; 2501RICCDF
Administered by: Rhode Island Department of Human Services (DHS)
Compliance Requirement: Cost Sharing (including Matching), Level of Effort, Earmarking

INTERNAL CONTROL OVER EARMARKING COMPLIANCE REQUIREMENTS

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

Criteria: Federal regulation 45 CFR §98.50(b) and (d) provides the minimum and/or maximum amount/percentage of CCDF funds to be used for specified activities such as administrative costs and improvement in the quality of child care services.

2 CFR §200.303(a) requires recipients and subrecipients of federal assistance to establish, document, and maintain effective internal control over the federal award that provides reasonable assurance that the recipient or subrecipient is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: Internal controls over compliance with earmarking requirements were found to be deficient. On a quarterly basis, the Department of Human Services (DHS) aggregates program expenditures to track and monitor the agencies' compliance with specific CCDF earmarking requirements. The deficiencies noted in Finding 2025-051 detail the misstatements relating to reported expenditures in federal reports that also impacted DHS's ability to effectively evaluate compliance with earmarking requirements. Reporting inaccuracies were largely determined to be caused by the inclusion of program activity outside of the reporting period.

Although we ultimately determined that DHS complied with earmarking requirements using accurate expenditures for the period, DHS's procedures were deemed ineffective to ensure that only applicable program expenditures were included in calculations of the minimum/maximum amount of funds used for specified activities.

Cause: DHS staff were unaware of errors in reports/expenditure detail used to calculate compliance with earmarking requirements.

Effect: Inaccurate or incomplete data used in calculations to monitor compliance with earmarking requirements may result in the agency incorrectly determining compliance. Possible noncompliance with federal regulations may result in questioned costs.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2025-052 Implement adequate review procedures over underlying expenditures utilized within calculations for evaluating compliance with earmarking requirements.

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

Finding 2025-053 (other noncompliance / material weakness – repeat finding – 2024-054)

CCDF CLUSTER – 93.575, 93.596
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RICCDF; 2501RICCDF
Administered by: Rhode Island Department of Human Services (DHS)
Compliance Requirement: Eligibility

CONTROLS OVER CHILD CARE ELIGIBILITY AND PROVIDER PAYMENTS

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

Background: RIBridges is the State's federally approved Integrated Eligibility System (IES) used to manage multiple health care and human service programs. It is designed to allow for integrated eligibility across programs, enhanced client accessibility, and provide for periodic validation of client attested data through multiple electronic interfaces. RIBridges determines eligibility for a child care subsidy and the amount of parental co-pay based on family income and family size. Payments to licensed child care providers are made through RIBridges. RIBridges is the official source of recipient eligibility documentation for the child care program.

During fiscal 2024, the State rolled out the Child Care Educators and Child Care Staff Pilot program which expands income eligibility up to 300% the Federal Poverty Level (FPL) compared to 261% FPL for traditional CCAP. Qualifying individuals must work in a licensed child care center, licensed family child care home, or a licensed group family child care home to receive benefits through the pilot.

Criteria: Lead agencies must have procedures in place for documenting and verifying eligibility in accordance with federal requirements, as well as the specific eligibility requirements adopted by each State in its approved plan. A lead agency is the designated State, territorial or tribal entity to which the CCDF grant is awarded and that is accountable for administering the CCDF program. Lead agencies shall establish a sliding scale fee based

on family size, income, and other appropriate factors that provides for cost sharing by families that receive CCDF child care services (45 CFR §98.45(k)). Lead agencies may exempt families below the poverty line from making copayments and shall establish a payment rate schedule for child care providers caring for subsidized children (45 CFR §98.45(k)(4)).

The lead agency has authority to administer the program through other governmental or non-governmental agencies, however, retains overall responsibility for the administration of the program (45 CFR 98.11(a)(1)).

Rhode Island General Law §40-5.2-20(k) established a pilot program allowing the Department of Human Services to provide funding for child care for eligible child care educators and child care staff with family income up to three hundred percent (300%) of the Federal Poverty Level, who work in a licensed child care center, licensed family child care home, or a licensed group family child care home.

Condition: A sample of 60 cases was tested for fiscal 2025 to determine compliance with program eligibility requirements. Control deficiencies relating to income verification within RIBridges were noted as follows:

- 3 of 60 (5.0%) electronic case files did not maintain documentation to support income used in the eligibility determination;
- 1 of 60 (1.7%) case files incorrectly calculated household income by including household resources that should have been excluded; and
- 1 of 60 (1.7%) case files incorrectly transposed income, which was supported by documentation in the electronic case file, into the eligibility system. The error did not result in a different eligibility determination or change in the calculated family co-share.

Deficiencies relating to missing documentation to support eligibility resulted in questioned costs totaling $617 for the sampled provider payments (excluding family co-share). Total payments to child care providers for the sample of 60 cases tested totaled $11,991 resulting in a projected error rate of 5.1%. Known questioned costs relating to cases with unsupported eligibility totaled $37,631 for fiscal 2025.

Questioned costs noted above were extrapolated to total provider payments of $68.4 million in fiscal 2025 to determine likely questioned costs relating to provider payments made for cases with unsupported eligibility. Based on our test results and determined error rate, we estimated likely questioned costs of $1.3 million in provider payments funded by the CCDF program.

For determination of likely questioned costs by program for compliance evaluation purposes, allocations by funding source were estimated based on the following percentages of total benefits charged by program in fiscal 2025: 37% to CCDF, 41% to TANF, 2% to SSBG, and 20% to State funds.

In addition to testing eligibility determinations made within RIBridges, additional procedures were performed over the eligibility determinations relating to the CCAP for Child Care Educators and Child Care Staff Pilot program. During fiscal 2025, 739 children were enrolled in the pilot program with payments to providers totaling $4,746,587. Eligibility determinations and provider disbursements for this program were contracted out to a vendor and were not performed in the RIBridges eligibility system. DHS claimed that changes to RIBridges to accommodate the different eligibility criteria under the program would not have been made in time for the roll out of the pilot program. The vendor performed the data intake and provided DHS with an eligibility recommendation, although the final authority over eligibility approval remained with the agency. During our audit, we tested a sample of 25 cases and did not identify any errors relating to compliance with eligibility determinations. However, we noted duplicate payments for one case that was enrolled in both the pilot program and approved for child care through RIBridges. Two bi-weekly provider payments were disbursed through both systems for the same period. Further data analysis was performed over the complete child care populations to quantify total duplicate payments made. Total questioned costs of $28,308 were determined for 129 duplicate weekly payments for 34 children.

Questioned costs for the Child Care Educators and Child Care Staff Pilot program were quantified using the total benefits paid during fiscal 2025, allocation by funding source: 36% by Child Care, 64% by TANF.

Additionally, individuals enrolled through the pilot program not maintained within the State's eligibility system were not subjected to continuous post eligibility monitoring through RIBridges' built-in interfaces (SWICA, Unemployment, PARIS, etc.), weakening controls over eligibility.

Our consideration of compliance, based on our sample error rate and projected questioned costs relating to income validation and duplicated provider payments, was not deemed to represent material noncompliance with CCDF eligibility requirements in fiscal 2025.

Cause: RIBridges does not prevent a case from being approved for eligibility for missing required documents. Eligibility exceptions noted resulted from worker noncompliance with documentation requirements supporting eligibility determinations. Controls over the input of payroll information were also deficient, which may result in improper co-share amounts being determined.

Controls over provider disbursements were insufficient to prevent disbursal of duplicate provider payments.

Effect: Noncompliance with child care eligibility requirements. The parental income/co-shares could be incorrectly determined. Improper payments relating to duplicative disbursements.

Questioned Costs: $65,939

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2025-053a	Improve controls over CCDF eligibility determinations by ensuring consistent inclusion of eligibility documentation in the electronic case record.
2025-053b	Consider modifying the existing eligibility system to accommodate eligibility determinations made under the CCAP Child Care Staff program.
2025-053c	Enhance controls over provider disbursements to identify potential duplicate disbursements. Recover improper payments and return to the federal grantor.

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

Finding 2025-054 (other noncompliance / significant deficiency – repeat finding – 2024-055)

CCDF CLUSTER – 93.575, 93.596
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2401RICCDF; 2501RICCDF
Administered by: Rhode Island Department of Human Services (DHS)
Compliance Requirement: Special Tests and Provisions – Health and Safety Requirements

NONCOMPLIANCE WITH HEALTH AND SAFETY REQUIREMENTS

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

Background: The Department of Human Services (DHS), the lead agency, operates the Office of Child Care which administers the Child Care Assistance program as well as the licensing and monitoring of participating child care centers. DHS has adopted formalized licensure and health and safety policies and procedures designed to ensure compliance with 45 CFR §98.41, *Health and safety requirements.*

Criteria: 45 CFR §98.41, *Health and safety requirements* state that "(a) Each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements (appropriate to provider setting and age of children served) that are designed, implemented, and enforced to protect the health and safety of children. Such requirements must be applicable to child care providers of services for which assistance is provided under this part." 45 CFR §98.42 requires sufficient monitoring policies and practices applicable to all child care providers to ensure compliance with health and safety requirements.

RI Code of Regulations, Title 218, Department of Human Services, Chapter 70, Office of Child Care Licensing, Parts 1 and 2, mandate licensing standards for Child Care Centers and Family Child Care Centers.

As part of the State's approved plan, unannounced monitoring visits are to be performed once annually for Family Child Care Homes and twice annually for Child Care Centers to inspect providers and ascertain compliance with health and safety regulations.

Condition: DHS continued to improve on its compliance with Health and Safety requirements. Late in fiscal 2025, DHS implemented the Rhode Island Start Early System (RISES), an information system intended to improve overall monitoring and licensing of child care providers. RISES replaces a physical case filing system the agency previously utilized and should allow for more timely interaction with providers regarding license renewals, submission of required documentation, and remediation of corrective action plans.

While the RISES system is expected to aid in the agency's compliance in subsequent fiscal years, our testing during fiscal 2025 of a sample of 40 child care providers noted the following noncompliance and related control deficiencies:

- 7 of 40 (17.5%) providers did not have a minimum of one unannounced site visit during fiscal 2025 as required by policy.
- 25 of 40 (62.5%) provider files did not contain evidence of fire, lead or radon inspections spanning the entire fiscal year. Evidence of prior inspections was noted in the provider record.
- 8 of 40 (20%) providers did not have evidence that communicated deficiencies requiring corrective action were subsequently resolved.

Our provider review included documentation of 10 specific provider monitoring requirements. While our testing found that DHS's monitoring procedures were substantive and operational during the year, the exceptions noted were deemed to be noncompliance with certain State policies designed to ensure federal compliance and a significant deficiency in internal control over compliance with this special test and provision.

Cause: DHS OCC monitoring policies and procedures are not sufficient to ensure child care provider compliance with health and safety standards.

Effect: Noncompliance with child care provider health and safety requirements designed to ensure the health and safety of children covered under the Child Care and Development Fund program.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2025-054 Evaluate current monitoring procedures and resources needed to improve child care provider compliance with health and safety requirements.

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

Finding 2025-055 ***(significant deficiency – new finding)***

FOSTER CARE TITLE IV-E – 93.658
Federal Award Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024, 2025
Federal Award Numbers: 2401RIFOST, 2501RIFOST
Administered by: Rhode Island Department of Children, Youth and Families (DCYF)

ADOPTION ASSISTANCE – 93.659
Federal Award Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024, 2025
Federal Award Numbers: 2401RIADPT, 2501RIADPT
Administered by: Rhode Island Department of Children, Youth and Families (DCYF)

Compliance Requirement: Eligibility

UNTIMELY MONITORING OF ELIGIBILITY DETERMINATIONS

DCYF should strengthen controls over the eligibility determination process for the Foster Care Title IV-E and Adoption Assistance programs by requiring its contractor to complete eligibility quality control reviews on a timely basis.

Background: DCYF utilizes contract services to perform monthly reviews of eligibility determination for the Foster Care and Adoption Assistance Title IV-E programs. The contractor conducts case reviews of sampled eligibility determinations periodically throughout the year and reports exceptions noted to DCYF. The results of the reviews are used to confirm the Department's eligibility determinations and to identify employees who may need additional training. This process represents a significant control over eligibility by validating that eligibility criteria have been met and are appropriately documented by DCYF. DCYF's policy requires that the reviews be completed within 90 days.

Criteria: Monitoring internal controls is essential to ensure controls are operating efficiently. Monitoring involves the use of evaluations by management and third parties to assess the effectiveness of established controls and highlight areas requiring corrective action.

Condition: In fiscal 2025, thirteen out of fifteen review reports issued by the contractor during fiscal 2025 were not reported timely for the Foster Care and Adoption Assistance programs. To maximize effectiveness, quality control reviews should be performed timely, which DCYF has defined in policy as no later than 90 days. Our testing found that several reviews were not completed until 7-9 months after the period of the eligibility determination. The lack of timeliness diminishes the value of the quality control process and the controls established over eligibility.

Cause: Untimely **c**ompletion and reporting of eligibility quality control reviews.

Effect: Ineligible claiming to federal programs going undetected for an extended period.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2025-055 Ensure timely completion of eligibility quality control reviews in accordance with DCYF policy.

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

Finding 2025-056 ***(significant deficiency – new finding)***

FOSTER CARE TITLE IV-E – 93.658
Federal Award Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024, 2025
Federal Award Numbers: 2401RIFOST, 2501RIFOST
Administered by: Rhode Island Department of Children, Youth and Families (DCYF)

ADOPTION ASSISTANCE – 93.659
Federal Award Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024, 2025
Federal Award Numbers: 2401RIADPT, 2501RIADPT
Administered by: Rhode Island Department of Children, Youth and Families (DCYF)

Compliance Requirement: Reporting

CONTROLS OVER REPORTING FOR IV-E PROGRAMS

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

Background: DCYF administration of the Foster Care and Adoption Assistance programs includes required Form CB-496 reporting of financial and operating data on a quarterly basis to the U.S. Department of Health and Human Services. Form CB-496 reporting includes DCYF certification of report accuracy, correctness, and compliance with award terms and conditions.

Criteria: 2 CFR 200.303 requires that Federal award recipients "establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award." Further, the "internal controls should align with the guidance issued by the Comptroller General of the United States" (Green Book) which includes "segregation of duties in designing control activities so that incompatible duties are segregated" to "reduce the risk of error, misuse, or fraud." In the case of reporting as a control activity, Compliance Supplement 2025, Part 6 expects that "segregation of duties exists between those preparing and those reviewing and filing required reports." For Foster Care program awards, Form CB-496 reporting is required and includes recipient certification of the correctness and accuracy of financial and program data reported. Per the references, CB-496 report preparation and review/certification duties are incompatible and should be segregated by documented processes, responsibilities, authorities.

Condition: DCYF did not provide supporting documentation demonstrating appropriate segregation of duties between the preparation and review/certification of the CB-496 report for Foster Care reporting for the periods ending September 30, 2024 and March 31, 2025, or for Adoption Assistance reporting for the period ended March 31, 2025. Additionally, DCYF did not provide documentation describing the internal controls, processes, responsibilities, or authorities governing Foster Care and Adoption Assistance reporting.

In conjunction with our audit, we noted that expenditures reported on federal reports for the quarter ending June 30, 2025 were not recorded in the State's accounting system until fiscal 2026. This timing difference resulted in a significant difference between expenditures claimed on federal reports and amounts reported in the State accounting system which is the basis for program expenditures reported in the State's Schedule of Expenditures of Federal Awards. While the timing difference does not impact the reporting of grant expenditures for the federal grant year, it supports the need for more oversight to ensure the alignment of reported federal expenditures between federal reports and the State accounting system. This reporting difference and routine late filings of federal reports results from delays in the completion of cost allocation procedures. Proper controls would have allowed for timely identification of the discrepancy and more timely reporting in the State accounting system.

Cause: DCYF has not documented and implemented internal control activities over Foster Care or Adoption Assistance program reporting requirements, nor has it documented responsibilities and authorities associated with program reporting to ensure segregation of duties. Current procedures would not ensure that errors in federal reporting would be detected and corrected prior to report filing.

Effect: Inaccurate or incomplete federal reporting could occur and not be detected by the Department.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2025-056a Establish, document, and implement effective internal control that ensures segregation of reporting duties between the report preparation and review to provide reasonable assurance over the accuracy and completeness of federal reporting. Implementation should include the training of sufficient personnel to sustain procedures, control activities, and compliance in the event of staff turnover.

2025-056b Ensure completion of cost allocation procedures to allow for timely federal reporting of program expenditures and reconciliation of federal reports with the State accounting system.

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

Finding 2025-057 ***(significant deficiency – new finding)***

ADOPTION ASSISTANCE – 93.659
Federal Award Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024, 2025
Federal Award Numbers: 2401RIADPT, 2501RIADPT
Administered by: Rhode Island Department of Children, Youth and Families (DCYF)

GUARDIANSHIP ASSISTANCE – 93.090
Federal Award Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024, 2025
Federal Award Numbers: 2401RIGARD-05, 2501RIGARD-01
Administered by: Rhode Island Department of Children, Youth and Families (DCYF)

Compliance Requirement: Reporting

CONTROLS OVER EXPENDITURE REPORTING FOR ADOPTION ASSISTANCE PROGRAM

The Department of Children, Youth and Families did not appropriately segregate expenditures for the Adoption Assistance (93.659) and Guardianship (93.090) Programs.

Background: The Department of Children, Youth and Families (DCYF) administer both the Adoption Assistance program (ALN 93.659) and the Guardianship Assistance program (ALN 93.090). Efficient administration of these programs requires precise tracking of federal expenditures to ensure that costs are allocated to the correct federal award.

Criteria: Pursuant to 2 CFR §200.302 (Financial Management), non-federal entities must maintain a financial management system that provides accurate, current, and complete disclosure of the financial results of each federally sponsored project or program. Specifically, the system must adequately identify the source and application of funds for federally funded activities, including the separation of expenditures by individual Assistance Listing Number (ALN).

Condition: DCYF did not maintain separate accounting to properly isolate expenditures between distinct federal programs. Specifically, the Department utilized a single account (Line-Item Sequence Number 2075113) to record transactions for both the Adoption Assistance (ALN 93.659) and Guardianship Assistance (ALN 93.090) program expenditures. Consequently, this led to a reporting error where $287,539 in expenditures relating to the Guardianship Assistance program were incorrectly allocated to the Adoption Assistance program. This resulted in overstated expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) for the Adoption Assistance program and understated expenditures for the Guardianship Assistance Program in the Schedule of Expenditures of Federal Awards (SEFA). DCYF, however, properly identified the expenditures reported on the respective financial reports for each program. In conjunction with our audit, an adjustment was proposed to the SEFA to ensure properly reporting in the Single Audit.

Cause: The Department lacks distinct, dedicated general ledger accounts or unique cost centers within its financial management system for each specific Assistance Listing Number. Relying on manual processes to ensure that the proper allocation of expenditures is prone to error and omission.

Effect: Inaccurate or incomplete reporting in the SEFA and on federal reports going undetected and uncorrected by the department.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2025-057 Ensure proper segregation of accounting for each federal program administered by the Department.

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

Finding 2025-058 (material noncompliance / material weakness – repeat finding – 2024-056)

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5021; 2505RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)
Compliance Requirement: Eligibility

CONTROLS OVER ELIGIBILITY DETERMINATIONS WITHIN THE CHILDREN'S HEALTH INSURANCE PROGRAM (CHIP)

Operational and system deficiencies resulted in noncompliance with federal regulations relating to CHIP eligibility.

Background: Medical benefit expenditures claimed to CHIP totaled $174.4 million (federal share - $120.4 million) in fiscal 2025. Benefit expenditures mainly constituted managed care capitation payments for CHIP eligible individuals. Various application controls and documentation deficiencies continued to result in eligibility determination errors post the public health emergency (PHE) phase out.

Eligibility for CHIP is mainly determined through the State's integrated eligibility system, RIBridges. Individuals are assigned CHIP eligible aid categories, which are then communicated to the Medicaid Management Information System (MMIS) where fee-for-service claims and managed care capitation (i.e., healthcare premiums) are paid on behalf of the individuals. The MMIS allocates expenditures for claims and capitation based on the individual's aid category.

Criteria: Eligibility requirements for CHIP are detailed in the State Plan. Recipient eligibility requirements generally include children under age 19 with household income less than 261% of the federal poverty level (FPL). Coverage of pregnant women and unborn children of non-citizens is also available under CHIP for members with household income less than 253% of FPL. Enhanced funding under CHIP is available only for children without existing health coverage. Children with existing health coverage are eligible for Medicaid.

Condition: While most CHIP eligibility was identified through RIBridges, EOHHS identified additional CHIP claiming totaling $8.3 million (approximately $5.7 million in federal expenditures) through querying the MMIS for members meeting CHIP characteristics but not coded as CHIP eligible by RIBridges. Utilizing two separate claiming mechanisms continues to weaken controls over CHIP eligibility.

For fiscal 2025, we tested a sample of 60 CHIP eligible members (population of eligibility segments for individuals with reported CHIP eligibility during fiscal year 2025 totaled 72,117). Fee-for-service and managed care capitation payments for fiscal 2025 approximated $26.0 million (federal share - $18.0 million) and $121.4 million (federal share - $84.0 million), respectively. Of the 60 cases sampled, our testing noted the following noncompliance with eligibility requirements for CHIP and the related control deficiencies:

- Individuals enrolled in CHIP had evidence of third-party coverage within the MMIS not relayed to RIBridges impacting eligibility determinations (4 cases; questioned costs - $9,602).
- Eligibility terminated within RIBridges not populated within the MMIS. Benefits/disbursements continued despite the change in eligibility status (2 cases; questioned costs - $6,209).
- Unearned income excluded from income calculation in determining eligibility. Had reported unearned income been included the individual would have been ineligible for CHIP benefits (1 case; questioned costs - $56).

The above reported questioned costs represent actual benefit expenditures incurred for the member during the determined period of ineligibility.

In addition, the following deficiencies were noted, however, these case exceptions did not impact the members' eligibility during the audit period:

- The Rhode Island Department of Labor and Training's State Wage & Information Collection Agency (SWICA) interface utilized to validate household income did not properly report in the RIBridges case records. Incomplete SWICA income not reported within RIBridges may cause the system to fail in detecting household income that exceeds federal income limits for CHIP, potentially impacting eligibility determinations (1 case).
- Post Eligibility Verification not performed during the year (1 case).
- Incorrect household composition size populating and utilized in eligibility determination (1 case).

Our testing found exceptions in 7 out of 60 sampled cases resulting in an error rate of 11.7%. Certain cases contained more than 1 exception noted. Total claims and capitation paid for sample cases total $218,426 (federal share - $151,134). Questioned costs relating to sample cases for fiscal 2025 periods deemed ineligible for CHIP reimbursement totaled $15,867 (federal share - $10,979) or 7.3% of claiming for sampled CHIP individuals. Our test results supported projected questioned costs estimated at $10.7 million (federal share - $7.4 million).

In addition to noncompliance reported above, the State continued to claim CHIP enhanced reimbursement for children with existing third-party health insurance coverage. Our analysis of members charged to CHIP against a file of validated health insurance coverage provided by the Medicaid fiscal agent found 782 children charged to CHIP that had verified other private insurance for the entire fiscal year. Capitation payments made in fiscal 2025 for those members totaled $2,609,622 (questioned costs – federal share - $1,805,663). The State implemented system changes to RIBridges designed to prevent children with existing health coverage from being coded CHIP eligible; however, the functionality did not effectively ensure that only uninsured children were charged to CHIP funding sources in fiscal 2025.

Deficiencies in program controls to ensure that children aged out of CHIP at age 19 continued to be noted during fiscal 2025. An analysis of children charged to CHIP during fiscal 2025, age 19 (plus 3 months to allow for notice and redetermination) or older noted 45 individuals with managed care capitation payments claimed to CHIP totaling $102,740 (questioned costs – federal share - $71,089). Significant noncompliance was still noted during fiscal 2025. Of the exceptions noted, 7 individuals were between the ages of 20 and 25 and 7 individuals were older than age 25.

Based on our sample testing exception noted above, we analyzed instances where children initially coded eligible with expenditures funded under CHIP were re-coded and remained coded at year-end to a State coverage program titled "Cover All Kids". Cover All Kids provides State-funded eligibility for undocumented children residing in the State that otherwise meet Medicaid and CHIP eligibility requirements. Our analysis found that the coding error impacted approximately 45 cases within CHIP during fiscal 2025. We conducted a detailed analysis of a sample of 25 cases charged to Medicaid (441 cases) or CHIP (45 cases) and found that none of the sample cases contained documentation of citizenship (interface validation or acceptable case documentation). Based on the sample results, we quantified the amount of capitation charged to CHIP for the 45 individuals identified resulting in questioned costs totaling $58,301 (federal share – $40,340).

EOHHS was unable to perform quarterly PARIS (Public Assistance Reporting Information System) matches for two quarters during fiscal 2025 as the data was unavailable or unreliable. No alternative processes were performed to compensate for the control activity not executed. Recent audits have noted that EOHHS has not been complying with federal requirements to evaluate PARIS notifications for CHIP members by requiring those members to validate continued residency in the State. Our analysis of PARIS reporting during fiscal 2025 identified 117 members reported in the file where follow-up and residency validation was not conducted. The amount of capitation paid for CHIP members no longer residing in the State was not determinable and will require EOHHS follow-up as required by federal regulations.

The cumulative noncompliance identified by our testing procedures over CHIP eligibility was deemed to represent material noncompliance with CHIP program eligibility requirements.

Cause: Noncompliance with CHIP eligibility requirements was caused primarily by CHIP specific programming deficiencies within RIBridges (e.g., interface validations not operating as designed, failure to limit claiming for children with third-party health insurance coverage, noncompliance with federal PARIS match requirements).

Effect: Noncompliance with federal requirements relating to recipient eligibility for CHIP.

Questioned Costs: $1,928,070

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2025-058a	Address and correct the RIBridges system deficiencies (e.g., income validation, TPL consideration, PARIS match) to strengthen controls and ensure compliance with federal regulations regarding CHIP eligibility.
2025-058b	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 2025-059 ***(significant deficiency – new finding)***

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5021; 2505RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Period of Performance

CONTROLS OVER PERIOD OF PERFORMANCE

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

Criteria: Federal regulation 45 CFR §75.303 requires the State to establish and maintain effective internal controls over the Federal award that provide reasonable assurance that the State is managing the Federal award in compliance with Federal statutes, regulation, and the terms and conditions of the Federal award. Federal statute allows for the availability of allotted amounts determined under section 2104(e) of the Act remain available for expenditure by the State through the end of the succeeding fiscal year.

Condition: EOHHS has not documented or implemented control activities to ensure that costs are applied within the period of performance. Manual retroactive capitation adjustments and subsequent journal entries present an increased risk that a cost may be charged or allocated to a federal award outside the allowable period of performance. EOHHS does not currently review higher risk activities at the beginning and ending of the federal award period of performance, as a recommended best practice, to ensure compliance with specific grant award requirements.

Cause: Lack of documented and implemented internal control policies/procedures.

Effect: Potentially charging costs outside the federal awards period of allowability.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2025-059 Develop and implement controls to ensure costs are charged within the federal awards period of performance.

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

Finding 2025-060 (other noncompliance / significant deficiency – repeat finding – 2024-058)

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5021; 2505RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
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 requirements to obtain audited financial reports from its Prepaid Ambulatory Health Plan (PAHP) provider in accordance with 42 CFR §438.3(m).

Criteria: Federal regulation requires states to comply with certain contract and program integrity safeguards when administering Medicaid managed care programs. 42 CFR §438.3(m), *Audited financial reports*, requires that "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."

Condition: The State's agreement with its contracted Prepaid Ambulatory Health Plan (PAHP) that administers nonemergency medical transportation services within Medicaid includes a provision requiring the submission of audited financial reports specific to the Medicaid contract on an annual basis. The State obtained an audited financial report from its PAHP provider; however, the report did not isolate the financial data specific to the State's Medicaid contract as required by federal regulation. The State is fully complying with this federal requirement for all of its managed care organization (MCO) providers. The State did not have procedures in place that detected the noncompliance for the PAHP provider.

Cause: Failure to implement federal requirements and enforce contracted provisions. Controls were also lacking to identify the partial noncompliance with federal requirements.

Effect: Noncompliance with federal regulations relating to managed care financial audit requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2025-060 Implement policies and procedures to comply with federal regulations for audits of PAHP financial reports.

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

Finding 2025-061 (other noncompliance / significant deficiency – repeat finding – 2024-059)

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5021; 2505RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – Provider Eligibility

PROVIDER ELIGIBILITY

Controls over the screening, enrollment, and revalidation of providers within the Medicaid program should be improved to ensure compliance with federal requirements relating to provider eligibility.

Criteria: 42 CFR §455.410, *Enrollment and screening of providers*, requires:

(a) The State Medicaid agency must require all enrolled providers to be screened under this subpart.

(b) The State Medicaid agency must require all ordering or referring physicians or other professionals providing services under the State plan or under a waiver of the plan to be enrolled as participating providers.

(c) The State Medicaid agency may rely on the results of the provider screening performed by any of the following:

(1) Medicare contractors.

(2) Medicaid agencies or Children's Health Insurance Programs of other States.

(d) The State Medicaid agency must allow enrollment of all Medicare-enrolled providers and suppliers for purposes of processing claims to determine Medicare cost-sharing (as defined in section 1905(p)(3) of the Act) if the providers or suppliers meet all Federal Medicaid enrollment requirements, including, but not limited to, all applicable provisions of 42 CFR part 455, subparts B and E. This paragraph (d) applies even if the Medicare-enrolled provider or supplier is of a type not recognized by the State Medicaid Agency.

42 CFR §455.412, *Verification of provider licenses*, requires that the State Medicaid agency (SMA) must:

(a) Have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State.

(b) Confirm that the provider's license has not expired and that there are no current limitations on the provider's license.

42 CFR §455.436, *Federal database checks*, requires that the State Medicaid agency must do all of the following:

(a) Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of Federal databases.

(b) Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded Parties List System (EPLS), and any such other databases as the Secretary may prescribe.

(c) (1) Consult appropriate databases to confirm identity upon enrollment and reenrollment; and (2) check the LEIE and EPLS no less frequently than monthly.

42 CFR §488.330, *Certification of compliance or noncompliance,* (f) *Provider Agreements,* provides that CMS or the Medicaid agency may execute a provider agreement when a prospective provider is in substantial compliance with all the requirements for participation for a SNF or NF, respectively.

42 CFR §442.101, *Obtaining certification*, (a) This section states the requirements for obtaining notice of an ICF/IID's certification before a Medicaid agency executes a provider agreement under §442.12.

Condition: Our testing of 60 sampled fee-for-service and managed care organization providers for provider eligibility during fiscal 2025 noted the following control deficiencies relating to provider eligibility that need to be addressed:

- Encounter data submitted by managed care organizations was subjected to validation for provider enrollment during fiscal 2025; however, we identified exceptions in our sample testing that suggest that the edit was not fully effective. Once fully implemented, this edit should improve controls over provider eligibility by denying encounter data submitted for unenrolled providers. The denial will prompt the MCO to ensure that the provider is properly enrolled or prevent the MCO from being able to claim the encounter as allowable medical expenditures under the contract. Our testing noted 4 providers that were not enrolled in the Medicaid Program as required by federal regulations resulting in noncompliance with provider eligibility requirements, questioned costs totaled $9,331 (federal share - $8,398). Three of the four providers were out-of-state providers required to be enrolled under federal regulations based on the volume of services billed to RI Medicaid. Implementing this additional edit when processing encounter data would improve controls over compliance.
- Licensing for providers of residential services (inclusive of psychiatric services) to children in the State's custody is, by statute, the responsibility of the Department of Children, Youth, and Families (DCYF). DCYF, in conjunction with evaluations of provider health and safety standards, relicenses providers annually. Inconsistent with most Medicaid providers, EOHHS, as the Medicaid agency, does not receive annual licensing data from DCYF resulting in a weakness in control for this segment of providers.
- The State modified its provider enrollment process beginning in March of fiscal 2025. Providers seeking enrollment, screened by the States contracted vendor over the MMIS, that did not yield an exclusion, exception or other noted error would be enrolled without requiring EOHHS approval. EOHHS as the State's designated Medicaid agency retains overall responsibility for the program.
- Our review of provider licensure disciplinary actions taken by the RI Department of Health during fiscal 2025 identified 2 instances where provider status within the MMIS remained active after the provider's license was revoked or suspended. While no claims were processed for these providers after license revocation, current processes to ensure that providers are inactivated timely upon license suspension or revocation were not deemed effective.

In considering that the above control deficiencies and actual questioned costs identified relate to specific subsets of the Medicaid provider population (e.g., out-of-state providers, unlicensed providers), likely questioned costs from noncompliance with provider eligibility requirements were not deemed to be material to this compliance requirement.

Cause: Weaknesses in internal controls over provider eligibility that collectively undermine compliance with federal regulations.

Effect: Potential noncompliance with federal regulations relating to eligibility of providers in managed care networks.

Questioned Costs: Medicaid - $8,398; CHIP - Undetermined

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2025-061a Improve encounter data edit checks to validate provider eligibility for this material provider group by denying any data submitted for unenrolled providers.

2025-061b Enhance internal controls over provider eligibility by addressing deficiencies cited that collectively undermine compliance with federal regulations.

2025-061c EOHHS should perform routine review and monitoring of providers enrolled without agency authorization.

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

Finding 2025-062 ***(material weakness – repeat finding – 2024-060)***

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5021; 2505RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
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 2025-005.

Capitation payments to managed care organizations (MCOs) represent approximately 58% of Medicaid benefit expenditures. EOHHS needs to improve controls over managed care financial activity to ensure compliance with allowable cost principles for related program expenditures.

Background: Medicaid expenditures for members enrolled in managed care during fiscal 2025 approximated $2.1 billion (monthly capitation payments paid to participating MCOs, including claim reimbursements for childbirth related claims). This comprised managed care coverage for approximately 274,000 Medicaid eligible members – approximately 88% of total Medicaid enrollees at June 30, 2025. These capitation payments related to the following managed care programs within the State's Medicaid program:

Program Name	Enrollment (June 2025)	Expenditures (Capitation in millions)
Rite Care (Core, CSHCN, Foster Care)	167,822	$919
Rhody Health Partners (certain adults with disabilities)	12,862	$341
Integrated Care Initiatives (Medicare/ Medicaid Dual Eligibles)	11,928	$204
Medicaid Expansion (low-income adults under 138% FPL)	81,514	$656
Total	**274,126**	**$2,120**

In addition to capitation for medical services, RI Medicaid also expended approximately $29 million in premiums for dental coverage through the RIte Smiles program for more than 135,000 children in the RIte Care program. Each of these programs has different population eligibility characteristics, capitation rate structures, and covered in-plan services. However, these programs operate under similar contract structures for purposes of financial settlement with Medicaid.

Since managed care services provided within the RI Medicaid and CHIP programs involve complex rate setting and contract settlement provisions, the reliability and completeness of the mandated data provided by managed care organizations to the State is vital to fiscal integrity and accountability controls.

Criteria: As allowed under federal regulations, the State administers its managed care programs through contracts with MCOs which share the risk regarding financial gain or loss derived from the final contract settlements for the fiscal year. Contract settlements represent significant financial transactions within the Medicaid and CHIP programs and are subject to the provisions of 2 CFR Part 200 (Uniform Guidance). In conjunction with Uniform Guidance requirements, management is responsible for maintaining internal controls that ensure the allowability of federal costs. For benefit costs associated with managed care, the accuracy of contract settlements requires that costs be documented (by submitted encounter data) and in compliance with contractual requirements (e.g., allowable services, net of credits or reimbursements).

Condition: Financial settlement of contracts with MCOs are performed annually by EOHHS. These settlements are highly dependent on the managed care providers' submission of encounter data supporting medical claims reimbursed by the MCO. The encounter data is the basis for the contract settlements and is also critical to future capitation rate setting performed by a contracted actuary. Since the MMIS is a decades old system that was not designed to subject encounter data to the robust edits that fee-for-service claims have received historically, certain control deficiencies exist over the allowability of the encounter services provided to EOHHS.

Encounter data submitted by the MCOs is currently validated for the Medicaid recipient's eligibility, provider enrollment, and completeness of required data elements (e.g., NDC, Program Indicator, referring provider). Edits for service allowability, incompatible services or billings, existence of third-party liability coverage, and reasonableness of the reimbursement rate are not currently evaluated as encounter data is submitted to EOHHS.

While certain controls over encounter data have improved in recent years through the completion of financial audits and reviews of encounter data completeness, underlying edits at the claim level remain insufficient to validate the allowability of encounter data submitted.

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 2024 managed care contract settlements completed after the one-year claim runout period, we reviewed the percentage of reported managed care expenditures by plan versus submitted encounter data by plan. While the amount of claiming submitted by encounter data continued to improve, medical expenditures reported by the MCOs still exceeded submitted encounter data by $15.6 million in fiscal 2025. The following table provides context regarding the amount of medical expenditures that were not supported by encounter data in fiscal 2024 contract settlements.

Plan	Managed Care Expenditures	Encounter Data Expenditures	Expenditures Supported (%)
MCO – 1	$1,045.1 million	$1,031.7 million	98.7%
MCO – 2	$523.4 million	$523.6 million	100.0%
MCO – 3	$73.5 million	$71.1 million	96.7%

Managed care contract settlements, in addition to ensuring that reported medical expenditures are complete and accurate, remain dependent on reported capitation paid to managed care organizations. During our audit, we noted several areas where controls over capitation can be enhanced by ensuring timely termination of managed care enrollment when members pass away or relocate out of state.

The current Medicaid Management Information System (MMIS) is over three decades old and was programmed as a medical claims processing system. The system was not programmed with the functionality needed to process capitation adjustments and edit encounter data sufficiently for managed care activity, which now represents most Medicaid benefit expenditures.

Cause: Control deficiencies exist in relation to encounter data accuracy, allowability, and completeness which is critical to the final contract settlements with managed care organizations (MCOs). Control deficiencies also exist in relation to the allowability of capitation payments paid to MCOs due to system limitations relating to processing retroactive capitation adjustments and eligibility system deficiencies that do not ensure the timely termination of managed care enrollment when individuals are no longer eligible.

Effect: Potential for inaccurate capitation payments or reimbursements to MCOs for unallowable services provided to Medicaid enrollees and/or for ineligible or deceased individuals not unenrolled timely.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2025-062a Improve controls over encounter claim data submitted by the MCOs by improving the edits that the claims are subjected to (most notably, service allowability, provider eligibility, incompatible services or billings, and accuracy) before being accepted by the Medicaid program.

2025-062b Improve controls over capitation payments to the MCOs by ensuring that managed care enrollment is terminated timely when members pass away or relocate out of State.

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

Finding 2025-063 (other noncompliance – material weakness – repeat finding – 2024-061)

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5021; 2505RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP and 2405RI5ADM; 2505RI5ADM
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Reporting; Period of Performance

FEDERAL REPORTING

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

Criteria: Federal regulations require that expenditures for federal programs be accurately reported on Form CMS-64. The State accounting system 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.

Condition: Reviews of federal reports for fiscal 2025 noted the following reporting deficiencies:

- EOHHS quarterly reconciliation of expenditures continues to be insufficient in identifying material differences between the State accounting system and amounts reported on the CMS-64 Report. Such reconciliations are critical and made more complex due to significant amounts of prior period adjustments currently required by EOHHS. During fiscal 2025, the HHS Center for Medicare and Medicaid Services (CMS) communicated to EOHHS that CMS-64 Reports for federal fiscal year 2024 reported expenditures and drew $8.2 million in federal funds in excess of its grant authorization for that period. EOHHS has researched the variance and believes it mostly relates to expenditures reported in an incorrect period. CMS has requested that those funds be returned due to the closure of the impacted reporting periods. EOHHS continues to reconcile the variance and dialogue with CMS regarding the reported variance, however formal resolution remains ongoing according to EOHHS.
- Additionally, the State's other health and human service (HHS) agencies are not consistently reconciling activity that recorded administrative expenditures to Medicaid. Various HHS agencies utilize six separate and distinct cost allocation plans to allocate administrative expenditures to Medicaid. The lack of a comprehensive administrative costs reconciliation between the CMS-64 Report and the State accounting system prevents quantifying differences between federal expenditures claimed in federal reports and amounts reported in the State's Schedule of Expenditures of Federal Awards.
- Approximately $8.3 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 adjustment of expenditures between the Medicaid and CHIP programs presents an increased risk that complicates the reconciliation of federal reports to accounting detail for both programs.

Cause: Adjustments of expenditures between the Medicaid and CHIP programs weaken controls over federal reporting for both programs. Lack of complete and accurate reconciliations of Medicaid expenditures to the State accounting system represents a weakness in internal control over federal reporting. Staff turnover and a lack of documented policies and procedures contributed to control deficiencies relating to federal reporting.

Effect: Inaccurate federal reporting.

Questioned Costs: Medicaid - $8.2 million; CHIP - None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2025-063a	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.
2025-063b	Implement policies and procedures to ensure complete and accurate reconciliation to the State accounting system. Follow up timely and clear reconciling variances prior to submitting the report.
2025-063c	Require all HHS agencies to submit reconciliations of their quarterly administrative claiming (as determined through approved cost allocation methodologies) to reported expenditures in the State's accounting system on a quarterly basis.

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

Finding 2025-064 (other noncompliance / significant deficiency – repeat finding – 2024-062)

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5021; 2505RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

CONTROLS OVER THIRD-PARTY LIABILITY (TPL) IDENTIFICATION FOR MEMBERS COVERED UNDER MANAGED CARE

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

Background: The State utilizes a vendor in conjunction with its MMIS operations to identify TPL coverage for Medicaid (and CHIP) eligible members. For members enrolled in managed care, the managed care organizations (MCOs) are responsible for identifying TPL coverage. By contract, MCOs must notify the State of identified TPL within 5 business days of discovery. In response to prior year reporting of this issue, the State began more actively sharing identified TPL information with the MCOs.

Criteria: 42 CFR §433.138 requires that States (as defined in their approved State Plan) must take reasonable measures to determine the legal liability of the third parties responsible for paying for services furnished under the State Plan. Federal regulations indicate the minimum required measures that the State must include in their State Plan. Rhode Island's State Plan TPL procedures are largely focused on TPL identification processes for fee-for-service claiming within the Medicaid program. The State's contracts with MCOs include requirements for the identification and reporting of TPL for covered members.

With most Medicaid beneficiaries enrolled in managed care, ensuring the completeness and effectiveness of TPL identification by the MCOs is important to ensure compliance with federal regulations. Actual claims paid by the MCOs become the basis for final contract settlements and future capitation rate setting; therefore, failure to identify other responsible insurance (TPL) prevents timely cost avoidance during claims processing and increases overall contract costs for the Medicaid program.

Condition: During fiscal 2025, we performed certain analytical procedures on MCO encounter data to identify instances where Medicaid recipients (members with Medicaid eligibility for the entire year) had verified TPL coverage that was consistent with their Medicaid managed care coverage to determine the extent to which MCOs were paying for claims that could be cost avoided. Our procedures evaluated only TPL coverages that were consistent with the State's managed care coverage.

We selected a random sample of encounter claims where the State reported verified TPL coverage (positive) and a random sample of encounter claims where the State did not report verified TPL coverage (negative). We confirmed a sample of positive and negative sample items with the MCOs to evaluate the percentage of State verified TPL that the MCOs had successfully identified. Our testing during fiscal 2025 found that the State's three managed care organizations were unaware of existing private insurance for 71.7% (43 out of 60) of their covered members. These results showed a significant decline in MCO TPL verification from fiscal 2024.

Questioned costs could not be determined for this finding as it would require readjudication of the claims against the third-party insurance coverage to determine if the service should have been submitted to that coverage prior to Medicaid covering the claims or related co-pay.

Cause: Insufficient monitoring of TPL identification and cost avoidance by managed care organizations to ensure compliance with federal regulations.

Effect: Possible noncompliance with federal regulations requiring cost avoidance or recovery of costs when third-party liability coverage is available. Overpayment of capitation and MCO contract settlement costs.

Questioned Costs: Undetermined

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2025-064a Share and match identified TPL coverage with the MCOs annually. Periodic matching with MCO enrollment files would ensure that TPL coverage is consistently being applied throughout the Medicaid and CHIP programs.

2025-064b Evaluate options for identifying encounter data for existing TPL coverage and rejecting encounters that were not billed to other insurance before submission to Medicaid.

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

Finding 2025-065 ***(significant deficiency – new finding)***

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5021; 2505RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

HOSPITAL INPATIENT COST METHODOLOGY

EOHHS did not update the DRG grouper within the MMIS as is required in the approved State Plan.

Background: Inpatient hospital services are billed based on a Diagnosis-Related Group (DRG) assigned to the patient in which the hospital receives a single fixed payment instead of billing for individual services, tests, or supplies.

Criteria: EOHHS amended State Plan (SPA RI-19-006, section p) requires the agency to review and update the DRG payment methodology annually.

Condition: Audit testing performed over inpatient hospital claims identified one instance where the MMIS calculated the sampled claims payment using an incorrect fee schedule. During fiscal 2025 the MMIS utilized a DRG grouper that was several versions behind, however contracted with a vendor to update the coding of the older version.

While EOHHS consistently employed the older DRG version when reimbursing hospital claims, it is not specifically complying with its approved State plan requiring annual updates to the payment methodology.

Cause: The DRG grouper version within the MMIS was not updated in accordance with the State plan.

Effect: Potential for inaccurate inpatient hospital claiming.

Questioned Costs: None

Valid Statistical Sampling: Yes

RECOMMENDATION

2025-065 Review and update as needed the DRG annually or amend the State Plan to align with current practices.

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

Finding 2025-066 (other noncompliance / material weakness – repeat finding 2024-065)

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)
Compliance Requirement: Eligibility

CONTROLS OVER MEDICAID ELIGIBILITY

Operational and control deficiencies during fiscal 2025 resulted in noncompliance with federal regulations relating to Medicaid eligibility.

Background: RIBridges, the State's integrated eligibility system (IES) used to administer multiple federally funded human services programs, determines eligibility for Medicaid.

Criteria: Medicaid eligibility requirements are detailed in the State Plan (Section 1115 Global Waiver).

42 CFR §435.940 through §435.960, which detail income and eligibility verification requirements for Medicaid, require State-administered public assistance programs to establish procedures for obtaining, using, and verifying information relevant to determinations as to eligibility and the amount of assistance. Section 1902(a)(4) of the Act allows the HHS Secretary to prescribe methods of administration found necessary for the proper and efficient operation of a State's Medicaid plan.

Medicaid Modified Adjusted Gross Income (MAGI) Determination and Validation policies are formalized within the RI Code of Regulations, Title 210, Executive Office of Health and Human Services, Chapter 30, Subchapter 00, Part 5, Policy 5.8, *Verification Process*. Part B of Policy 5.8 states:

"B. The following lists key eligibility factors, the types of verification required for attestations, if any, and the verification sources for Medicaid Affordable Care Coverage (MACC) Group applicants/beneficiaries:

1. Identity – An applicant must provide proof of identity when applying through the IES or filing a paper application. The requirements related to identity proofing are set forth in Part 30-00-3 of Title 210. Certain applicants may not be able to obtain identity proofing through the federal hub due to data limitations. Pre-eligibility verification is required through an alternative electronic paper documentation source in these instances to establish an account.

2. Income – Electronic verification of attested income is required by the State. Multiple electronic data sources may be used for this purpose. In general, State data sources (such as State Wage Information Collection Agency (SWICA) UI) will be used first. The reasonable compatibility standard applies when there are discrepancies between the applicant's income self-attestation and information from electronic data sources.
3. General Eligibility – Non-Financial Factors – (Social Security Numbers, Age, Citizenship, Death, Date of Birth, Residency, and Incarceration). Information on these eligibility factors is verified against various State and federal data sources. Information specific to verification requirements for MAGI populations is located in Part 30-00-3 of Title 210; for Medicaid and CHIP-funded eligibility more generally, the applicable provisions are set forth in Part 30-00-3 of Title 210."

Condition: For fiscal 2025, we tested a sample of 60 Medicaid eligible members (total population of eligibility segments for individuals with reported Medicaid eligibility during fiscal year 2025 totaled 424,939) for compliance with program eligibility. Total capitation payments claimed to Medicaid exceeded $2.1 billion (federal share - $1.2 billion) during fiscal 2025. In conjunction with our sample testing, we identified an instance where documentation supporting applicant citizenship (e.g., electronic Social Security Administration validation or applicant submitted documentation) was lacking. This exception resulted in questioned costs totaling $40 (federal share - $22) as the period of ineligibility was limited during the year and estimated likely federal questioned costs for the population totaled $125,810.

The results from our testing indicated significant improvement over the prior year in correct eligibility determinations; however, the presence of control deficiencies continued to exist that significantly increased the risk of noncompliance and created challenges for EOHHS to effectively monitor continued eligibility with program requirements.

In addition to evaluating eligibility determinations, we also tested recipient eligibility in conjunction with our testing of managed care capitation payments. Our testing of sampled managed care payments in fiscal 2025 also noted an exception where capitation payments totaling $1,983 (federal share - $1,117) were made for an ineligible individual. In this instance, RIBridges determined the individual ineligible for Medicaid but eligibility was not ended in the MMIS, allowing capitation payments to continue. In relation to this testing, we estimated likely questioned costs totaling $3,717,225 for instances where eligibility was not properly terminated in the MMIS.

We also noted the following exceptions during our case reviews that were indicative of eligibility processing deficiencies that either did not impact member eligibility or where member eligibility could not be determined due to insufficient information:

- Post Eligibility Verification was not performed on all eligible cases during quarterly runs (4 out of 60 cases).
- Eligibility segment populated with incorrect recertification dates post processing of the recertification, impacting the timing of future recertifications (2 out of 60 cases).
- Inconsistencies in case information between the MMIS and RIBridges (e.g., TPL).
- Agency questioned the accuracy of Q2 PARIS data used in the quarterly match, suppressing any automated tasks to verify potential duplicate enrollment in other states. No alternative procedures were performed to validate Medicaid enrollment in other States.
- Case information submitted by member was not properly updated in case record; and
- Certain system tasks were not acted upon in a timely manner.

These exceptions should be evaluated by management and addressed as they could have impacted the members' eligibility determination had the related system controls operated effectively.

In addition to the audit work described above, we performed data mining procedures which identified the following noncompliance with eligibility requirements:

We conducted additional data mining procedures to further evaluate the operating effectiveness of the SWICA interface within RIBridges. Our analysis identified individuals with quarterly income in excess of $20,000 reported in the SWICA file obtained from the RI Department of Labor and Training for 5 consecutive quarters (quarter ending June 30, 2024 through the quarter ending June 30, 2025) that had Medicaid eligibility for the entirety of fiscal 2025. Our analysis identified 42 individuals with reported annual income in excess of $80,000 where excess income was not detected, and individuals remained eligible as of June 30, 2025. EOHHS will need to review these cases and determine why the system functionality did not operate effectively. These cases will also need follow-up to provide proper member notification and eligibility redetermination.

The State continued to claim Medicaid Expansion enhanced reimbursement (90% Federal Medicaid Percentage) for certain members older than 65 during fiscal 2025. Our analysis identified 36 members where RI Medicaid failed to redetermine eligibility at age 65 - 6 of these members were older than age 67. We identified $210,703 in capitation paid for these members after the age of 65 (federal questioned costs - $189,633). While this issue was improved in fiscal 2025 controls were still found lacking to ensure that individuals were aged out of Medicaid Expansion upon turning age 65.

During our audit, we performed procedures to identify currently enrolled members that were reported as deceased via the Rhode Island Department of Health's (RIDOH) Vital records and the Social Security Administration (SSA) Death Master file. This analysis identified 2,078 deceased members (reported date of death prior to March 31, 2025 to allow for 90 days for identification and notification requirements) still active on Medicaid at June 30, 2025. The period by which the members remained active on Medicaid after reported death, the number of members, and the amount of capitation paid in fiscal 2025 subsequent to the month of death is summarized as follows:

Months Active After Month of Death	Number of Members	Capitation Paid After Death ($)
3-6 Months	551	$ 160,669
7-12 Months	416	277,680
12+ Months	1,111	2,036,947
Total	**2,078**	**$ 2,475,296**

Controls to ensure timely termination of Medicaid enrollment upon death still appear lacking to prevent capitation payments from being made for deceased members. While capitation can be recouped once identified, the length of time that payments are continuing is significant and could span managed care contract settlement periods. To provide context on how long capitation payments can continue when member death is not detected timely, our analysis identified 604 members that had reported dates of death greater than 2 years. We identified capitation payments totaling $2.5 million for 2,078 deceased members that would be considered unallowable Medicaid payments (federal questioned costs - $1,974,299).

We also analyzed instances where children initially coded eligible with expenditures funded under Medicaid were re-coded and remained coded at year-end to a State coverage program titled "Cover All Kids". Cover All Kids provides State-funded eligibility for undocumented children residing in the State that otherwise meet Medicaid and CHIP eligibility requirements. Our analysis found that the coding error impacted approximately 441 cases within Medicaid during fiscal 2025. We conducted a detailed analysis of a sample of 25 cases charged to Medicaid (441 cases) or CHIP (45 cases) and found that none of the sample cases contained documentation of citizenship (interface validation or acceptable case documentation). Based on the sample results, we quantified the amount of capitation charged to Medicaid for the 441 individuals identified resulting in questioned costs totaling $344,889 (federal share – $193,086).

EOHHS was unable to perform quarterly PARIS (Public Assistance Reporting Information System) matches for two quarters during fiscal 2025 as the data was unavailable or unreliable. No alternative processes were performed to compensate for the control activity not executed. Recent audits have noted that EOHHS has not been complying with federal requirements to evaluate PARIS notifications for Medicaid members by requiring those members to validate continued residency in the State. Our analysis of PARIS reporting during fiscal 2025 identified 1,601 members reported in the file where follow-up and residency validation was not conducted. The amount of capitation paid for Medicaid members no longer residing in the State was not determinable and will require EOHHS follow-up as required by federal regulations.

Cause: Noncompliance with Medicaid eligibility requirements was caused primarily by specific programming deficiencies within RIBridges (e.g., failure to redetermine Medicaid Expansion members upon age 65, interface validations not operating as designed, untimely termination of deceased members). Continued differences in eligibility reported between the MMIS and RIBridges also resulted in noncompliance with federal requirements for eligibility.

Effect: Noncompliance with federal requirements relating to recipient eligibility for Medicaid.

Questioned Costs: $2,358,157

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2025-066a	Address and correct the eligibility system and process deficiencies (e.g., SWICA interface, Medicaid Expansion age-out, citizenship verification, death reporting, PARIS reporting) which weaken controls and result in noncompliance with federal regulations regarding Medicaid eligibility.
2025-066b	Implement procedures to identify noncompliance resulting from eligibility system and process deficiencies so that cases can be worked manually to resolve long-standing instances of noncompliance detected by external audits and MEQC processes.
2025-066c	Identify ineligible Medicaid costs and return to the federal grantor.

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

Finding 2025-067 ***(significant deficiency – repeat finding – 2024-066)***

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)
Compliance Requirement: Allowable Costs/Cost Principles

CONTROLS OVER STATE HOSPITAL CLAIMING

Controls need to be improved to ensure that claims from the State Hospital are reimbursed by Medicaid as the payer of last resort.

Criteria: Federal regulations require Medicaid to be the "payer of last resort." This means that all third-party insurance carriers, including Medicare and private health insurance carriers, must be billed before Medicaid processes the claim.

Condition: Unlike similar providers that claim reimbursement to Medicaid, claims submitted by Eleanor Slater Hospital (ESH), a State-operated hospital, are not edited to ensure that ESH has sought reimbursement from Medicare before seeking reimbursement from Medicaid. Normal processing requires the provider to submit to

Medicaid an "explanation of benefits" (EOB) from Medicare which shows that Medicare was billed and was not reimbursed or only partially reimbursed for the claim based on the individual's remaining benefits. The amount of claims, if any, inappropriately reimbursed by Medicaid could not be determined.

Cause: Controls over State Hospital claiming were inadequate to ensure compliance with federal regulations requiring Medicaid to be the payer of last resort.

Effect: Ineligible reimbursements by Medicaid for Eleanor Slater Hospital claims for members with other insurance coverage (predominantly Medicare).

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2025-067 Ensure that claiming from Eleanor Slater Hospital is subject to edits for other insurance to ensure that Medicaid is the payer of last resort.

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

Finding 2025-068 (other noncompliance / significant deficiency – new finding)

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)
Compliance Requirement: Allowable Costs/Cost Principles

CONTROLS OVER OPIOID TREATMENT PROGRAM (OTP) BILLING

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

Background: The Medicaid State Plan establishes a weekly bundled payment methodology for Opioid Treatment Program (OTP) services, under which providers must submit a single weekly bundled claim that includes all covered services. Daily billing of H0020 encounters is not authorized. Collectively, these criteria require that OTP services be billed as a weekly bundle rather than as multiple daily encounters.

Criteria: Federal regulations, specifically 42 U.S.C. §1396a(a)(30)(A), requires states to administer their programs in a manner that ensures payments are economical, efficient, and free from unnecessary or duplicative utilization. Provider regulations at 210-RICR-50-00-1 require Medicaid providers to comply with all billing rules and methodologies set by EOHHS, while RI General Law §40-8.2-4 requires providers to return overpayments.

Condition: In conjunction with a joint audit with the federal Department of Health and Human Services (DHHS), Office of Inspector General (OIG), we identified and validated 6,347 potential OTP claims where the Medicaid program reimbursed Opioid Treatment Programs for daily methadone encounters instead of the required weekly bundled methadone claim (H0020). We independently verified the claim data provided by the OIG was consistent with encounter data submitted by the respective managed care providers (from data provided by EOHHS), resulting in $875,696 (federal share - $656,919) in potential overpayments. In many instances, OTP providers submitted five to seven daily methadone claims for the same beneficiary within a single week, causing the State to pay several times more than the established weekly bundled rate.

Cause: The primary causes of these improper payments were OTP provider noncompliance with the required weekly bundled billing methodology and the absence of adequate system controls within the MMIS to detect and prevent provider billing noncompliance.

Effect: Noncompliance with Medicaid billing policies resulting in improper payments by the Medicaid program.

Questioned Costs: $656,919

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2025-068a	Conduct a full review of all OTP H0020 claims - both adjudicated and pending - to determine compliance with the weekly bundled methodology and calculate the total amount of overpayments. Recover amounts from OTP providers determined to be improper payments and return the federal share of those payments to the federal government.
2025-068b	Implement system edits within the MMIS to prevent payment of daily H0020 claims when a weekly bundled claim is required and ensure that no more than one weekly OTP bundled claim is paid per beneficiary per week.
2025-068c	EOHHS should strengthen provider education and issue updated billing guidance to reinforce weekly bundling requirements for OTP services.
2025-068d	Implement enhanced post-payment monitoring and periodic audits to ensure ongoing compliance and prevent recurrence of improper billing.

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

Finding 2025-069 ***(significant deficiency – new finding)***

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

CONTROLS OVER COMPLIANCE WITH FEDERAL AND STATE REQUIREMENTS FOR OPIOID TREATMENT PROGRAM (OTP) SERVICES REIMBURSED BY MEDICAID

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

Criteria: Federal and State regulations (42 CFR §8.12 and 212-RICR-10-10-1.6.14) require Opioid Treatment Program (OTP) providers to maintain adequate recordkeeping systems, document all services delivered, and ensure that services furnished to Medicaid beneficiaries comply with all applicable licensing and regulatory requirements. The Department of Behavioral Healthcare, Developmental Disabilities & Hospitals (BHDDH) is responsible for overseeing OTP providers to ensure compliance with these standards.

Condition: In conjunction with a joint audit with the U.S. Department of Health and Human Services (HHS) Office of Inspector General (OIG), we reviewed a sample of 100 OTP medication assisted treatment (MAT) services to evaluate provider compliance with State and federal requirements. Compliance with requirements for biopsychosocial assessments, treatment plans, required counseling services, annual medical examinations, and toxicology testing mandated to be performed in conjunction with MAT services were found lacking for all OTP providers.

During the audit period, BHDDH conducted biennial audits that reviewed only about 10 percent of each OTP provider's patient charts. Based on our audit results, BHDDH's current monitoring procedures were not found to be effective ensuring compliance with State and federal requirements for OTP MAT services. While the noncompliance cited could impact the overall effectiveness of the OTP program, we did not question the costs for the sampled services since the Medicaid client remained actively receiving MAT in the program.

Cause: Biennial audits performed by BHDDH's Licensing and Regulatory Compliance unit were not effectively ensuring provider compliance with federal and State requirements. BHDDH did not compile and evaluate provider results in a manner sufficient to determine if its monitoring procedures were effectively ensuring compliance.

Effect: BHDDH lacked assurance that OTP services provided to Medicaid beneficiaries were properly documented, monitored, and compliant with federal and State regulations. This insufficient oversight increased the risk of widespread noncompliance across OTP providers and weakened program integrity controls intended to safeguard patient care and regulatory adherence.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2025-069a	Improve monitoring and oversight procedures to ensure compliance with federal and State requirements.
2025-069b	Improve technical assistance, including mandated periodic training, to OTP providers to support the development and maintenance of adequate recordkeeping systems and compliance with federal and State regulations.
2025-069c	Accumulate provider audit results to allow for evaluation of provider compliance and to allow for better targeting of provider audits and education efforts.

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

Finding 2025-070 ***(other noncompliance - significant deficiency – new finding)***

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

CONTROLS OVER COMMUNITY HEALTH WORKER (CHW) PROVIDERS ENROLLMENT AND CLAIMING

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

Background: Community Health Worker (CHW) providers are front line public health professionals who often have similar cultural beliefs, chronic health conditions, disability, or life experiences as other people in the same community. CHW providers link people to needed health information and services with the intent to prevent disability, disease and the progression of other health conditions while improving access to, quality of, and cultural responsiveness of service providers. In 2021, the Rhode Island Department of Health (RIDOH) received a competitive grant award from the US Centers for Disease Control and Prevention (CDC) to train, deploy and engage CHW providers as part of the States Health Equity Zones Initiative, and as a result Medicaid billing by CHW providers has increased year over year through fiscal 2025.

Criteria: Federal regulations require the State Medicaid Agency to screen and enroll all providers in accordance with 42 CFR Part 455, Subpart E. Rhode Island Regulation (210-RICR-20-00-1.7) states, "To be eligible to participate in the Rhode Island Medicaid program as any provider type, a provider must: (1.) Be fully licensed, certified, registered, and/or credentialed, where required by the State, as an active practitioner by the agency or board overseeing the specific provider type."

2 CFR §200.303(a) requires recipients and subrecipients of federal assistance to establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: A review by the Office of Program Integrity (OPI) identified a significant increase in claiming by CHW providers which prompted investigation and proposed changes to the State Approved Plan requiring (1) all CHW providers to be screened for required certifications and background checks and (2) the creation of system edits capping the allowable service time billed for each beneficiary. Prior to the State's proposed change to its approved State Plan (May 2025), all newly and currently enrolled Community Health Worker providers were not screened to ensure certification with the Rhode Island Certification Board.

System edits within the MMIS were lacking to prevent excessive billing or billing for CHW services not rendered. OPI continues to investigate the claiming of CHW providers to determine the extent of unallowable costs reimbursed through the Medicaid Program. The amount of questioned costs for this claim group is believed to be significant but have not been determined or concluded at this time. OPI continues to review the claiming activity for this provider group and is properly referring provider cases to the Medicaid Fraud Control Unit at the Attorney General's office when appropriate.

Cause: Insufficient screening of enrolled CHW providers compounded with a lack of system edits in the claims adjudication process.

Effect: Potential fraud, program abuse, and overpayments.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2025-070a	Screen all newly and currently enrolled CHW providers not previously subjected to certification and background check criteria.
2025-070b	Review prior CHW claims to identify overpayments or potential fraud. Refer fraud to the Medicaid Fraud Control Unit for investigation and possible recovery.

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

Finding 2025-071 ***(other noncompliance – significant deficiency – new finding)***

MEDICAID CLUSTER – 93.775, 93.777, 93.778
Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2024; 2025
Federal Award Number: 2405RI5MAP; 2505RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

PAYMENTS MADE TO CERTIFIED COMMUNITY BEHAVIORAL HEALTH CLINICS (CCBHC) FOR UNSUPPORTED CLAIMS

Implement controls to prevent payments for unsupported or denied CCBHC claims.

Background: Certified Community Behavioral Health Clinics (CCBHC) are reimbursed through a predetermined rate, required by the prospective payment system (PPS), for services provided based on the acuity level of the individual rather than by individual claim.

Criteria: Federal regulations require payments to providers to be for incurred and allowable services and that the State performs system audits and edits within the MMIS in adjudicating the claim.

Condition: While CCBHC are paid on a predetermined PPS, EOHHS requires providers to submit claims for the individuals' qualifying services provided. EOHHS utilizes the claims detail also known as "shadow data/shadow billing" in validating the services provided. The "shadow" claim is the triggering event that causes the PPS payment. During fiscal 2025, it was identified that payments were made to CCBHC for denied or unsupported claims.

EOHHS's OPI has identified certain provider billings as potential noncompliance with program regulations. OPI continues to review the claim activity for CCBHC to determine the amount of noncompliance and potential remediation actions needed. The amount of noncompliance has not yet been determined by EOHHS.

Cause: No controls in the MMIS to prevent the payment of PPS for claims without a triggering event.

Effect: Possible improper payments to providers.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2025-071a	Modify MMIS edits to prevent PPS for denied or unsupported claims.
2025-071b	Review prior CCBHC claims to identify potential overpayments and seek recovery for repayment to the federal grantor.
2025-071c	Refer cases of questionable or unsupported billing to the Medicaid Fraud Control Unit, if determined appropriate.

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

Section E

Corrective Action Plans

(prepared by the State's management)

Finding 2025-001 – Corrective Action Plan

2025-001a: All State agencies will be instructed to document their procedures, inclusive of planned monitoring procedures to ensure the completeness and accuracy of financial transactions recorded at the fiscal close.

2025-001b: The mapping issues identified in the finding are related to the financial statement creation software (Workiva's Wdesk), not the ERP system. This was part of the transition and further automation of the ACFR. Mapping was corrected during the audit and is improved for fiscal years going forward.

2025-001c: Reinforcement of accounting and fiscal closing responsibility by the agency CFO will be communicated to leadership of all State agencies as part of the annual fiscal closing schedule published by the Office of Accounts and Control.

2025-001d: The Office of Accounts and Control (A&C) will work with the Office of the General Treasurer and respective agencies to identify and address instances where cash transactions are not recorded timely resulting in improper financial statement classification at year-end.

Anticipated Completion Dates:

2025-001a / 2025-001c / 2025-001d: To be determined

2025-001b: Completed

Contact Persons: Dorothy Pascale, State Controller, Office of Accounts and Control, Department of Administration
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Finding 2025-002 – Corrective Action Plan

2025-002a: Management has explored the engagement of a consultant to assist in the enterprise-wide documentation of internal controls since agency resources do not possess the knowledge or time to perform this task at a level that would address this audit finding. The estimated cost of this endeavor is between $3 and $5 million. Until the funding for this is provided, controls will be documented as noted in 2025-002 (b) below.

2025-002b: The ERP implementation brought an opportunity to embed internal controls within the software application. Through the ERP implementation, we created documentation for decisions regarding new business processes and improved internal controls over financial activities, referred to as decision documents. These decision documents include options presented by system implementor, reason the option was selected, a workflow of business process. During implementation, risks were documented, but for a fully comprehensive internal control documentation refer to response in 002a. Agency management will need to ensure their finance teams remain well versed in the internal control structure embedded in the system.

Anticipated Completion Dates:

2025-002a: To be determined, dependent on funding

2025-002b: Completed

Contact Person: Dorothy Pascale, State Controller, Office of Accounts and Control
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Finding 2025-003 – Corrective Action Plan

The Department of Administration has provided training to agency staff, and redesigned the review form based on previous year's audit finding. Accounts and Control will monitor agency review of the SOC Type I reports. The SOC Type II reports will be centralized within ETSS who will review on behalf of the agency.

2025-003a: The Office of Accounts & Control will continue to remind State agencies of the importance to thoroughly review user entity controls identified within SOC reports and document and evaluate controls to ensure they are in place and operating effectively.

2025-003b: The Office of Accounts & Control will continue to monitor agency review of SOC Type I reports. The SOC Type II reports will be centralized within ETSS who will review on behalf of the agency.

2025-003c: A&C provided training to agency staff and redesigned the review form based on the previous year's audit finding. A&C continues to monitor agency reviews of the SOC Type 1 reports. The SOC Type II reports are centralized within ETSS who reviews on behalf of the agency.

Anticipated Completion Date: Continuous

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Finding 2025-004 – Corrective Action Plan

2025-004a: Agencies were required to fully reconcile receivable amounts before transitioning into the ERP system. A&C recognizes that not all agencies adhered to this directive and is addressing this in fiscal year 2026.

2025-004b: A&C requires agencies to reconcile accounts receivable balances reported by the ERP system quarterly.

2025-004c: A&C agrees and will develop a policy and procedure for adjusting or writing off receivables recorded in the module and ensure that agencies are fully trained on the module.

Anticipated Completion Date: Fiscal year 2026

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Finding 2025-005 – Corrective Action Plan

2025-005a: EOHHS has, in conjunction with our MES Planning Vendor, documented the existing MMIS processes for premium payments, capitations, and encounters as well as the "To Be" state of these processes in the modernized and modularized MES via assessment of business needs. Additionally, a Gap Analysis was prepared to ensure needs were identified and incorporated accordingly into the procurement(s) for replacement systems that will perform in alignment with Rhode Island-specific needs and have the flexibility to achieve the Programs' objectives in these areas. Requirements Definition sessions for Core Module Procurement have been completed and we are working to resolve remaining action items related to these requirements. As part of the MMIS to MES Transformation Project, Procurement of the Core Module, includes Financial Management functions. The MES planning team has included the financial management team in

requirements sessions related to financial management functionality in order to ensure the considerations required to resolve this finding are incorporated into the procurement.

2025-005b: EOHHS is aware of the risks associated with the manual payment process as it pertains to its financial activities. Manual payment processes vary, with some being a necessary condition of continued use of the State's legacy MMIS, while others are a desirable or required feature of our managed care programming. To reduce errors in manual processes to the extent possible, EOHHS will finalize a standard operating procedure (SOP) that details all known manual MCO payments (or related activities) and related processes to support training of new staff.

Further, steps taken to-date and future strategies to simplify Medicaid-related financial activities, improve financial reporting, and enhance oversight are outlined below:

1. *Manual Capitation Payments:*

   Necessary updates are being factored into the development of requirements for the Core Module RFP, of which financial management functions will be part of the new MES. When implemented, this should significantly limit manual capitation adjustments. Retroactive adjustments to the rates are a frequent occurrence in Medicaid, noting such adjustments often necessitate a manual payment, creating risk of error. Such adjustments may be attributed to enrollment changes that impact individual clients or rate changes that impact all members enrolled in a given product.

   In general, the need to do manual adjustments is caused by the limited ability for EOHHS' legacy MMIS to retroactively reprocess/correct prior months of premium payments. For EOHHS' monthly premium programs, i.e., Rhody Health Partners, Medicaid Expansion, RIte Smiles, PACE, etc., MMIS can only correct payments made within a three-month window -- retroactively for the prior month, the current month, and prospectively for the future month. For EOHHS' daily program (i.e. RIte Care), MMIS can only prospectively adjust the rates. Note, some improvements have been made, for example, for individual client adjustments, two exceptions were incorporated to allow for the system to retroactively make adjustments/payments. They include:

   - Payments going back to a newborn's Date of Birth; and,
   - Recoupments going back to a recipient's Date of Death.

   These two scenarios contribute to the highest number of retroactive adjustments, aside from rate changes, with any other corrections outside of them still requiring manual adjustments.

   With respect to rate changes, EOHHS limits the need to make retroactive payments where able. Capitation rates for each year are completed timely and executed ahead of a contract year, so that new contracted rates are in the system at the start of the year, or soon thereafter to minimize any manual payments.

   However, in recent fiscal years – including every SFY between 2022-2026 – initiatives included in the enacted state budget that impact the rates have not passed until June, the month prior to the start of the new fiscal year. Such initiatives must be subsequently incorporated into the actuarially certified rates for current fiscal year (some cases the prior fiscal year). This process is not immediate, and the timeline for the enacted budget and subsequent rate certification is largely out of EOHHS' control. Resulting delays can lead to large manual payments. Further, legislatively mandated programs often have federal rules that result in retroactive capitation rate changes, such as the Certified Community Behavioral Health Center (CCBHC) program, which mandates rate updates that require reconciliation to cost reporting submitted after the start of a program (and fiscal) year.

   Modern MMIS systems can reprocess such rate changes through the system, negating the need for manual payment. Until such system upgrades are implemented, payments associated with a retroactive rate change will remain a manual payment. Noting, as EOHHS works to modernize and modularize the current MMIS, MES in future-state, EOHHS has incorporated into our planning activities the inclusion of requirements to allow for systematic processing of both retroactive enrollment changes impacting individual clients, as well as general rate changes impacted entire populations.

2. *Risk Share/Gain Share Settlements and Stop Loss Programs*

EOHHS' risk share arrangements are a core component of its managed care contracts and minimize risk to both the MCOs and the State. Such payments or recoupments are made outside of capitation and are completed retrospectively based on financial reporting (additional details below). Therefore, if the state continues to include such risk-mitigation mechanisms in its contracts, any associated settlement will remain a manual payment.

MCO risk share/gain share settlements are based on MCO submitted reporting and validated against accepted encounter claims in the MMIS. The MCOs report quarterly through a "Financial Data Cost Report," or FDCR, where their membership, benefit expenses, including general ledger adjustments, sub-capitated arrangements, reinsurance arrangements, reserves, benefit expense recoveries, and administrate 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.). Annually, the MCOs must reconcile the information in its FDCR and their NAIC financial statements. The Agency also utilizes this FDCR data in rate setting and to monitor MCO financial performance throughout the year.

Across its core contracts, EOHHS has long-maintained other risk mitigation arrangements with its MCOs. For example, in FY 2025, EOHHS implemented a temporary separate risk share arrangement/corridor specific to the new CCBHS program. EOHHS also ended its separate Hepatitis C stop loss program in FY 2022 and its separate Covid-19-related vaccine stop loss program in FY 2024. For FY 2027, EOHHS will be entering into an Administrative Services Only (ASO) arrangement specific to high-cost drugs, i.e. cell and gene therapies, which will require manual payments on a defined basis throughout the year.

3. *State Directed Payments, Separate Payment Terms*

Rhode Island incorporates many state direct payments (SDPs) into its managed care contracts. These include legislatively mandated rate increases, e.g., for hospitals and nursing facilities, as well as minimum fee schedules, e.g., annual changes to the FQHC PPS encounter rate, and the Social and Human Service Programs Review recommended by OHIC. SDPs also include items with a separate payment term, inclusive of AE Incentive Payments (concluded in SFY 2025), and the separate payment term SDP for hospitals enacted in SFY 2024.

Separate payment terms allow the State to be very precise in how much and/or to whom payments are ultimately made. These separate payment terms are paid outside of capitation, thus necessitating the involvement of a manual calculation and payment. SDP payments made outside of capitation will be largely disallowed per updated federal rules and regulations, ceasing current and future separate payment terms, and ultimately incorporating these SDPs into monthly premiums. This is currently anticipated to take place in SFY 2029.

2025-005c: EOHHS acknowledges the limitations of the current MMIS and the number of manual transactions resulting from these limitations. EOHHS will include in its procurement of specific MMIS modules requirements that reduce the number of manual calculations staff complete. In the interim, Medicaid financial management will create a standard operating procedure that ensures monthly checks of finance approved system payouts, manual disbursements, and system recoupments to improve controls over these transactions. At a minimum, the SOP will include the use of the Fiscal Agency Control Number (FACN) Monthly Tracking log to:

(1) Identify all FACNs approved by Medicaid financial management

(2) Identify types of financial FACNs Medicaid financial management approved

(3) Sample selections of each FACN sub type

(4) Review state accounting system transactions and MMIS generated reports to confirm that the fiscal agent properly completed the requested financial transactions

(5) Document that this control process occurred each month

Additionally, EOHHS will request that its fiscal partner produce a monthly recoupment report for Medicaid financial management to better track and document recoupments.

2025-005d: EOHHS, in conjunction with our MES Planning Vendor, is evaluating the existing non-claims based MMIS financial transactions and reason codes and has documented the current business processes related to this work as well as the "To Be" state of those processes in the modernized and modularized MES. To ensure these business needs are met, a Gap Analysis has been prepared related to the Financial Management work and that analysis will be incorporated accordingly into the procurement(s) for replacement systems that will perform in alignment with Rhode Island-specific needs and/or have the flexibility to achieve the Programs' objectives in these areas.

Anticipated Completion Dates:

2025-005a: On-going. EOHHS anticipates the procurement of the Core Module, which would address this finding, to begin in calendar year 2027. Implementation of the Core Module will not be complete for several years.

2025-005b: Ongoing. EOHHS anticipates the procurement of the Core Module, which would address some manual adjustment activity, to begin in calendar year 2027. Implementation of the Core Module will not be complete for several years. Anticipated completion date for finalized SOP: September 2026.

2025-005c: SOP regarding review of FACN Monthly Tracking log to be operationalized no later than 10/1/2026. Receipt of monthly recoupment report for Medicaid finance management is TBD as request must be submitted before estimated date of completion can be determined.

2025-005d: On-going. EOHHS anticipates the procurement of the Core Module, which would address this finding, to begin in calendar year 2027. Implementation of the Core Module will not be complete for several years.

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Finding 2025-006 – Corrective Action Plan

2025-006a: EOHHS acknowledges the risks associated with an entirely manual accrual and year end adjustment process. Absent the system capabilities to remedy this, EOHHS will improve standard operating procedures to include additional review of source data, collation of source data, and review of formula calculations for accruals. These steps will be built into analyst training before SFY 2026 closing activities occur. Medicaid finance will update related SOPs.

To strengthen the accrual process at sister agencies having Medicaid accounts, Medicaid Finance will share training resources with its sister agencies, including SOP examples and internal trackers. EOHHS will request that each sister agency provide Medicaid finance a listing of common annual accruals and year end adjustment so that Medicaid finance can request evidence from sister agencies that each accrual and year end adjustment was completed.

2025-006b: EOHHS acknowledges that it can improve standard operating procedures over the identification and determination of receivables and liabilities relating to the Medicaid program to ensure complete and accurate recording at year-end. However, EOHHS also acknowledges the majority of our year-end accruals are estimates based on the latest data available. EOHHS has continuously worked on refining estimation methods, noting estimates will never match reported

actual given the immense scale of an ever-evolving multibillion-dollar program, particularly around updated/amended federal law and regulations, which impact enrollment and expenditures.

To continue to build understanding in internal control and oversight, Medicaid finance sent two employees to a two-day training organized by the Office of the Auditor General on internal controls in May 2026. The two employees will work to implement additional controls and oversight to reduce risk in the accrual and year end adjustment process. These include, but are not limited to:

1. Review of SFY 2025 missing accruals and ensuring they are included in year-end close SOPs.
2. Identification of year end accruals that are frequently subject to revision post submission, specifically on the managed care side. For identified accruals, team members will review historical accruals and post-accrual adjustments to identify trends to improve estimation.
3. Build additional checks of underlying formulas in complex manual calculations.
4. Review revised and updated SOPs with entire fiscal staff.

2025-006c: As stated for 2025-006b, the majority of our year-end accruals are estimates based on the latest data available. EOHHS has continuously worked on refining estimation methods yet will never be exact when working with a multibillion-dollar program that is constantly changing with updated federal law and regulations, which impact enrollment and expenditures.

While EOHHS uses the most complete data available at year-end to prepare its accrual entries, with certain expenditure categories inherently contain significant/unavoidable uncertainty, due to timing and general incompleteness data and not due to estimation methodology. It is because of this known limitation with data availability that EOHHS partners with the Office of the Auditor General and Accounts and Control in the months following fiscal close to propose revisions to its accruals that incorporate more recent available data.

In addition to the four internal controls illustrated in 2025-006b, EOHHS will include evaluating prior closing period estimates to actuals as a documented step in our year-end accruals SOP and will continue to explore ways to reduce volatility in future accruals.

Finally, as stated in previous findings, i.e. 2024-006a and 2024-006b, post-closing updates for risk/gain share payments/recoupments are typically the most volatile and largely unavoidable and necessary due to incompletes of data relative to closing, i.e. the health plans have not paid and are unaware of all claims for all applicable dates of service. This makes it difficult for EOHHS to determine the "correctness" or "adequacy" of the certified capitation rates in relation to the claims paid. Understanding the precise magnitude of that variance requires continued refinement and completeness of the health plan's claims data, any collection of re-insurance payments or supplemental rebates, among other adjustments to a plan's benefit expenses. EOHHS acknowledges the importance of issuing financial statements that comply with generally accepted accounting principles and thus welcomes suggestions for improvements to its methodological approaches to reduce the volatility in these areas.

Anticipated Completion Dates:

2025-006a / 2025-006b: August 2026

2025-006c: Ongoing. Anticipated completion date for finalized SOP: September 2026

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Finding 2025-007 – Corrective Action Plan

2025-007a: The State agrees with the recommendation and is working with a third-party vendor to produce a SEFA process through Workday using Workiva.

2025-007b: The State agrees with this recommendation.

Anticipated Completion Date: Q1 2027

Contact Person: Steve Thompson, Associate Controller, Office of Accounts & Control, Department of Administration
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Finding 2025-008 – Corrective Action Plan

2025-008a: The State agrees with this recommendation.

2025-008b: The State agrees with this recommendation.

2025-008c: The State agrees with this recommendation and has developed a review process to ensure accurate federal award information is entered into Euna and then passed to Workday via system integration.

Anticipated Completion Date: Fiscal Year 2027

Contact Person: Steve Thompson, Associate Controller, Office of Accounts & Control, Department of Administration
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Finding 2025-009 – Corrective Action Plan

2025-009a: Treasury engaged PFM to provide Banking/Cash Management Consulting services following a 2024 RFP. With PFM's support, Treasury issued a comprehensive banking and cash management RFP in May of 2025 to help ensure that the State's short-term cash operations are managed efficiently and supported by up-to-date technology. A number of key initiatives underscore this commitment. The implementation of standardized file transmissions, including BAI2 and API integrations, will provide the State with more streamlined, consolidated access to bank activity. Through this effort, nearly all Treasury cash movement will be processed through GTreasury and manually entering wires through bank portals will be phased out, reducing risk of error. Remote Deposit Capture has also been leveraged to eliminate risk of in-person bank deposits. With the RFP evaluation process now complete, Treasury is working with PFM to consolidate our banking relationships from 17 to 8 institutions, including going from 5 to 3 institutions for our primary operations. Treasury has begun coordination and implementation activities with state agencies to support those transitions, which are expected to continue through fiscal 2027.

2025-009b: Treasury utilizes G-Treasury as its workstation for initiating wires and viewing bank balances. PFM's assessment of Treasury's cash activities identified an opportunity for the State to augment its use of G-Treasury services in order to modernize the systems used for managing the State's cash. Treasury has since added G-Treasury's accounting module, which is expected to facilitate a transition from the current Excel-based database to a more secure and modernized cash management system. The accounting module remains in the onboarding phase, with implementation anticipated in fiscal year 2027. Treasury staff also continue to evaluate more tools, including cash forecasting technology, and will continue to request appropriations and explore collaborative funding opportunities with other state agencies.

2025-009c: Treasury remains actively engaged in inter-agency discussions on the State's new ERP system and continues to evaluate opportunities to improve integration between Treasury's cash management functions and Workday. Treasury is currently working to connect its G-Treasury workstation with Workday, which is expected to better align banking activity with ERP functionality. Additionally, the implementation phase of the banking RFP will support further Workday integration.

Anticipated Completion Date: Ongoing

Contact Persons: Tiffany Kaschel, Chief Operating Officer, Office of the General Treasurer
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Finding 2025-010 – Corrective Action Plan

2025-010a: Management agrees that in the prior accounting system there was a need to enhance review and oversight of material journal entries. This was addressed with the implementation of the ERP system in the determination of the business workflows and approval thresholds.

2025-010b: One of the primary purposes of the ERP implementation for financial management was to reduce the need for journal entries to properly record payroll cost allocations, asset acquisitions, banking transactions, and charges to federal awards. This integrated system has reduced the requirement to use a journal entry to properly record a transaction. A&C will continue to improve these activities and controls as system use matures.

Anticipated Completion Date: Ongoing

Contact Persons: Dorothy Pascale, State Controller, Office of Accounts and Control, Department of Administration
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Finding 2025-011 – Corrective Action Plan

The process for preparing the government-wide financial statements changed with the ERP implementation. A&C worked with a vendor to automate the ERP system with the report generating software. Although the automation was not complete for fiscal year 2025, as A&C was bridging two accounting systems, this integration will be fully utilized in fiscal year 2026.

With the implementation of the new ERP system, combined with Workday automation, the State will be able to significantly reduce the level of manual input required to prepare the government-wide financial statements. We estimate that approximately 70% of the manual FSOs currently prepared in anticipation of completing the entity-wide financial statements will be eliminated during fiscal year 2026.

In addition, the reconciliation process between modified accrual and full accrual accounting has been automated and will be completed as part of the government-wide financial statement preparation process prior to draft submission.

Anticipated Completion Date: Fiscal year 2026

Contact Persons: Tara Mello, Associate Controller, Office of Accounts and Control, Department of Administration
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Martires Mullins, Administrator Financial Management & Reporting, Office of Accounts & Control, Department of Administration
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Finding 2025-012 – Corrective Action Plan

2025-012a: A&C has review procedures in place to identify missing information provided by State agencies. However, the lack of staff coupled with the failure of agencies to accurately complete the templates provided by A&C led to an increase in missed agreements.

In the ERP system, recording of these agreements occurs when the agency makes the purchase. This will help with year-end procedures; refer to 2025-010b for discussion of internal controls over processing of transactions. A&C will work toward securing additional resources to assist with appropriately recording agreements in compliance with GASB 87 and GASB 96.

2025-012b: A&C will inform agency management of the need to maintain their tracking sheet and keep it updated year-to-year to reflect changes in lease and SBITA agreements. A&C will also request a certification from agency CFOs that their finance teams have done due diligence to review, identify, and report applicable GASB 87 and 96 agreements. A&C will serve as a resource for questions on specific agreements if presented by agencies.

2025-012c: Education was provided to agencies when standards were implemented. A&C also provides detailed instructions on how to identify and evaluate lease agreements and subscription-based IT arrangements every fiscal year as part of the closing process. Nevertheless, A&C is bringing in a consultant to assist with educating agency personnel on the recording of transactions in relation to recently issued GASB standards.

Anticipated Completion Date: Ongoing

Contact Persons: Xiomara Soto, Administrator Financial Management & Reporting, Office of Accounts & Control, Department of Administration
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Finding 2025-013 – Corrective Action Plan

The new ERP system has improved internal controls over capital assets. A&C will update procedures in the new ERP system and reinforce them to ensure capital assets are accurately tracked and reported.

Anticipated Completion Date: Ongoing

Contact Persons: Xiomara Soto, Administrator Financial Management & Reporting, Office of Accounts & Control, Department of Administration
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Finding 2025-014 – Corrective Action Plan

The closing of fiscal year 2025 was an anomaly due to the abrupt change of accounting systems the State utilized for preparation of the financial statements. Most entries posted in the former accounting system, while final entries, including accruals, posted in the new accounting system. Management agrees that this change led to confusion on the part of staff responsible for posting and reconciling fiscal year-end closing entries. The new system does facilitate improvement and formalization of reviews of journal entries to ensure appropriate detection of mis-postings and misstatements.

Anticipated Completion Date: On-going, however, we hope to have a better process in place for fiscal year close of 6/30/2026 and forward.

Contact Person: Denise Paquet, Administrator, Financial and Contract Management, Department of Labor and Training, Business Affairs Unit
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Finding 2025-015 – Corrective Action Plan

A&C agrees with the revision of the compensated absences liability estimation methodology to comply with GASB 101.

Anticipated Completion Date: Fiscal Year 2026

Contact Persons: Martires Mullins, Administrator Financial Management & Reporting, Office of Accounts & Control, Department of Administration
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Finding 2025-016 – Corrective Action Plan

2025-016a: The DMV agrees that a reconciliation of the revenues collected is needed and will work to reconcile the revenues collected on an annual basis, there are too many variables outside of the DMV's control which prevent us from reconciling monthly. With the implementation of the new ERP system we cannot commit to completing the reconciliation prior to the fiscal close. We will work with Accounts & Control to include DMV specific deadlines in future year end close timelines so we can complete before the fiscal close.

2025-016b: The DMV agrees that a crosswalk is a beneficial document to have. The DMV is in the process of completing a crosswalk of fees charged in RIMS and the section of the Rhode Island General Laws.

Anticipated Completion Date: September 30, 2026

Contact Persons: Paul Dombrowski, Assistant Director – Financial and Contract Management, Division of Motor Vehicles, Department of Revenue
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Finding 2025-017 – Corrective Action Plan

2025-017a: The RIDOT General Ledger Team continues to strengthen internal controls throughout the fiscal year to support accurate IST Fund reporting in compliance with GASB standards and Generally Accepted Accounting Principles (GAAP). Continued coordination with the Rhode Island Department of Administration Office of Accounts and Control has improved fund balance reporting by ensuring all applicable accounts are properly identified and included.

2025-017b: RIDOT implemented improved controls, reports, and procedures to streamline reconciliations between FMS and RIFANS, and now Workday, allowing the General Ledger Team to identify and resolve issues more quickly and prevent future discrepancies. There were setbacks during the conversion process that mapped accounts incorrectly when switching over from RIFANS to Workday but have since been resolved.

2025-017c: RIDOT will continue improving fiscal close controls to ensure accurate classification, reporting, and reliability of the State's financial statements.

Anticipated Completion Date: June 30, 2026

Contact Persons: Loren Doyle, Director of Operations, Department of Transportation
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Dawn Cruz, Chief Financial Officer, Department of Transportation
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Finding 2025-018 – Corrective Action Plan

2025-018a: RIDOT will continue to reconcile the infrastructure assets along with construction in progress through RIDOT's Financial Management System (FMS) to match the State's Financials.

2015-018b: In previous years, there were several attempts to develop a method to determine which assets were impaired. RIDOT's Financial Management Team and Bridge Maintenance Teams provided necessary information about which assets were to be impaired, replaced, and/or taken out of service. RIDOT will continue to work with Department of Administration's Office of Accounts and Control to determine the proper life cycle of these assets.

Anticipated Completion Date: June 30, 2026

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Dawn Cruz, Chief Financial Officer, Department of Transportation
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Finding 2025-019 – Corrective Action Plan

2025-019a: ETSS currently maintains a regular cycle to internally assess controls applied to enterprise systems and have completed the comprehensive System Security Plan (SSP). ETSS has also created a local policy approval group to reduce time to update and publish all enterprise policies. At time of comment, all current policies have been updated, submitted for ETSS policy group review, and are being prepared for signature and official publication. ETSS has also submitted new policies and standards to enhance both security and normal technology operations.

2025-019b: ETSS has recently completed an internal review across the full organization to understand and prioritize additional resources. ETSS has also worked diligently to get Legislative approved new and updated positions drafted current technology and resources needs. These positions were drafted as part of a larger effort to convert contractors into full-time employees to reduce reliance on external partners to support our technology needs. Currently, ETSS Security has added a new Security Engineer and (3) positions have been created in the ERP system to post for further resources.

2025-019c: ETSS completed internal reviews, completed an external penetration test end of 2025, completed a compromise assessment in 2026, and an SSA audit assessing our enterprise controls. In 2026, ETSS will have its regular cycle full IRS controls audit completed and is planning to complete an external party control assessment dependent on funding availability.

2025-019d: ETSS Security has on board a Security Engineer to help maintain the platform for identifying vulnerabilities and have made reporting available to the technology support staff. ETSS as an organization have also launched a 'Get current, stay current' practice to reduce vulnerability patching cycles. The resources needed to support vulnerability management are part of the resource planning and hiring outlined in '2025-019b',

Anticipated Completion Dates:

2025-019a / 2025-019b: December 31, 2026

2025-019c / 2025-019d: Ongoing

Contact Person: Nathan Loura, CISO, Division of Enterprise Strategy and Services (ETSS), Department of Administration
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Finding 2025-020 – Corrective Action Plan

ETSS Project and Portfolio Management Office (PMO) has dedicated a (2) person team to enhancement of the Change Board and further maturity of the Community of Practice (CoP) in which the CoEs noted operate. This team has overhauled the CAB board meetings, the types of changes authorized, and further centralized the process. The ETSS Chief Digital Officer (CDO) has also hired a new role of Chief Technology Officer (CTO) who has been tasked with unifying the actions of the CoEs into a soon-to-be published reference technology architecture for all colleagues follow further standardizing changes and making design of solutions more efficient.

Anticipated Completion Date: Ongoing

Contact Person: Arulanandan Rangaraju, Chief of PMO, Division of Enterprise Strategy and Services (ETSS), Department of Administration
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Finding 2025-021 – Corrective Action Plan

2025-021a: ETSS Security has brought on a contractor resource to operate as the IAM engineer and have invested into new solutions with Microsoft Defender and Proofpoint specifically focused on account compromise and takeover. ETSS has also recently invested in a product, Adaxes, to allow for further enhancement and automation of ETSS managed identities. Finally, ETSS CISO has updated and refreshed all access policies and has created new standards for on-boarding/off-boarding accounts and account monitoring to provide the guidance to consistently apply object configurations within the agency support teams. ETSS Security also works closely with the HR ERP teams to ensure that these updates are worked into the user identity life cycle at eh beginning when a user is on-boarded to State service.

2025-021b: ETSS has deployed updates to its current PAM solution as well as updating in solutions that support identity management outlined in '021a'. ETSS plans to support biometric or endpoint-based tokens that do not conflict with out federal regulatory obligations and dependent on funding availability for hardware investment (use of solutions like 'windows hello' require new laptops/desktops with certain compatible modules and webcams).

2025-021c: ETSS has in addition to the efforts outlined in '021a' ETSS Security have also created dashboards cover many aspects of the identity lifecycle to monitor for deviations across many aspects of the identity domain. This effort is completed to support the Zero Trust Architecture CoE and provide the foundational data needed to complete enterprise reviews of all accounts across the State.

2025-021d: ETSS Efforts additional to the work in '021a and c' ETSS Security teams have begun engaging teams to reconcile all service, machine, and privileged accounts in this initial user entitlement review (UER) phase then branching out to non-privileged standard users.

2025-021e: ETSS security efforts in '021d' allow the identification of any deviations from our ETSS Standards and being corrected as identified in the UERs going forward.

Anticipated Completion Dates:

2025-021a: December 31, 2026

2025-021b / 2025-021c / 2025-021d / 2025-021e: Ongoing

Contact Person: Nathan Loura, CISO, Division of Enterprise Strategy and Services (ETSS), Department of Administration
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Finding 2025-022 – Corrective Action Plan

2025-022a: ETSS has recently upgraded to a new cloud hosted enterprise grade SIEM and has implemented logging from our database monitoring solution. ETSS has also further matured out data and analytics team with resources to address database design and issues under the appointed Chief Data and AI Officer (CDAO).

2025-022b: ETSS has created a policy group to help drive updates to policy, as well as draft new policy to further mature in all aspects of the enterprise. The ETSS Data and Analytics team have also drafted a data classification policy that outlines controls needed based on impact of data loss/breach.

Anticipated Completion Dates:

2025-022a: December 31, 2026

2025-022b: Ongoing

Contact Person: Scott Gausland, CDAO, Division of Enterprise Strategy and Services (ETSS), , Department of Administration
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Finding 2025-023 – Corrective Action Plan

2025-023a: ETSS has expanded staff as outlined in '2025-19, 20, and 22'. ETSS Security has also dedicated a project management team to help track the complex efforts to tune and baseline the recently upgraded new cloud hosted enterprise grade SIEM. These activities are completed by a multi-discipline team compromised to the ETSS Security team members, ETSS technology support teams, ETSS PMO, and external support with Microsoft fast-track, our external security contractor parties, and an external implementation vendor.

2025-023b: ETSS has created a training path to upskill our current team members. ETSS Security have also worked to further centralize SOC services to provide better oversight and will on board a managed security services partner (funding dependent).

Anticipated Completion Dates:

2025-023a: December 31, 2026

2025-023b: Ongoing

Contact Person: Nathan Loura, CISO, Division of Enterprise Strategy and Services (ETSS), Department of Administration
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Finding 2025-024 – Corrective Action Plan

2025-024a: The State has taken an active role in the management of the OPEB fund. During FY25 the board convened a vendor to perform an audit of the actuary report resulting in recommendations for improvement. The Board continues to outline responsibilities, controls, resources and plan of action to respond to the improvement recommendations.

2025-024b: The support staff will request information from BOE and higher education and centralize this information to improve controls and better support overall administration of the program.

2025-024c: The ERP system now requires separate processing of the invoice and approval of the invoice to promote segregation of duties control.

2025-024d: The actuary audit also recommended this control improvement. See response above 2024-024a.

Anticipated Completion Dates:

2025-024a / 2025-024d: Ongoing with an anticipated completion date prior to June 30, 2027

2025-024b: June 30, 2026

2025-024c: Completed

Contact Persons: Paula Cofone, Deputy Personnel Administrator, Office of Employee Benefits, Department of Administration
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Finding 2025-025 – Corrective Action Plan

As previously reported, the Defined Contribution Plan continued its relationship with TIAA following an RFP in 2023. The revised contract included enhanced requirements for monitoring contribution processing and strengthening internal controls. ERSRI has implemented significant improvements in oversight and process documentation, and these efforts remain ongoing.

The System believes that implementation of an industry-standard SPARK file layout will increase transparency and internal controls. ERSRI is actively working with the plan administrator, TIAA, to implement the SPARK file format for employers with the goal of establishing a formalized monitoring plan for the Defined Contribution component of the retirement benefit during this fiscal year. This finalized plan and related controls will be documented upon completion.

ERSRI maintains robust internal controls and reporting systems for wage and contribution management of the Defined Benefit Plan, and financial reporting for that plan has consistently met the highest standards. As noted by the Office of the Auditor General, the State of Rhode Island has utilized an external plan administrator for the Defined Contribution portion of the hybrid plan since its inception. Accordingly, ERSRI considers it appropriate to maintain distinct, but equally rigorous, control and reporting frameworks for the Defined Contribution and Defined Benefit plans.

Management further notes that the State Investment Commission and the investment division of the Office of the General Treasurer provide rigorous and comprehensive oversight of plan assets. Moreover, ERSRI is not reliant on the plan administrator to fully self-report, but contracts with a third-party consultant, Capital Cities, to monitor all participant-directed programs, including the Defined Contribution Plan. Capital Cities conducts ongoing analytical review of fund performance, and issues quarterly evaluation reports, which are then reviewed closely by Treasury Investment Staff. In addition, Capital Cities presents an annual 401(a) Program Review to the State Investment Commission. Oversight has been further strengthened through the addition of an Investment Associate dedicated to liquid asset classes, including the 401(a) investments.

Anticipated Completion Date: Ongoing

Contact Person: Stacey Whitton, Chief Financial Officer, Employees' Retirement System of Rhode Island
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Finding 2025-026 – Corrective Action Plan

The Authority will fund the Operating Reserve provided there is sufficient cash flow or if an alternative means of security, such as a letter of credit, is available.

Given that the Authority continues to make timely and complete debt service payments, it would make little sense for the trustee to declare a default for reserve fund noncompliance. In fact, this has been the practical practice over several years as the Authority has failed to maintain adequate reserves due to insufficient State appropriations. If a default was declared, the Authority would have 90 days to cure and would seek a legislative appropriation to remedy the default. Of course, annual appropriations in excess of debt service requirements would assist in building reserves and reaching the requirements. The Authority and its advisors are actively in search of a viable resolution to this matter.

Anticipated Completion Date: Undetermined

Contact Person: Daniel McConaughy, Executive Director, Rhode Island Convention Center Authority
Daniel.McConaghy@riccauth.com

Finding 2025-027 – Corrective Action Plan

The variance is related to challenges with the existing technology used for cash collection. This system has exceeded its useful life and the Authority is actively exploring alternate options for cash collection and vaulting. More accurate information is one of the key objectives of this effort.

Anticipated Completion Date: Ongoing

Contact Person: Christopher Durand, Executive Director, Rhode Island Public Transit Authority
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Finding 2025-028 – Corrective Action Plan

Quonset Development Corporation has a proven history of delivering accurate and timely financial reporting. The challenges noted in this year's report stem from staffing turnover. Since then, the Finance team has coalesced into a robust and dependable unit, diligently working to ensure continued excellence in financial management and reporting.

Additionally, during the audit the Corporation experienced a cyber incident that delayed audit work for several weeks.

Going forward, the Finance team will strengthen month-end checklists by incorporating proactive reviews for potential adjustments, implementing comprehensive training on billing systems and best practices, and enforcing tighter reconciliation timelines. Quonset Development Corporation is unwavering in its dedication to delivering precise and timely financial reporting, ensuring robust support for its mission to maximize the operational and developmental potential of the Business Park.

Anticipated Completion Date: Ongoing

Contact Person: Patricia Testa, Chief Financial Officer, Quonset Development Corporation
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Finding 2025-029 – Corrective Action Plan

Management concurs with this finding. The Corporation previously relied on its former accounting firm to assist with the initial implementation of GASB Statement No. 84, Fiduciary Activities. Going forward, the plan will be excluded from classification as a fiduciary activity in the Corporation's basic financial statements.

Anticipated Completion Date: June 30, 2026

Contact Person: Raymond Ivers, Chief Financial Officer, Rhode Island Resource Recovery Corporation
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Finding 2025-030 – Corrective Action Plan

We agree with the recommendations. We have resubmitted the FY24 SWCAP to include these costs. We will work with our SWCAP consulting partner to review prior submissions to ensure grant management services are assessed as billed costs and include the costs going forward.

Anticipated Completion Date: To Be Determined

Contact Person: Steve Thompson, Associate Controller, Office of Accounts & Control, Department of Administration
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Finding 2025-031 – Corrective Action Plan

The Department has reviewed and updated its SNAP EBT reconciliation procedures to strengthen internal controls over the reconciliation process. Written procedures document the reconciliation process, required calculations, roles and responsibilities, supervisory review requirements, and timelines for completing and resolving outstanding reconciliation items.

The Department will perform reconciliations in accordance with established procedures and promptly investigate and resolve any unreconciled balances in coordination with the EBT Coordinator and SNAP Administrator. In addition, supervisory review and approval of each reconciliation will be documented to verify the accuracy and completeness of reconciliations and ensure that any discrepancies are appropriately researched and resolved in a timely manner.

These actions are intended to strengthen internal controls over SNAP EBT reconciliations, improve management oversight, and ensure compliance with federal reconciliation requirements.

Anticipated Completion Date: October 31, 2026

Contact Person: Jenna Simeone, Administrator, Family & Adult Services – SNAP, Department of Human Services
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Finding 2025-032 – Corrective Action Plan

2025-032a: MMIS system access is controlled via an electronic system called GainwellNow. An MMIS access request form must be completed by the requestor, signed by that individual and their supervisor, and then sent to the Systems Group staff members who are responsible for approving or denying access requests. The Systems Group will sign the request form and approve the request within GainwellNow and the requestor will be granted access. The GainwellNow system also generates and sends email notifications to the Systems Group Administrators notifying them of a pending access request if the requestor enters it into GainwellNow directly. From there, the same approval/denial process occurs.

If an individual has not logged into MMIS for 30 days, then they require a password reset in order to regain access. Those password reset requests create system generated emails that are sent to the Systems Group Admins for approval or denial. After 60 days of inactivity, the individual is locked out and cannot access the MMIS without requesting and obtaining approval of the password reset.

If someone leaves state employment, then the Systems Group Admins submit an access deletion request into GainwellNow, deleting the account completely.

Gainwell Technologies also sends monthly access reports to the Systems Group for review and confirmation that account deletion requests were completed as submitted. Additionally, Gainwell sends monthly "New or Deleted Users" reports to the Systems group for review.

For IT security, the Systems Group receives and reviews the following reports:

- RI-CDM-ASQC-Security-Report
- RI-CSHARP-ASQC-Security-Report
- RI-Java-ASQC-Security Report
- RI-XIX-DR Exercise Scope
- RI-XIX-DR Executive Summary Report

2025-032b: The Arc-Ampe (formerly called MARS-E) third party assessment is underway. Security scanning and testing is complete, and security controls have been evaluated. Final report is due by 6/30/2026. Remediation of legitimate vulnerabilities is underway and defects are tracked on the RIBridges POAM.

2025-032c: EOHHS/Medicaid will work collaboratively with ETSS and their vendors to proactively assess critical risk areas planned for the review year.

2025-032d: For RIBridges, SOC engagements occur every other year. A third-party Attestation of the Arc-Ampe controls occurs annually. The state can evaluate the results of this year's upcoming SOC audit to determine if an increased frequency of the SOC is needed.

Anticipated Completion Dates:

2025-032a: EOHHS believes this item to be complete and will defer to OAG for resolution of this finding.

2025-032b: High findings – 30 days, moderate findings – 90 days, low findings – 365 days. July 31, 2027.

2025-032c: Ongoing

2025-032d: December 31, 2026

Contact Persons: Hector Rivera, Interdepartmental Project Manager, Executive Office of Health and Human Services
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Finding 2025-033 – Corrective Action Plan

EOHHS understands that the audit findings primarily resulted from three items:

1. Lack of management oversight of the AlloCAP system's functionality and its effect on financial reporting.
2. The use of incorrect FMAPs on sister agencies' quarterly administrative claiming reports submitted to Medicaid Finance, and Medicaid's subsequent lack of review of these reports.
3. No segregation of duties in the Assistant Director Financial and Contract Management position within the EOHHS Central Management finance team.

Several actions have been taken to enhance oversight of the AlloCAP system functionality and improve the overall cost allocation process, including hiring an Administrator, Financial Management position. This position has been cross trained and is completing the quarterly AlloCAP activities with review completed by the Assistant Director Financial and Contract Management position.

Management's additional correction action plans for each of these are below.

1. Finance will request a SOC I Type II report from its AlloCAP vendor. The report(s) will be shared with CFOs at all agencies using the AlloCAP system for Medicaid allocations for their review.
2. Finance has already implemented controls to rectify this finding. The items below were implemented during SFY 2026.
    a. Additional training for sister agencies on the administrative claiming reporting process. Trainings were held on February 4th and April 15th, 2026, and included the importance of the correct FMAP and a list of FMAPs by CMS-64 line item.
    b. Office hours with Medicaid administrative claiming agencies prior to the submission of quarterly expenditure reports. This allows agencies to ask questions and troubleshoot possible issues prior to report submission.
    c. Medicaid Finance review of all agency-submitted quarterly expenditure reports. This includes checking that:
        i. the reported federal amounts tie to the quarterly draw down amount. If there is a variance, the variance must be explained and documented for future reconciliation;
        ii. FMAPs are used and align with CMS-64 line item FMAPs;
        iii. The reported federal amounts do not exceed CMS-64 line item budgets (when applicable).
    d. Training additional Medicaid Finance staff on the review of agency submitted reports and data entry to separate staff duties and allow for double-checking of staff work.

    Finance will continue to refine improvements and implement processes to ensure reporting accuracy, including drafting relevant SOPs. Additionally, Medicaid Finance retained a contractor that has worked with other states to review the CMS-64 claiming process to suggest further areas of improvement and automation.
3. EOHHS will continue to explore options for improving controls over AlloCAP system functionality and cost allocation work.
4. Finance staff across EOHHS and Medicaid teams will detail additional controls and recommendations for implementation.

Anticipated Completion Date: September 1, 2026

Contact Persons: Dezeree Hodish, Associate Director, Financial Management, Executive Office of Health and Human Services
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Finding 2025-034 – Corrective Action Plan

2025-034a: We appreciate the work performed by OAG and understand the importance of the SAR. While the noted exception, was an isolated incident, our internal control was lacking. We do have compensating controls in place to identify potential noncompliance with the registration requirement, this isolated transaction did not appear on the daily error report. ETSS is investigating how this occurred and will ensure that similar exception do not occur in the future. We will also use your recommendation as an opportunity to review and modify any control deficiencies related to the current legacy limitations. For example, not having a field on the AS400 to capture the dependent SS#, after initial application is filed.

2025-034b: DLT's 2024 Systems Modernization Strategic Plan outlines long-term efforts to enhance system integration, automation, and data monitoring capabilities. RI DLT Modernization Strategic Plan - 2024.pdf. The Department is actively evaluating the feasibility of financing this effort.

2025-034c: UI Administration will consult with DLT legal office to update applicable regulations.

Anticipated Completion Dates:

2025-034a: October 31, 2026

2025-034b: Ongoing

2025-034c: October 31, 2026

Contact Person: Sarah Fresch, Deputy Director, COO, Department of Labor and Training
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Finding 2025-035 – Corrective Action Plan

We concur with the recommendation.

Regarding (1) – RIDLT UI Administrative staff meet weekly with ETSS to review and prioritize pending projects. The programming changes required to calculate and apply the 15% fraud penalty are included in these priorities. Currently, RIDLT has one dedicated IT resource, who is fully engaged with the Online Employer Form Modernization project (see #2).

Following the completion of these initiatives, RIDLT will begin development for the 15% fraud penalty programming.

Regarding (2) – RIDLT is currently engaged in the Online Employer Form Modernization project. This system enhancement is necessary to:

- Eliminate unnecessary employer forms that do not require adjudication.
- Use conditional logic to display only relevant questions.
- Automatically identify and flag responses that may affect eligibility.

- Reduce staff time spent on non-actionable forms.
- Enable staff to focus limited resources on claims that require review.
- Make an adequacy determination (RIGL 28- 43-3(2)(viii)).

Anticipated Completion Date: November 30, 2026

Contact Person: Philip D'Ambra, Deputy Director (Income Support) UI Director, Department of Labor and Training
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Finding 2025-036 – Corrective Action Plan

2025-036a: ETA 2112 & ETA 191: RIDLT's Business Affairs Division agrees with the audit findings that this report has been submitted late due to delays in completing the required reconciliations. The figures reported on the ETA-2112 & ETA 191 must agree with bank records, and reconciling balances with another State agency has been particularly challenging, especially following the transition to the new system. To address this issue, we will meet with the other agency as soon as possible to review the reconciliation process, identify and resolve outstanding differences, and establish a timelier reconciliation schedule. We will also make the other agency aware of this audit finding and emphasize the importance of completing reconciliations promptly to ensure future reports are submitted accurately and on time.

ETA 9130 & ETA 2208A: RIDLT's Business Affairs Division agrees with the audit findings and has already implemented a schedule and secondary review documentation process for USDOL's new ETA 9130 reporting system. This new system requires preparer and certifier approvals. USDOL does not allow for these two approvers to be the same person. The report itself shows only the final certifier's approval. RIDLT has found additional documentation within the system that we subsequently printed as proof that there were two separate signatures on the reports and will continue to do so going forward. This along with dates for preparer and certifier to complete the reporting process will be added to the procedures and marked as recurring "to do" items in employees' calendars to ensure timely reporting.

ETA 9050, 9052, and 9055: RIDLT's Labor Market Information Division agrees with the audit findings. To improve accountability and monitoring, a formal report tracking process has been implemented. All required reports are now documented on the date of submission. For any report not submitted by the established deadline, the reason for the delay is documented and maintained as part of the reporting record. Examples of documented exceptions may include delays resulting from missing source data, data requiring clarification or validation, system-related issues, or other circumstances affecting the timely completion of the report.

Additionally, management has implemented a supervisory review and verification process. Supervisors are now required to verify that reports have been submitted by the required due date and that the underlying data has been reviewed for completeness and accuracy. Documentation of this review is maintained to provide an audit trail and strengthen internal oversight.

Management also recognizes the need for a formal communication protocol when circumstances outside the reporting unit's control may affect the ability to meet established reporting deadlines. To address this, management will develop and implement a notification procedure requiring timely communication with ETA whenever reporting delays are anticipated. Such notifications will identify the cause of the delay, including but not limited to staffing shortages resulting from temporary employee leave, vacancies, delays in receiving required information from other divisions, or other operational constraints. The notification will also include, when available, an estimated timeline for report completion and submission.

Management believes these corrective actions will strengthen internal controls, improve documentation and oversight, and enhance communication regarding reporting requirements. These measures are intended to reduce the risk of future late submissions and ensure greater compliance with reporting deadlines and program requirements.

2025-036b: The report in question was amended on 3/31/2026.

Anticipated Completion Dates:

ETA 2112 & ETA 191: September 2026. This timeframe will allow us to complete the outstanding reconciliations from previous months, resolve any discrepancies, and implement processes to support timely submission of future reports.

ETA 9050, 9052, and 9055: September 2026.

ETA 9130 & ETA 2208A: Reports for quarter ending June 30, 2026.

Contact Persons: Rosanna Hernandez, Business Affairs, Department of Labor and Training
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Finding 2025-037 – Corrective Action Plan

2025-037a: Members of the Income Support team will meet regularly with the WDS team to identify areas of concern and to evaluate alternative ways to strengthen the overall program effectiveness including subsequent RESEA activities will be among the topics discussed. These activities, among others, have been limited due to inadequate funding.

2025-037b: The DLT Data and Performance Unit prepared recommendations for an amended RESEA algorithm. The resolution team (comprised of members from the Data and Performance Unit, Income Support, Workforce Development Services, and the Office of Planning, Integrity, and Compliance) endorsed the recommendation. During Quarter 3 the proposal was brought before Department Executive Leadership. Leadership endorsed and approved the final draft.

Anticipated Completion Date: November 30, 2026

Contact Person: Philip D'Ambra, Deputy Director (Income Support) UI Director, Department of Labor and Training
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Finding 2025-038 – Corrective Action Plan

Initially, the Pandemic Recovery Office used contractors to help with the ERA 2 program data validation function for U.S. Treasury reporting purposes. PRO decided to directly incorporate the ERA 2 data validation process into PRO's operations using State personnel rather than contractors. At this transition point, PRO staff became aware that inconsistencies existed in the demographic categorization of ERA 2 participant data. PRO hired a consultant, who along with PRO staff, developed a Power BI model and standardized the logic associated with the assessment of the ERA 2 participant data. Once PRO standardized the data across ERA 2 participants, PRO updated the ERA 2 participant demographic data in the final ERA 2 report to U.S. Treasury to reflect the new data standardization process PRO implemented.

The standardization of the ERA 2 participant demographic data corrected the earlier reports submitted to U.S. Treasury. The final ERA 2 report, as is the case with all U.S. Treasury reports, is cumulative as of the date of submission of the report. The final ERA 2 report covered the entire period of performance for the ERA 2 program, the end point of which was September 30, 2026.

Anticipated Completion Date: January 26, 2026, the date on which the final ERA 2 report was submitted.

Contact Persons: Paul Dion, Director, Pandemic Recovery Office, Department of Administration
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Finding 2025-039 – Corrective Action Plan

Management agrees with the finding that subrecipient monitoring procedures were insufficient to ensure subrecipient audit reports are obtained and reviewed. Monitoring procedures were not in place to ensure adequate documentation was obtained regarding the use of payment advances.

The Pandemic Recovery Office has communicated with the Executive Office of Housing on the best practices to be employed to ensure that effective subrecipient monitoring takes place. To that end the Executive Office of Housing has implemented policies and procedures to:

- Ensure the timely review of subrecipient audit reports and the issuance of management decisions in accordance with the Uniform Guidance. In particular, the Executive of Housing (EOH) now requires that subrecipients submit their Single Audit Report or financial audit report when submitting for annual funding. At that time, these reports are reviewed by EOH, and action is taken as needed regarding management decisions.
- Develop and implement internal controls to ensure that adequate documentation of monitoring procedures and support for subrecipient expenditures is obtained. EOH executes periodic site visits of subrecipients at which time expenditures are reviewed and documentation for said expenditures is obtained (i.e., invoices, demonstration of services performed, etc.).
- Strengthen and improve subrecipient monitoring procedures to ensure compliance with the terms and conditions of the grant award. PRO will communicate to EOH the need to provide the proper reconciliation documentation for payment advances made to subrecipients and acquire supporting documentation for reimbursement of subrecipient expenditures.
- Enhance controls to ensure all award identifying information required by 2 CFR §200.332(b)(1) is accurately included in the subaward. PRO will reiterate to EOH the need for subrecipients to have an accurate Unique Entity Identification (UEI) number, issued by SAM.gov, to receive funding under the State Fiscal Recovery Fund and/or the Emergency Rental Assistance programs. Further, EOH will review all subawards to ensure that every subaward includes the Federal Award Identification Number, Assistance Listing Number, and program title.

Anticipated Completion Date: September 30, 2026

Contact Persons: Paul Dion, Director, Pandemic Recovery Office, Department of Administration
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Brianna Ruggiero, Chief of Staff, Pandemic Recovery Office, Department of Administration
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Finding 2025-040 – Corrective Action Plan

The Corporation's legal counsel is currently working to draft amendments to those contracts discovered during the audit process that did not contain specific Uniform Guidance (2 CFR § 200.327 and 2 CFR Part 200, Appendix II) provisions referenced in the finding narrative. The Corporation expects these amendments to be finalized and executed by the end of March 2026.

Anticipated Completion Date: March 31, 2026

Contact Person: Justin Medeiros, Senior Controller / CFO, Rhode Island Commerce Corporation
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Finding 2025-041 – Corrective Action Plan

Any missing or incomplete policy and procedure items identified during the audit process are currently in the process of being included in a revised draft of the Corporation's federal grants policy manual. The Corporation expects a revised and all-encompassing version of the manual to be finalized and filed by the end of March 2026.

Anticipated Completion Date: March 31, 2026

Contact Person: Justin Medeiros, Senior Controller / CFO, Rhode Island Commerce Corporation
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Finding 2025-042 – Corrective Action Plan

Management agrees with this finding and will improve the documentation of subrecipient audit report reviews to include notation of whether any findings in the single audit report pertained to the CPF subaward require a management decision in accordance with Uniform Guidance and whether any other findings reported could indirectly impact the administration of the subaward.

Management will add the following fields to the Pandemic Recovery Office's reviewing document titled "PRO Fin Risk Template -DOA-PRO-LTCTR4":

1. Does the Single Audit report include any findings pertaining to the CPF subaward? (YES/NO)
2. Are there any other findings reported that could indirectly impact the administration of the subaward? (YES/NO)

Anticipated Completion Date: Immediately but no later than August 31, 2026.

Contact Persons: Paul Dion, Director, Pandemic Recovery Office, Department of Administration
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Sagree Sharma, Capital Projects Fund Administrator, Pandemic Recovery Office, Department of Administration
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Finding 2025-043 – Corrective Action Plan

RIDOH agrees with this repeat finding and recommendations. RIDOH staff often do not pay attention to the Budgeted Allocation column on their time sheets, focusing only on their reporting of time and effort, which leads to inaccurate cumulative Budgeted Allocations on Variance Reports leading to inaccurate variances for correction. The RIDOH reconciliation methodology includes a step to compare reported time and effort to financial system payroll reports (the Variance Correction tab in each reconciliation adjustment calculation spreadsheet). This ensures that all adjustments are accurately processed to the appropriate grants even if they do not appear to agree with the variances in individual Variance Reports.

2025-043a: RIDOH abolished all "umbrella" or general Programs/Activities from Time Sheet Workbooks as of SFY2027 Qtr1. All grant activities now are reported with Appropriation numbers, and grouped activities were removed, except for Medicaid Match account pairs and consecutive federal awards for the same purpose which are spent down in sequence (e.g., DWQ State Revolving Fund awards). RIDOH continues to monitor the status of reporting by Project Tags in Workday, which will provide automatic reconciliation per time and effort reported. Currently, reporting by Project Tags results in inaccurate charging of leave time. When that issue has been resolved, RIDOH will switch to Workday Project Tag reporting and will discontinue using Time Sheet Workbooks.

2025-043b: RIDOH will review SFY2026 Time Sheet Workbooks and revise them to show the correct budgeted allocations, providing the basis for the variance adjustments. Any revisions will be documented. Time and effort reported will not be changed. For SFY2027, RIDOH Grants Management began providing payroll reports formatted by the Time Sheet Workbook Programs/Activities for Division Finance Liaisons to update and share with Division staff, to support correct recording of Budgeted Allocations in Time Sheet Workbooks. RIDOH Grants Management will continue to do this quarterly, ensuring accurate variance calculations on quarterly Variance Reports.

2025-043c: RIDOH will review the SFY2025 payroll reconciliations in question and make corrections as needed.

Anticipated Completion Dates:

2025-043a: Enhanced reporting completed. Transition to Workday Project Tag reporting by June 30, 2027

2025-043b: Ongoing

2025-043c: December 31, 2026

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Finding 2025-044 – Corrective Action Plan

RIDOH agrees with the finding and recommendations.

2025-044a: RIDOH will examine and document internal processes for requesting federal drawdowns and will create and implement revised policies and procedures to align with both federal requirements and Workday requirements for documentation of expenditures.

2025-044b: RIDOH will review and reconcile ELC and Immunization grant awards reporting excess cash drawdowns as of 6/30/2025 and will make adjustments as appropriate to ensure accurate grant award tracking.

Anticipated Completion Dates:

2025-044a: June 30, 2027

2025-044b: October 31, 2026

Contact Persons: Alisha Collella, Chief Financial Office, Department of Health
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Carla Lundquist, Deputy CFO / Federal Grants Manager, Department of Health
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Finding 2025-045 – Corrective Action Plan

RIDOH agrees with the finding and recommendations.

2025-045a: RIDOH will require review of all UGSs monthly against the Workday transactional data and the Federal Monthly Grants Tracker to ensure expenditure amounts agree on all spreadsheets.

2025-045b: Grants Management staff will verify cumulative transactional data before signing off on all Federal Financial Reports (FFRs).

2025-045c: RIDOH will review the RIFANS and Workday transactional data for Immunization FFRs submitted in SFY2025 and submit amended FFRs as required. RIDOH will complete and submit the remaining two overdue FFRs.

Anticipated Completion Dates:

2025-045a / 2025-045b: July 31, 2026

2025-045c: July 31, 2026 for ELC, December 31, 2026 for Immunization

Contact Persons: Carla Lundquist, Deputy CFO / Federal Grants Manager, Department of Health
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Finding 2025-046 – Corrective Action Plan

The Department has developed a comprehensive Multi-Program Eligibility Review Tool designed to strengthen supervisory oversight and improve consistency in eligibility determinations across public assistance programs. The tool, currently in final development, will be implemented statewide and utilized by supervisory staff as part of routine quality assurance and case review activities.

The review tool has been expanded to specifically address the documentation deficiencies identified through the audit, including verification of citizenship and identity for all household members, residency documentation, hardship determinations, employment plans, initial applications, recertifications, interim reports, and required case documentation maintained within RIBridges.

In addition, the Department has revised the DHS-2H Hardship Request form to clearly document hardship eligibility criteria and require participant attestation for the applicable hardship category, strengthening documentation supporting eligibility determinations.

To further strengthen internal controls, the Department will:

- implement supervisory case reviews using the Multi-Program Review Tool;
- provide staff training on documentation and eligibility requirements;
- monitor review results to identify recurring trends and implement corrective coaching where needed; and
- incorporate findings into ongoing quality assurance and program monitoring to ensure sustained compliance with eligibility documentation requirements.

These actions are intended to strengthen supervisory oversight, improve documentation compliance, and reduce the risk of unsupported eligibility determinations identified in the audit.

Anticipated Completion Date: Fall of 2026

Contact Persons: Donna Rook, Administrator, Family & Adult Services, Department of Human Services
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Vania Rebollo, Assistant Administrator Family and Children Service, Department of Human Services
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Finding 2025-047 – Corrective Action Plan

The Department updated Policy (218-RICR-20-002) to reflect 45 CFR 205.55, including procedures for using IEVS interfaces and incorporating the resulting information into eligibility determinations. The updated policy will be sent to OMB 7/1/26. Additionally, the updated policy will be discussed at meetings (Office Hours, Training consultations, and Quarterlies). System interfaces will run on a quarterly basis consistent with the language in 45 CFR §205.55 regarding all applicants. This process is being tracked and prioritized in BRR-141767 which is the ticket number used to communicate with the vendor.

In addition, DHS is strengthening operational controls to ensure required IEVS interfaces are executed, reviewed, and acted upon within required federal timeframes. Supervisors will monitor outstanding interface matches and timeliness of case actions as part of routine quality assurance activities to ensure interface information is appropriately evaluated, documented within the electronic case record, and incorporated into eligibility determinations.

These actions will be supported by the Department's broader supervisory quality assurance and pre-authorization review initiatives to improve verification accuracy, ensure timely processing of electronic data matches, and reduce future eligibility errors.

The Department also notes that a portion of the untimely processing identified during the audit occurred during the RIBridges cybersecurity incident, when staff were operating under documented Business Continuity Plan (BCP) procedures to restore critical operations and address processing backlogs. While these circumstances contributed to delays during the audit period, the Department recognizes the need to strengthen routine controls and has implemented the corrective actions described above. Information security enhancements are further addressed in response to Finding 2025-032.

Anticipated Completion Date: Ongoing – The process of posting updated policy and then the public comment period historically takes about 6 months. Disseminating information to staff regarding the policy updates will begin July 2026 and continue until saturation.

Contact Person: Donna Rook, Administrator, Family & Adult Services, Department of Human Services
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Finding 2025-048 – Corrective Action Plan

The Department has worked with the ACF Data Unit and the system vendor to identify the required coding corrections and implement updates consistent with current ACF reporting guidance. System enhancements are underway to address the identified coding issues.

The Department will also implement a documented quality assurance review process for each quarterly ACF-199 submission. Prior to submission, designated staff will validate report data against RIBridges case information, verify compliance with current ACF reporting guidance, and document supervisory review and approval.

DHS has incorporated updated ACF reporting guidance into its reporting procedures and will provide training and technical assistance to staff responsible for preparing and reviewing ACF-199 reports to ensure consistent application of federal reporting requirements.

The Department will also obtain documentation on a quality assurance review for the quarterly 199 reports.

Anticipated Completion Date: Ongoing

Contact Person: Nikolaos Petropoulos, Data Analyst III, Office of Performance Analytics & Continuous Improvement, Department of Human Services
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Finding 2025-049 – Corrective Action Plan

The RI Works unit has completed a comprehensive revision of the State's Work Verification Plan. The revised plan is currently undergoing an internal quality review to ensure consistency, appropriate terminology, removal of legacy references, and alignment with current program operations. Upon completion of this review, the Work Verification Plan will be submitted to the Administration for Children and Families (ACF) for review and approval.

To strengthen ongoing compliance with the Work Verification Plan, DHS will implement documented supervisory quality assurance reviews to verify work participation documentation, ensure compliance with established verification procedures, and confirm the accuracy of work participation data reported to ACF.

In addition, the Multi-Program Eligibility Review Tool referenced in Finding 2025-046 will be incorporated into the Department's supervisory monitoring process. Supervisors will utilize the tool to conduct routine case reviews to verify eligibility accuracy, work verification documentation, and compliance with federal and State requirements. Review results will be used to identify trends, provide targeted coaching, and strengthen ongoing quality assurance activities.

Anticipated Completion Date: October 1, 2026

Contact Person: Donna Rook, Administrator, Family & Adult Services, Department of Human Services
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Finding 2025-050 – Corrective Action Plan

During the audit period, responsibility for FFATA reporting transitioned among multiple staff due to staffing changes, which contributed to untimely reporting. To strengthen internal controls and ensure continuity of operations, DHS will cross-train multiple employees on FFATA reporting requirements and reporting procedures.

In addition, DHS will establish a standardized reporting calendar, designate primary and backup staff responsible for FFATA submissions, and implement a supervisory review process to verify that all required subaward reports are submitted timely and in accordance with federal reporting requirements. These actions are intended to strengthen monitoring controls, reduce the risk of reporting delays, and ensure ongoing compliance with FFATA reporting requirements.

Anticipated Completion Date: July 31, 2026

Contact Person: Ben Quattrucci, Assistant Director, Financial Contract Management, Department of Human Services
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Finding 2025-051 – Corrective Action Plan

The Department is developing standardized written procedures for the preparation, reconciliation, review, and submission of required federal financial reports. The procedures will include reconciliation of reported expenditures to the State accounting system, identification of applicable appropriation accounts, reporting thresholds, required documentation, submission deadlines, and documented supervisory review and approval prior to submission.

The Department will also review previously identified reporting discrepancies and amend reports, as appropriate, to ensure compliance with federal reporting requirements.

Development of these standardized procedures was temporarily delayed due to implementation of the State's Enterprise Resource Planning (ERP) system. DHS anticipates resuming this work during State Fiscal Year 2027 and incorporating lessons learned from the ERP implementation into its reporting procedures to strengthen financial reporting controls.

Anticipated Completion Date: June 30, 2027

Contact Person: Ben Quattrucci, Assistant Director, Financial Contract Management, Department of Human Services
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Finding 2025-052 – Corrective Action Plan

Although the Department remained in compliance with applicable CCDF earmarking requirements, DHS will strengthen its review procedures to ensure that only expenditures applicable to the reporting period are included in quarterly earmarking calculations. These procedures will include verification that expenditures are reported within the appropriate reporting period, reconciliation of source expenditure reports to supporting accounting records, documented supervisory review of quarterly earmarking calculations to verify the accuracy, completeness, and appropriateness of expenditures included in the calculation prior to finalization, and formal approval prior to finalization. In addition, DHS will update written procedures and provide training to staff responsible for preparing and reviewing quarterly earmarking calculations to ensure the enhanced controls are consistently applied.

The corrective actions implemented in response to Finding 2025-051 will further strengthen the reliability of the expenditure data used in quarterly earmarking calculations and support effective monitoring of compliance with CCDF earmarking requirements.

These enhancements will strengthen the reliability of quarterly compliance calculations, improve management oversight, and provide greater assurance that CCDF earmarking requirements continue to be accurately monitored and documented.

Anticipated Completion Date: June 30, 2027

Contact Person: Eileen Asselin, Assistant Director, Financial and Contract Management, Department of Human Services
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Finding 2025-053 – Corrective Action Plan

Management concurs with the findings related to controls over child care eligibility determinations and provider payments. Management notes that the number and scope of findings identified in the current audit have been substantially reduced compared to prior Single Audits, reflecting continued progress in strengthening internal controls. The Office of Child Care remains committed to enhancing eligibility determination processes and related internal controls, including ensuring that required eligibility documentation is consistently maintained in the electronic case record. Corrective actions to address the remaining findings, along with the anticipated completion dates, are outlined below.

Corrective Actions	Anticipated Completion Date
Add system functionality to request documentation (ADR) from customers who do not respond to the asset question. If request for additional documentation is not answered, application or renewal is denied.	In progress, to be determined
Add pre-authorization check to CCAP cases requiring supervisors to review before authorization.	In progress, to be determined
Program leads to attend CCAP Foundational Learning Series to support in clarifying CCAP policy and answer questions.	Ongoing
Add a "lab" day to the CCAP Foundational Learning Series for hands-on experience reviewing both test cases and live cases with real-time support.	Ongoing
Increasing number of times CCAP Foundational Learning Series is offered to ensure staff are trained in a timelier manner. Mandate attendance in updated training for all eligibility technicians coming into CCAP rotation.	Ongoing
Quarterly leadership progress calls to analyze eligibility and payment errors to inform system and training needs.	Ongoing
Discuss error-prone areas, available supports, and utilize scenario-based learning at "processing Wednesdays" with eligibility staff once a month. Include guidance related to common eligibility errors in Huddle Scripts shared by supervisors with processing teams.	Ongoing
Hold monthly office hours for staff to discuss common error areas and utilize scenario-based learning.	Ongoing
Department-wide program integrity initiatives are underway including pre-authorization review of cases by supervisors, supervisory implementation team focused on building strong supervisory practices around coaching and monitoring, additional LMS training tools to strengthen verification accuracy and case note consistency, development of a knowledge hub streamlining access to processing tools, cross-agency focus on accuracy and error reduction emphasized in department quarterly meetings.	Ongoing

In addition to the corrective actions outlined above, the Department is strengthening supervisory oversight through implementation of routine pre-authorization quality reviews and standardized supervisory monitoring practices. Supervisors will utilize these tools as part of ongoing quality assurance activities to verify that required eligibility documentation is complete prior to authorization, identify recurring error trends, and provide targeted coaching, training, and process improvements to strengthen program integrity and reduce future eligibility errors.

Management agrees with the recommendation to evaluate modifications to the existing eligibility system to support eligibility determinations under the CCAP Child Care Staff program. The Department previously assessed the feasibility of modifying RIBridges to accommodate eligibility determinations for the CCAP Child Care Educators and Child Care Staff pilot program. At that time, implementation was not feasible due to competing system development priorities, limited vendor development capacity, and the pilot status of the program. Since the period covered by the audit, the Department has implemented a

requirement that participants in the pilot program also apply for the traditional CCAP program. This change has strengthened documentation requirements and helped mitigate risks associated with incomplete eligibility documentation.

While these interim measures have improved program administration, the Department recognizes that administering eligibility determinations outside of the primary eligibility system is not a sustainable long-term approach. Accordingly, the Department is reassessing the future administration of the pilot program and evaluating options to incorporate eligibility determinations into RIBridges or, alternatively, to develop the functionality within RISES and integrate it with RIBridges. The Department will determine the most appropriate path forward based on program needs, system capabilities, and available resources to ensure a sustainable and well-controlled eligibility process.

Additionally, the Department has strengthened controls over provider payments for the CCAP Child Care Staff pilot program since the audit period. Prior to each payment, the CCAP program team reviews the copayment workbook to identify and resolve discrepancies between pilot program payments and traditional CCAP benefits. In addition, the CCAP Finance team performs a formal review of each payment workbook before payments are processed.

The vendor supporting the pilot has also enhanced its payment file process by implementing an additional level of financial review by the project team prior to submission and incorporating safeguards to identify attendance records that may have been previously paid, reducing the risk of duplicate payments.

The Department has established procedures to recover identified overpayments, including both one-time recoveries through withholding from future pilot payments, where appropriate, and a formal recoupment process for providers who are no longer participating in the pilot program. These enhanced controls are intended to strengthen payment accuracy and support effective stewardship of program funds.

Anticipated Completion Dates: See table above

Contact Person: Nicole Chiello, Associate Director, Office of Child Care, Department of Human Services
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Finding 2025-054 – Corrective Action Plan

Management agrees with the finding regarding health and safety requirements for timely unannounced monitoring visits. While several providers identified in the audit did receive a monitoring visit within 60 days of the annual due date, the Licensing Department experienced delays in completing some monitoring visits due to staff shortages and employee leave. To address the backlog and prioritize oversight activities, The Department has implemented a team-based prioritization approach rather than individual caseload management. This approach allows the unit to prioritize providers with the greatest need for monitoring and ensure that available resources are directed toward the highest-risk areas. The Department is actively working to increase staffing capacity within the unit. The Department is currently onboarding four new staff members to address existing vacancies and has recently received two additional FTE positions to further support monitoring activities. The unit continues to manage the impact of two staff members being out on extended medical leave with undetermined return dates; however, despite these staffing challenges, the unit has completed 423 monitoring visits since January 1, 2026. The Department will continue to monitor progress toward eliminating the backlog, strengthening system processes, and ensuring timely completion and documentation of required unannounced monitoring visits.

DHS has also implemented enhanced monitoring capabilities within RISES. The system now generates automated notifications to the Licensing Department at established intervals before monitoring visits are due for both child care centers and family child care programs. These automated reminders strengthen monitoring workflows, improve oversight of upcoming monitoring requirements, and support the timely completion of unannounced visits. In addition, RISES has strengthened the Department's ability to consistently track provider compliance, document corrective actions, and identify providers requiring increased oversight. These enhanced monitoring tools have improved accountability by providing greater visibility into provider compliance and enabling licensing staff to more effectively prioritize regulatory activities based on risk.

Management does not concur with the findings related to corrective action plans and inspections but has implemented various enhancements to support streamlined processes in these areas since the audit time period. As discussed during the audit, several factors affect the timing and applicability of required inspections and do not necessarily indicate provider noncompliance. For example, radon testing may only be conducted during specific times of the year. Providers may make timely efforts to schedule testing but be unable to obtain an inspection due to limited inspector availability or because the request falls outside the allowable testing window. In these circumstances, DHS does not consider the provider to be out of compliance. Similarly, fire inspections must be completed by the State Fire Marshal's Office.

In recent years, staffing challenges have affected the ability to complete inspections within standard timeframes, despite providers' efforts to obtain them. When a provider has a history of compliant fire inspections, the Licensing Department accepts documentation demonstrating the provider's attempt to schedule the required inspection and may proceed with license renewal while awaiting the inspection.

Additionally, lead inspections are not required for facilities constructed after the applicable regulatory date and are not required for school-age programs. During the audit process, DHS identified several providers flagged for inspection concerns that appeared to fall into one or both of these exempt categories.

To strengthen compliance monitoring, RISES now generates automated notifications beginning 90 days before inspection expiration dates. DHS has already observed improved provider responsiveness in renewing required inspections and will continue to use RISES to proactively monitor inspection status and work with providers to maintain current inspection documentation.

Regarding corrective action plans, under the previous licensing system, providers submitted corrective action plans and supporting documentation directly to the assigned licensor. This is typically through email. As a result, documentation was often maintained outside of the licensing system and may not have been consistently reflected in the inspection record. If the corrective action or follow-up information was not documented within the system or the inspection status was not updated, the report could continue to appear as pending, even when the provider had submitted the required information. To address this limitation, DHS intentionally designed the RISES system to centralize the corrective action process. Following an inspection, the report is issued to the provider through RISES, where the provider is required to submit a corrective action plan directly within the system. The corrective action plan is then routed to DHS for review and approval, creating a documented workflow and improving the consistency and completeness of recordkeeping. If a provider does not submit a corrective action plan, DHS is able to identify the outstanding item within RISES and determine whether a follow-up inspection is warranted to verify that the noncompliance has been addressed. Currently, DHS prioritizes follow-up for high-risk noncompliance, including issues related to facilities, background checks, staff-to-child ratios and supervision, and infant and toddler care.

Anticipated Completion Date: This corrective action has since been completed through the implementation of the 2026 requirement that all regulated providers utilize RISES.

Contact Person: Nicole Chiello, Associate Director, Office of Child Care, Department of Human Services
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Finding 2025-055 – Corrective Action Plan

DCYF will continue to work with Public Consulting Group to ensure that eligibility quality control reviews are performed in a timely manner.

Anticipated Completion Date: Ongoing

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Finding 2025-056 – Corrective Action Plan

2025-056a: Management and budget will work with team members to allow for proper separation of responsibilities, as well as, ensure that proper training is provided.

2025-056b: MARVIN will address this issue as the department will not be waiting 45 days after the QE for the RPT54. It is going to be more real time. MARVIN is proposed to go live at the end of CY2027 which means that we will have this issue for both 2026 and 2027 fiscal close.

Anticipated Completion Date: Ongoing

Contact Person: Kimberly Reynolds, Associate Director of Financial Management, Department of Children, Youth and Families
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Finding 2025-057 – Corrective Action Plan

DCYF has created separate GAP administrative and prevention services accounts since this deficiency was identified.

Anticipated Completion Date: Complete

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Finding 2025-058 – Corrective Action Plan

Medicaid deployed a system enhancement to automatically run eligibility on CHIP individuals for whom TPL information was received from MMIS. This enhancement went live in May 2026. This enhancement will improve the accuracy of eligibility determinations for the Medicaid and CHIP populations.

In July 2024, federal partners operating the PARIS interstate match informed the State of a hold on PARIS interstate matching files. PARIS lifted the hold in October 2024. In November 2024, the State identified several defects in the PARIS results and suppressed requests for verification. A temporary system enhancement was logged to address the deficiencies and ensure the process was only requesting residency verification from individuals believed to be receiving Medicaid in another State. Long-term enhancements to the PARIS interstate match process are scheduled for late 2027.

Anticipated Completion Date: Q4 2027

Contact Person: Anthony Salvo, Implementation Director of Policy and Programs, Executive Office of Health and Human Services
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Finding 2025-059 – Corrective Action Plan

EOHHS understands that this finding stems from two items.

1. Current limitations of the MMIS and the volume of manual transactions, including retroactive capitation adjustments and corrective journal entries related to CHIP funding
2. Lack of internal controls regarding CHIP draw downs and reporting.

Management's correction action plans for each item are below.

1. EOHHS will improve SOPs to include additional review of source data, collation of source data, and review of formula calculations for manual adjustment activities. These steps will be built into analyst training, and measures have been taken to include training and the creation/improvements of internal SOPs before the upcoming SFY 2026 closing activities occur. EOHHS will include within its forthcoming procurement of specific MMIS modules requirements to reduce the number of manual calculations and related entries.

2. Medicaid finance has and will take the following actions.
    a. Staff training.
        i. In May 2026, Medicaid Finance sent two employees to internal control training, which was sponsored by the Office of the Auditor General (OAG)
        ii. In July 2027, these two employees will train all Medicaid finance staff members on the importance of risk and internal controls using material from the OAG sponsored training.
    b. SOP tracker and dedicated work time
        i. Medicaid finance created an inventory of all finance-related SOPs to track assignments to ensure timely completion of high priority SOPs.
        ii. The Associate Director (Financial Management) has weekly worktime dedicated to the completion of high priority SOPs.
        iii. Each fiscal close, one staff member has been assigned to work with analysts to draft six SOPs (two from each finance unit—fee for service, managed care, and federal reporting) to continue to document all year end closing procedures.
    c. Post FFY-quarter end reconciliations
        i. Beginning in FFY 2026, the Associate Director (Financial Management) completes a post-quarter reconciliation of Medicaid draw down accounts (benefits, administrative claiming, and CHIP).
        ii. Staff email the Associate Director (Financial Management) after each federal draw down and include verification of the PMS draw down amount and account.
        iii. The Associate Director (Financial Management) enters this into a tracking sheet to ensure sufficient federal funds remain in each account during the quarter. Should additional funds be needed, Medicaid finance submits a supplemental budget request to CMS to prevent the shifting of funds between federal accounts benefits, administrative claiming, and CHIP accounts.
        iv. Shortly after the end of each FFY year quarter close, the Associate Director (Financial Management) completes the following:
            1. Receives staff-run reports form the PMS system showing all draw downs in the previous quarter.
            2. Checks that Medicaid Finance internal trackers (high level and detail trackers) accurately capture correct federal accounts and amounts. If variances, research is completed to reconcile to PMS.
        v. Associate Director (Financial Management) ensures that all CMS adjustments, such as Parts A, B, and D adjustments and TPL/AOR adjustments are included in the high-level fund tracker to match and verify CMS' quarterly account balances.
    d. EOHHS acknowledges that many of the new checks and reviews implemented have not been formally codified. It will work to codify controls to document these reviews and checks.

Anticipated Completion Date: Additional SOP and internal control development is ongoing and the date of procurement/implementation of the MMIS Finance module is still be determined.

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Finding 2025-060 – Corrective Action Plan

EOHHS acknowledges the federal reporting requirement specific to the State's non-emergency medical transportation (NEMT) vendor. The State's contract with the vendor, more specifically Article I Section 18.13.6, does require the financial reporting necessary to comply with this federal requirement. EOHHS is currently working with vendor and their independent auditor to isolate the necessary financial claims to resolve this deficiency finding for reporting/calendar year 2025.

Anticipated Completion Date: EOHHS estimates that the 2025 report will be brought into compliance no later than December 1, 2026.

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Finding 2025-061 – Corrective Action Plan

EOHHS is in agreement with these findings and is in the process of working with Gainwell and its managed care partners to address these discrepancies. The providers that were not properly subjected to EOHHS's enrollment processes were out of network providers within one of the managed care plans' national network provider management system. These providers have been incorrectly included in provider network data as this managed care plan is in the process of end-dating these providers, which will resolve this discrepancy. EOHHS has reorganized Provider Enrollment oversight functions under the Office of Program Integrity (OPI) in alignment with federal standards, and as such will continue to audit and monitor enrollment files to ensure compliance with state and federal requirements. OPI is formalizing a process to swiftly terminate providers who have lost their licensure, as well as randomly auditing enrollment files to ensure proper licensure. Additionally, EOHHS will begin collecting DCYF licensure data as required.

Anticipated Completion Date: December 31, 2026

Contact Persons: Nicholas James, Implementation Director of Policy and Programs, Executive Office of Health and Human Services
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Finding 2025-062 – Corrective Action Plan

2025-062a: EOHHS recently determined that the MCOs were unknowingly assigning the incorrect Organization Type Code to multiple provider types since EOHHS adopted the 837 standard in SFY 2014. This created unacceptably high encounter denial rates that led EOHHS to relax certain edits in the years that followed.

An MMIS project is currently underway that will help ensure the plans are assigning the correct codes to their providers. Once the MCO's are submitting the correct codes, EOHHS will be able to begin the process of re-enabling the edits in the 2nd half of SFY 2027, which will improve controls over encounter claims data submissions.

2025-062b: Medicaid has deployed several control measures to improve the identification and processing of individuals determined to be deceased and living out State. In January 2026, the State operationalized a new interface with the National Change of Address (NCOA) database. The RI Bridges system verifies addresses of Medicaid recipients on a weekly (those with returned mail) and monthly (entire Medicaid population) basis. Automated rules ensure individuals with an out of State address received from NCOA are provided an opportunity to verify their residency. Failure to respond to the verification results in termination of eligibility.

Effective December 2025, the RI Bridges system receives quarterly matches from the SSA Death Master File (DMF). The DMF is automatically sent to the State as part of the quarterly PARIS data matching process. The State has deployed temporary system measures to process the file and automatically terminate Medicaid eligibility for individuals flagged as deceased on the DMF. As per section 71104 of the Working Families Tax Cut (WFTC) legislation, signed by the President on 7/4/25, the State will be deploying a long-term system enhancement to, "at least a quarterly basis, check the DMF to identify if enrolled individuals are deceased. If an individual is identified as deceased on the DMF, then the state must treat this information as factual, disenroll the individual, and discontinue any payments for items or services furnished after the death of the individual." This enhancement is scheduled for the March 2027 release.

Anticipated Completion Dates:

2025-062a: Q4 SFY 2027

2025-062b: March 2027

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Finding 2025-063 – Corrective Action Plan

2025-063a: On 5/14/2026 an IES system enhancement was deployed targeting the CHIP population. The change implemented allows the system to expedite automatic eligibility determinations on CHIP/MAGI cases when TPL is entered into the eligibility system. This will ensure that when TPL is added for a CHIP member, the eligibility system will redetermine that eligibility automatically saving months of the member being in the incorrect category. EOHHS will work with Deloitte to continue to monitor the impacts of this change.

OAG also noted there are cases where "eligibility terminated within RIBridges not populated within the MMIS". As of today, there are only 62 cases for ALL of Medicaid categories where eligibility is closed in RIBridges and open in the MMIS. This count is very low when compared to each year since Bridges go-live in 2016.

2025-063b: EOHHS acknowledges that staff turnover and a lack of sufficient staff on the financial reporting team contributed to SFY 2025 reporting variances. Medicaid finance will continue to implement necessary changes to ensure accurate reporting. Changes implemented during SFY 2026 to reduce variances and assist with reconciliation work include:

- Additional staffing
    - In process of hiring 3.0 additional FTEs directly to this team, increasing staff from 3.0 FTEs to 6.0 FTEs.
    - Temporarily transferred 2.0 FTEs from sister agencies to the Medicaid program to assist in federal reconciliations for SFY 2025 expenditures.
    - Temporary staff support has allowed existing staff to cross train team members on core functions to allow supervisors to focus on quarterly reporting challenges and improvements.
- Contract support and review
    - Contracted with vendor that supported other Medicaid programs to review EOHHS' CMS-64 quarterly reporting process and internal files to identify efficiencies and areas to automate to reduce the likelihood of human error. The vendor is also assisting with SFY 2025 reconciliation work.
- Additional supervisory review and cross training
    - Prior to the start of each CMS-64, the team supervisor creates a work schedule with double-checks built into the processes which require numerous manual adjustments. The work is documented and reviewed to ensure timely submission of an accurate CMS-64. Three additional team members have also been trained in reconciling non-provider cycle expenditures each quarter.
- Coordination of Medicaid Administrative Claiming draw downs and reporting
    - Beginning in SFY 2026, Q3, the Medicaid finance team now coordinates all administration claiming drawdowns to eliminate variances between drawn downs and reported expenditures. The coordination entails:
        - Switching the administrative draw down from bi-weekly to once a quarter.
        - Sending the proposed drawdowns to administrative claiming agencies.
        - Drawing down only what agencies verified should be drawn.
        - Sharing with sister agencies all draw down backup and final amounts.
        - Holding office hours each quarter before each draw down and federal reporting submission to address questions and concerns.
        - Reviewing and checking that each submitted administrative claiming quarterly report ties to the amount draw in that quarter. If there are variances, Medicaid finance works with the sister agencies to identify and correct the variance.

2025-063c: During SFY 2026 Medicaid Finance implemented changes to the administrative claiming and reporting process to help reconcile expenditures prior to the submission of the CMS-64 quarterly report.

- Medicaid finance held training on February 4th detailing the historical draw down and reconciliation process and why it has not been effective. The training detailed possible changes to solicit agency input.
- Beginning in SFY 2026, Q3, the Medicaid finance team now coordinates all administration claiming drawdowns to eliminate variances between drawn downs and reported expenditures. The coordination entails:
    - Switching the administrative draw down from bi-weekly to once a quarter.
    - Sending the proposed drawdowns to administrative claiming agencies.
    - Drawing down only what agencies verified should be drawn.
    - Sharing with sister agencies all draw down backup and final amounts.

- Holding office hours each quarter before each draw down and federal reporting submission to address questions and concerns.
- Reviewing and checking that each submitted administrative claiming quarterly report ties to the amount draw in that quarter. If there are variances, Medicaid finance works with the sister agencies to identify and correct the variance.

- Contracted with vendor that supported other Medicaid programs to review EOHHS' CMS-64 quarterly reporting process and internal files to identify efficiencies and areas to automate to reduce the likelihood of human error.

Anticipated Completion Dates:

2025-063a: May 14, 2026

2025-063b / 2025-063c: Ongoing

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Finding 2025-064 – Corrective Action Plan

A file exchange process has been implemented where Gainwell pulls a monthly TPL report for each MCO which is shared with EOHHS to share with the MCO's. EOHHS is unable to force the MCO's to use the shared TPL data, we can only suggest they use it. At this point in time, the accuracy of the State's TPL data is not good enough to reject encounter claims from the MCO's. EOHHS continues to work on improving the TPL process specifically cleaning up the TPL data in the MMIS and eligibility system today.

Future system enhancements include a direct TPL vendor and new TPL module which should improve TPL accuracy.

Anticipated Completion Date: July 31, 2028

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Finding 2025-065 – Corrective Action Plan

Consistent with RIGL 40-8-13.4, the Rhode Island Medicaid State Plan includes the following:

> Annual review. EOHHS will review the DRG payment method at least annually, making updates as appropriate through the rule-making process. The scope of the annual review will include at least the DRG algorithm version, the DRG Relative Weights, the DRG Base Price(s), the outlier thresholds, outlier payment parameters, policy adjustors and the age adjustors. With respect to the DRG Base Price, EOHHS will take into consideration at least the following factors in deciding what change, if any, to implement: changes or levels of beneficiary access to quality care; the Center for Medicare and Medicaid Services (CMS) Inpatient Hospital Prospective Payment System Market Basket Update without productivity adjustment for the current federal fiscal year; technical corrections to offset changes in DRG Relative Weights or policy adjustors; changes in how hospitals provide diagnosis and procedure codes on claims; and budget allocations."

EOHHS annually reviews the inpatient hospital rate components in conjunction with annual market basket adjustments for the upcoming fiscal year. For example, this review for SFY 2027 occurred on June 18, 2026. However, in response to this finding, EOHHS will request amendment to the Rhode Island General Laws through the FY 2028 budget process.

Then, upon enactment, it will then pursue a state plan amendment (SPA) to more specifically align with current practices. If CMS opposes the amendment, then EOHHS could pursue an update to the DRG model. Doing so would first require procurement of actuarial services to analyze six months of inpatient claims in order to determine new rates. Following the analysis, significant work in the MMIS would be needed to implement the rate and update the DRG grouper. MMIS work is estimated to require about 1,000 project hours. Additionally state funding would be needed to implement this change; as EOHHS does not currently have funding to accommodate this work, it would seek budget authority before moving forward.

Anticipated Completion Date: FY 2028

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Finding 2025-066 – Corrective Action Plan

2025-066a: In order to address repeat income deficiencies from SWICA, Medicaid added The Work Number (TWN) as a new data source in August 2025. Since then, RI Bridges has been modified to first verify earned income against TWN. With this enhancement, Medicaid has seen an improvement in how earned income is verified during the post-eligibility verification (PEV) and annual renewal processes.

Medicaid has determined the individuals flagged as being enrolled under the expansion pathway beyond their 65th birthday are the result of exceptions to the mass update eligibility process. Medicaid is working with our system vendor to develop a solution that will bypass this exception and terminate expansion eligibility for those turning 65 years old.

RI Bridges appropriately identified the individual in question as requiring verification of citizenship status. However, as noted in the expansion age-out response, the mass update eligibility process exceptioned out, leaving the verification as unresolved and requiring manual review. Medicaid is working with our system vendor to develop a solution that will bypass this exception and terminate eligibility.

Effective December 2025, the RI Bridges system receives quarterly matches from the SSA Death Master File (DMF). The DMF is automatically sent to the State as part of the quarterly PARIS data matching process. The State has deployed temporary system measures to process the file and automatically terminate Medicaid eligibility for individuals flagged as deceased on the DMF. As per section 71104 of the Working Families Tax Cut (WFTC) legislation, signed by the President on 7/4/25, the State will be deploying a long-term system enhancement to, "at least a quarterly basis, check the DMF to identify if enrolled individuals are deceased. If an individual is identified as deceased on the DMF, then the state must treat this information as factual, disenroll the individual, and discontinue any payments for items or services furnished after the death of the individual." This enhancement is scheduled for the March 2027 release.

In July 2024, federal partners operating the PARIS interstate match informed the State of a hold on PARIS interstate matching files. PARIS lifted the hold in October 2024. In November 2024, the State identified several defects in the PARIS results and suppressed requests for verification. A temporary system enhancement was logged to address the deficiencies and ensure the process was only requesting residency verification from individuals believed to be receiving Medicaid in another State. Long-term enhancements to the PARIS interstate match process are scheduled for late 2027.

2025-066b: Medicaid will continue to work with the Department of Human Services and HealthSource RI to improve reconciliation and quality assurance monitoring of eligibility and operational processes. Including, but not limited to automated quality control checks on batch processes, manual eligibility reviews of quarterly/annual activities, creating specialized reports, improving task logic, and identifying areas of repeat non-compliance to ensure appropriate controls are in place.

2025-066c: Upon notification from the systems team, Medicaid Finance will return any identified ineligible costs to the federal grantor.

Anticipated Completion Dates:

2025-066a: Q4 2026 (exception scenarios) and Q4 2027 (PARIS)

2025-066b: Q4 2026

2025-066c: Ongoing

Contact Persons: Anthony Salvo, Implementation Director of Policy and Programs, Executive Office of Health and Human Services
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Finding 2025-067 – Corrective Action Plan

To satisfy this audit finding, EOHHS requested a systems solution to process Eleanor Slater Hospital (ESH) claims which would automate a recipient's TPL, Medicare, and MCO financial obligations before Medicaid is billed. EOHHS, BHDDH, and Gainwell Technologies have been working on said system modification project (PJ0630 – Other Insurance Edits for Eleanor Slater Hospital Claims) and the Business Design Document was reviewed with all parties on 6/22/2026.

Anticipated Completion Date: SFY 2027 Q1

Contact Person: Hector Rivera, Interdepartmental Project Manager, Executive Office of Health and Human Services
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Finding 2025-068 – Corrective Action Plan

2025-068a: EOHHS will establish a systemwide audit cycle of this service to ensure the providers are appropriately billing.

2025-068b: EOHHS is actively reassessing the current MMIS system configuration and operational processes. In collaboration with Gainwell Technologies, a dedicated project is underway to strengthen controls and implement guardrails designed to prevent this from occurring in the future. Several potential solutions are currently being evaluated and developed, with the goal of enhancing the system, oversight, and compliance.

2025-068c: EOHHS is actively reassessing the current provider Billing Manual to ensure the billing requirements for all bundled services is clear and that it is also clear that the unbundling of the rates is not allowed and may cause recoups for the services billed.

2025-068d: EOHHS will establish a systemwide audit cycle of this service to ensure the providers are appropriately billing.

Anticipated Completion Date: November 30, 2026

Contact Persons: David McMahon, Assistant Director of Financial Contracts, Executive Office of Health and Human Services
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Finding 2025-069 – Corrective Action Plan

EOHHS will establish an audit cycle to this service that will ensure the billing requirements for all bundled services are clear and that it is also clear that the unbundling of the rates is not allowed and may cause recoups for the services billed. Based on the results of the audit, systemic billing error issues will be reviewed with Gainwell and evaluated for edits to correct the issues.

EOHHS will also engage with Gainwell and BHDDH to implement enhanced technical assistance to ensure compliance.

Anticipated Completion Date: December 31, 2026

Contact Persons: David McMahon, Assistant Director of Financial Contracts, Executive Office of Health and Human Services
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Finding 2025-070 – Corrective Action Plan

EOHHS is in agreement with these findings. EOHHS has successfully addressed the deficiencies noted in these findings with updated requirements for this provider type. Community Health Workers have been elevated to high-risk status by Medicaid under "Medicaid Payments and Providers" 210-RICR-20-00-1, which necessitates a National Criminal Background Check through fingerprinting. All enrolled community health worker providers were disenrolled effective December 1, 2025, and required to apply for enrollment under the new, enhanced requirements in the latest Community Health Worker Provider Manual, including the background check and requirement to enroll as a group with a National Provider Identifier (NPI), and as individual rendering providers with an NPI. All current CHW providers are now enrolled with the enhanced screening requirements. Limitations on reimbursement for services have also been successfully implemented, with system edits in place to deny claims billed in noncompliance with the new requirements outlined in the provider manual. Additionally, EOHHS Office of Program Integrity has audited outlier providers (in terms of utilization metrics), identifying overpayments and also collaborating with the MFCU for law enforcement intervention. EOHHS considers finding 2025-070a to be completed based on previous activities. For finding, 2025-070b, EOHHS is finalizing its last CHW audits while the MFCU completes its investigations based on Program Integrity's referrals.

Anticipated Completion Dates:

2025-070a: Complete

2025-070b: Estimate is August 2026

Contact Person: Nicholas James, Implementation Director of Policy and Programs, Executive Office of Health and Human Services
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Finding 2025-071 – Corrective Action Plan

2025-071a: EOHHS is actively reassessing the current MMIS system configuration and operational processes. In collaboration with Gainwell, a dedicated project is underway to strengthen controls and implement guardrails designed to prevent this from occurring in the future. Several potential solutions are currently being evaluated and developed, with the goal of enhancing the system, oversight, and compliance.

2025-071b: The State is required to provide ongoing oversight and monitoring of CCBHC's. EOHHS Program Integrity Unit has implemented an audit plan for all CCBHC's. This plan includes review of historical records as well as on-site visits. Should any findings or questioned costs be identified, EOHHS will determine the appropriate corrective actions and reimburse the federal grantor, as necessary.

2025-071c: Given all CCBHC's will be audited, any findings identified during an audit or investigation will be evaluated by EOHHS. If EOHHS concludes that a credible allegation of fraud exists, EOHHS will prepare the case record and submit a referral to MFCU for investigation and any subsequent action deemed appropriate.

Anticipated Completion Dates:

2025-071a: January 2027

2025-071b: September 2027

2025-071c: Ongoing

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Section F

Summary Schedule of Prior Audit Findings

(prepared by the State's management)

Summary Schedule of Prior Audit Findings
Table of Prior Findings by Federal Program

Program Title	Assistance Listing No.	Findings included in Previous Single Audit Reports
Internal Control over Financial Reporting	n/a	2023-020, 2023-021, 2024-001, 2024-002, 2024-003, 2024-004, 2024-005, 2024-006, 2024-007, 2024-008, 2024-009, 2024-010, 2024-011, 2024-012, 2024-013, 2024-014, 2024-015, 2024-016, 2024-017, 2024-018, 2024-019, 2024-020, 2024-021, 2024-022, 2024-023, 2024-024, 2024-025, 2024-026, 2024-027, 2024-028
Statewide Federal Award Administration	n/a	2024-029, 2024-030
SNAP Cluster	10.551, 10.561	2024-031
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559, 10.582	2024-032, 2024-033, 2024-034, 2024-035, 2024-036, 2024-037
Unemployment Insurance	17.225	2023-036, 2024-038, 2024-039
Highway Planning and Construction	20.205	2024-040, 2024-041
Port Infrastructure Development Program	20.823	2024-042
National Infrastructure Investments	20.933	2024-040, 2024-041, 2024-043
Emergency Rental Assistance Program	21.023	2022-037
Homeowner Assistance Fund Program	21.026	2022-037
Coronavirus State and Local Fiscal Recovery Funds	21.027	2024-044
Drinking Water State Revolving Fund	66.468	2024-045, 2024-046
Special Education Cluster (IDEA)	84.027, 84.173	2024-037, 2024-047
Education Stabilization Fund	84.425	2022-037
Immunization Cooperative Agreements	93.268	2022-037
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	2022-037, 2023-049, 2023-050, 2024-045, 2024-046, 2024-048
Temporary Assistance for Needy Families	93.558	2022-037, 2024-049, 2024-050, 2024-051, 2024-052, 2024-053
CCDF Cluster	93.575, 93.596	2022-037; 2024-051, 2024-052, 2024-053, 2024-054, 2024-055
Adoption Assistance	93.659	2020-052
Children's Health Insurance Program	93.767	2020-061, 2024-053, 2024-056, 2024-057, 2024-058, 2024-059, 2024-060, 2024-061, 2024-062, 2024-063, 2024-064
Medicaid Cluster	93.775, 93.777, 93.778	2018-069, 2020-061, 2022-072, 2023-065, 2024-053, 2024-057, 2024-058, 2024-059, 2024-060, 2024-061, 2024-062, 2024-063, 2024-064, 2024-065, 2024-066
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	2023-050, 2024-067, 2024-068, 2024-069, 2024-070

Finding 2018-069 – ALNs 93.775; 93.777; 93.778 *(Reported Initially in Finding 2017-074)*

EOHHS made advance payments totaling $154,322 to home care providers in fiscal 2018 due to delays in processing eligibility for individuals in need of long-term care services and support. These advances were federally reimbursed (at the applicable federal financial participation rate) but did not meet criteria for reimbursement.

2018-069 Recoup the advances to providers and credit the federal grantor for their portion of advances made.

Status: *Partially Implemented. EOHHS continues to work towards identifying the return of the funds through ongoing reconciliation processes.*

Finding 2020-052 – ALN 93.659

DCYF can enhance its processes for retention of critical documentation that supports Adoption Assistance eligibility to ensure federal reimbursement of adoption subsidy payments in accordance with applicable laws and regulations.

2020-052b Create a central repository for all records that support the Adoption Assistance eligibility determination. Consider electronic imaging of these critical documents to facilitate storage and retrieval.

Status: *Implemented.*

Finding 2020-061 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2016-063)*

Data discrepancies exist between the systems used to determine Medicaid and CHIP eligibility (RIBridges) and the claims/capitation payment system (MMIS). This impacts controls to ensure payments are only made on behalf of eligible individuals and has resulted in duplicate capitation payments to managed care organizations.

2020-061a Identify and resolve the underlying causes of eligibility data discrepancies between the MMIS and RIBridges systems.

2020-061b Determine the necessary corrective action and resources needed to eliminate the current backlog of system exceptions and future mismatches between the two systems.

Status: *Partially Implemented. Manual activities are ongoing to resolve the discrepancies remaining from modifications made during the PHE. The State redetermined the eligibility for members impacted by the 12/13/24 RIBridges cyber event in Spring 2025. There are no outstanding system issues preventing eligibility information from being sent to the MMIS.*

Finding 2022-037 – ALNs 21.023; 21.026; 84.425; 93.268; 93.323; 93.558; 93.575, 93.596

Questioned costs were identified for an administrative assessment charged to pandemic-related federal awards without the methodology being approved by the federal government as required by the Uniform Guidance.

2022-037a Reimburse administrative assessments charged to federal programs pending federal acceptance of an approved cost allocation methodology.

2022-037b Submit cost allocation methodology for pandemic-related federal funds to federal government for approval. Amend the 2022 SWCAP to seek retroactive approval for fiscal 2022 costs allocated.

Status: *Partially Implemented. Amended 2022 SWCAP was submitted and pending approval. Consolidated into recommendations in current year Finding 2025-030.*

Finding 2022-072 – ALNs 93.775; 93.777, 93.778 *(Reported Initially in Finding 2020-058)*

Controls to ensure NCCI claims processing edits are functioning over Medicaid activity require improvement to ensure compliance with federal regulations.

2022-072b Ensure that the State's procurement of a new Medicaid Management Information System includes the requirements outlined in the NCCI Medicaid Technical Guidance issued by CMS.

2022-072c Consider in future MCO contract procurements, the benefits of mandating MCOs to implement NCCI edits within their claim processing systems to enhance program integrity over managed care claiming.

Status: *Partially Implemented. EOHHS is transitioning from the Medicaid Management Information System (MMIS) to a modular Medicaid Enterprise System. The transition will span several years and involve planning, procurement and implementation initiatives.*

Finding 2023-020 – Financial Statement Finding *(Reported Initially in Findings 2015-006 and 2015-012)*

The State should formalize identification of major systems, standardize application testing, and incorporate business continuity planning within its overall disaster recovery policy and testing.

2023-020 Establish a repeatable level of system restoration and incorporate business continuity planning within periodic disaster recovery testing.

Status: *Partially Implemented. Reported by the Auditor General as a management comment in 2025. The ETSS I&O storage and disaster recovery team members have begun the submission of an RFP to acquire disaster recovery as a service capability to modernize the BCDR process and ensure standard application across all agency applications and services. This effort will also expand testing targeting full testing going forward.*

Finding 2023-021 – Financial Statement Finding *(Reported Initially in Finding 2022-023)*

The State needs to further enhance its coordination and training to improve its incident response capabilities in the event of a data breach.

2023-021 Identify all agency personnel roles relating to incident response and implement verifiable training for all agency personnel based on their respective roles.

Status: *Partially Implemented. Reported by the Auditor General as a management comment in 2025. ETSS Security has defined our shared responsibilities formally in the SSP and continues to provide training via annual cyber and agency touch points to help mature culture in the 'security is everyone's responsibility' practice. ETSS Security covers reporting, access to data for agency teams to support, and training on remediation under the monthly 'Continuous Monitoring' program meetings. ETSS in 2024 conducted a CISA led statewide tabletop cyber exercise, responded to a real-word incident in 2024 into 2025, and conducts IR training as part of the current cybersecurity annual training and is planning to conduct a formal tabletop exercise as part of this year's cyber month in October. ETSS Security also provides topic specific training during cyber month in October and is planning to focus on IR in 2026.*

Finding 2023-036 – ALN 17.225

Controls over the processing of employer tax were insufficient to identify changes in tax rates and improper disbursement of refunds.

2023-036b Ensure that the future modernization of UI technology ensures that adjustments to employer experience ratings are more automated, clearly documented, and less reliant on key employees to ensure effective operation.

Status: *Partially Implemented. The Department of RI's Enterprise Technology Strategy and Services (ETSS) Division contracted with IBM in August 2023, to create a strategic plan to address the modernization of DLT's systems, including the Tax system. The goal of this was to achieve an objective analysis of the current technology landscape and to receive strategic recommendations for modernization. This work is still ongoing and largely dependent on budget and resource availability.*

Finding 2023-049 – ALN 93.323 *(Reported Initially in Finding 2020-038)*

Controls over reporting of subawards to a federal transparency website can be enhanced to ensure accurate reporting in compliance with the requirements of FFATA.

2023-049 Establish policies and procedures to ensure accurate and timely reporting of subawards in accordance with FFATA.

Status: *Implemented.*

Finding 2023-050 – ALNs 93.323; 97.036 *(Reported Initially in Finding 2021-061)*

The State had insufficient controls to ensure expenditures were not reimbursed from more than one funding source or award under federal programs with similar pandemic response related objectives. Reconciliation of accounting records to align program revenues with federal revenues received were not fully completed at fiscal year-end.

2023-050a Ensure reconciliations and any required adjustments are complete to demonstrate that eligible pandemic-related program costs were not reimbursed from more than one funding source.

2023-050b Determine whether any program costs were reimbursed by multiple fundings sources. Return any related funds to the appropriate federal grantor.

Status: *Implemented.*

Finding 2023-065 – ALNs 93.775, 93.777, 93.778 *(Reported Initially in Finding 2020-057)*

Certain psychiatric residential treatment facility (PRTF) services provided to children in the State's custody were not charged to Medicaid in fiscal 2023 in accordance with the methodology approved in the State Plan. Controls over other services provided to children in the State's custody would be improved if processed through the Medicaid Management Information System (MMIS).

2023-065b Ensure that allowable medical services provided by DCYF providers are billed directly to the MMIS and subject to all designed claims processing, recipient eligibility, and provider eligibility controls.

Status: *Partially implemented. EOHHS and DCYF are currently working on a plan to ensure all allowable medical services provided by DCYF providers are directly billed to the MMIS. The expected implementation date is July 1, 2027 for all DCYF providers to directly bill the MMIS (and likely through the MCOs), and guidance will be provided on correct billing procedures.*

Finding 2024-001 – Financial Statement Finding *(Reported Initially in Finding 2021-017)*

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

2024-001a Enhance the State's quality control process over financial reporting by requiring review of detailed fiscal closing reports by the OMB and senior agency financial managers prior to finalizing the fiscal closing.

2024-001b Reinforce accountability for journal entry approvals with senior agency finance managers. Consider whether significant journal entries should be reviewed by agency budget specialists within OMB prior to posting.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-001.*

Finding 2024-002 – 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.

2024-002a Implement an internal control framework, such as COSO or the Green Book, and commit additional resources, including training and implementation materials, to ensure that departments and agencies are adequately documenting their internal controls accordingly.

2024-002b Ensure that internal controls over financial reporting include documentation of risk assessments, control activities that mitigate identified risks, and monitoring controls to ensure compliance with policies and procedures adopted in conjunction with the new ERP system.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-002.*

Finding 2024-003 – Financial Statement Finding *(Reported Initially in Finding 2018-033)*

The State must continue to improve its consideration of controls over functions performed by external parties through enhanced use and documentation of Service Organization Control (SOC) reports. These improvements require State agencies (the "user entities") to document and review complementary user entity controls designated in those SOC reports which the service organization assumes are in place and operating effectively for proper and secure use of the contracted entity's services. This consideration is necessary and consistent with management's responsibility for the overall adequacy of the design and operation of internal controls.

2024-003a For user entity (State agency) controls identified within SOC reports, document and evaluate the agency controls to ensure that they are in place and operating effectively.

2024-003b Incorporate agency reliance on control objectives documented and reviewed in SOC reports, in addition to the documentation of related complementary user entity controls, within the agency's formal documentation of internal controls over program operations.

2024-003c Improve documentation of SOC report results, including consideration and mitigation of service organization control deficiencies reported.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-003.*

Finding 2024-004 – Financial Statement Finding *(Reported Initially in Findings 2015-003, 2016-001, and 2016-021)*

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

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

2024-004b Ensure that the new ERP system addresses identified internal control deficiencies relating to financial reporting.

Status: *Partially Implemented. The State implemented an Enterprise Resource Planning software (ERP) at fiscal year end intended to address previously communicated control deficiencies. Agency staff continue to receive ongoing training on how to effectively utilize the ERP and implement necessary controls.*

Finding 2024-005 – Financial Statement Finding *(Reported Initially in Findings 2016-010 and 2017-008)*

The continued and growing complexity of Medicaid program operations, coupled with the insufficient support of the State's antiquated Medicaid Management Information System, adds to the challenge of accurately accounting for all Medicaid program related financial activity within the State's financial statements.

2024-005a Develop specific objectives for managed care data processing (i.e., premium and encounter data processing functionality) that will be required of and included in the specifications for the next MMIS.

2024-005b Minimize instances where material financial activities are reliant on manual processes to ensure proper financial reporting.

2024-005c Develop comprehensive reporting and reconciliation procedures for system payouts, manual disbursements, and system recoupments to improve controls over these transactions which are processed by the Medicaid fiscal agent.

2024-005d Improve controls over non-claims based financial transactions in the next MMIS to provide for individual reporting and proper financial accounting treatment.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-005.*

Finding 2024-006 – Financial Statement Finding *(Reported Initially in Finding 2022-004)*

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

2024-006a Improve overall review processes for material journal entries to ensure complete and accurate financial reporting.

2024-006b Improve procedures over the identification and determination of prepaid expenditures, receivables, and liabilities relating to the Medicaid program to ensure complete and accurate recording at year-end.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-006.*

Finding 2024-007 – Financial Statement Finding *(Reported Initially in Finding 2021-037)*

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

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

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-007.*

Finding 2024-008 – Financial Statement Finding *(Reported Initially in Finding 2015-004)*

The State must improve controls over recording federal revenue to ensure (1) amounts are consistent with the limitations of grant awards from the federal government and (2) claimed expenditures on federal reports are consistent with amounts recorded in the State's accounting system.

2024-008a Continue to utilize eCivis to improve controls over federal program financial activity.

2024-008b Implement a monitoring process that highlights variances between RIFANS and federal reports to ensure that adjustments are made in a timely manner to correct reporting.

2024-008c Ensure that the interface of eCivis with the new ERP system, currently expected to be implemented in fiscal 2026, will ensure sufficient functionality to address the above control deficiencies.

Status: *Partially implemented. See current year update and recommendations in Finding 2025-008.*

Finding 2024-009 – Financial Statement Finding *(Reported Initially in Finding 2022-010)*

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

2024-009a Complete the contracted assessment of Treasury operations to identify potential modern technological and/or contract service solutions needed to manage the size and complexity of the State's current cash management and investment operations.

2024-009b Develop a strategic plan (inclusive of implementation phases and funding plan) needed to modernize the utilization of technology in Treasury operations.

2024-009c Emphasize integration with the State's new ERP system, currently being implemented, to maximize the efficient and effective operation of the State's financial systems.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-009.*

Finding 2024-010 – Financial Statement Finding *(Reported Initially in Finding 2021-015)*

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

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

2024-010b Enhance review and oversight of material journal entries to ensure appropriate recording of transactions and avoid misstatement of the financial statements.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-010.*

Finding 2024-011 – Financial Statement Finding *(Reported Initially in Findings 2021-012 and 2021-014)*

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

2024-011a Enhance procedures for preparing the government-wide financial statements to ensure consistent and accurate recording of transaction activity. Minimize manual processes to the extent possible when preparing the financial statements.

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

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-011.*

Finding 2024-012 – Financial Statement Finding

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

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

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-012.*

Finding 2024-013 – Financial Statement Finding *(Reported Initially in Finding 2015-015)*

Controls can be improved over the recording of license, registration, and surcharge fees collected by the Division of Motor Vehicles (DMV) and deposited in the Intermodal Surface Transportation (IST) Fund.

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

2024-013b Complete the crosswalk between the fees charged in RIMS and the section of the Rhode Island General Laws authorizing the fee.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-016.*

Finding 2024-014 – Financial Statement Finding *(Reported Initially in Finding 2015-015)*

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

2024-014a Ensure the transactions identified through the reconciliation of each activity and/or funding source within the IST Fund result in the appropriate categorization and reporting of revenue, expenditures, and fund balance components on the financial statements.

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

2024-014c Implement quality control processes to ensure proper classification and presentation of the financial statements.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-017.*

Finding 2024-015 – Financial Statement Finding *(Reported Initially in Finding 2015-016)*

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

2024-015a Enhance controls over the recording of infrastructure assets by reconciling RIDOT departmental records of construction in progress and infrastructure assets to amounts reported in the State's financial statements.

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

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-018.*

Finding 2024-016 – Financial Statement Finding *(Reported Initially in Findings 2016-011, 2017-019, 2017-020, 2018-026, 2018-028, and 2021-019)*

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

2024-016a Using the most recent cybersecurity assessments and existing audit recommendations, formalize a comprehensive plan to address the current IS risks to the State's operations. This plan should be risk-based and include the necessary personnel and systems support required to ensure timely mitigation by the State.

2024-016b Continue to update formal risk assessments periodically (with annual updates to adjust security priorities), with the results documented and communicated to management. Implement the GRC application as the long-term solution supporting IT risk assessment and management.

2024-016c Identify the additional resources needed to address critical IS deficiencies noted in security assessments and audits as part of strategic plan updates.

2024-016d Ensure that policies and procedures throughout ETSS operations are adequately documented to allow for knowledge transfer as personnel changes.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-019.*

Finding 2024-017 – Financial Statement Finding *(Reported Initially in Finding 2015-007)*

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

2024-017a Continue to streamline and expand the CAB process and include more detailed documentation. Implement and document procedures detailing specific requirements for program change control and disseminate across ETSS support staff and ensure its proper execution.

2024-017b Determine the appropriate combination of operational, procedural and/or technical adjustments required to use change management monitoring software to ensure that only authorized program changes are deployed.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-020.*

Finding 2024-018 – Financial Statement Finding *(Reported Initially in Findings 2015-008 and 2022-020)*

The State's current practices for periodic logical access and privilege reviews at both the application and network levels need improvement.

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

2024-018b Ensure that ticketing requests include critical information to properly track and review system changes for proper authorization. Continue to educate agencies on the importance of utilizing ITIL best practices for program change management.

2024-018c Reinforce policies and procedures for privileged user access reviews to be performed by assigned agency IT staff periodically (no less than annually).

2024-018d Continue deployment of the PAM platform solution to allow for controlling and monitoring privileged access across the State's domain.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-021.*

Finding 2024-019 – Financial Statement Finding *(Reported Initially in Finding 2022-021)*

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

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

2024-019b Communicate policies and procedures for database logging and monitoring to assigned agency IT staff. Implement specific training in conjunction with the communication of the policies and procedures to ensure consistent application across the entity.

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

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-022.*

Finding 2024-020 – Financial Statement Finding

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

2024-020a Review the currently utilized legacy SIEM product and determine if it can effectively meet the State's information security needs. Consider migration to a cloud solution with more modern features and the capability to integrate more easily with other products such as a ticketing system.

2024-020b Consider whether additional resources are needed to research and mitigate reported events timely and to develop and mature policies and procedures for SOAR.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-023.*

Finding 2024-021 – Financial Statement Finding

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

2024-021a Incorporate security review updates into business reviews conducted with vendors/contractors.

2024-021b Standardize the practice for the review, monitoring, and remediation of IS risks through the combination of multiple tools, including but not limited to, vulnerability assessments, penetration testing, and reviewing SOC reports.

2024-021c Evaluate the IS resources needed to extend ETSS coordination over system security reviews for significant contractor-supported systems and third-party solutions owned and operated by vendors.

Status: *Partially Implemented. Downgraded by auditors to a management comment in fiscal 2025.*

Finding 2024-022 – Financial Statement Finding *(Reported Initially in Finding 2018-032)*

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

2024-022a Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled.

2024-022b Implement a member benefit computer application to accumulate and manage plan membership data to support the overall administration of the OPEB System with enhanced controls.

2024-022c Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions.

2024-022d Establish consistent procedures to identify deceased plan members and prompt timely termination of coverage.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-024.*

Finding 2024-023 – Financial Statement Finding *(Reported Initially in Finding 2022-026)*

The Employees' Retirement System of the State of Rhode Island (System) oversees a defined contribution (DC) plan for members which is part of the overall "hybrid" pension benefits, in conjunction with defined benefit plan benefits, for most covered employees. The DC plan is administered totally by the Teachers Insurance and Annuity Association of America (TIAA) and the System is reliant on information provided by TIAA for financial reporting purposes. No independent records are maintained by the System for the DC plan activities.

2024-023a Perform a risk assessment for the DC plan and identify areas where internal controls and oversight can be strengthened.

2024-023b Consider modifying the existing contribution and benefit system for the defined benefit plans to capture employer (employee and employer contributions) data for the DC plan or implement other procedures to enhance monitoring of employer compliance with the plan provisions.

2024-023c Formalize a DC monitoring plan to protect member plan balances, ensure compliance by the plan administrator, and enhance controls over financial reporting of the plan within the System's overall financial reporting.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-025.*

Finding 2024-024 – Financial Statement Finding *(Reported Initially in Finding 2015-026)*

Rhode Island Convention Center Authority – During the year ended June 30, 2024, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the AMP pursuant to the indentures. The Authority is currently in violation of certain debt indentures with respect to the Operating Reserve requirement.

2024-024 The auditors recommended that the Authority fund the Operating Reserve.

Status: *Not Implemented. See current year update and recommendation in Finding 2025-026.*

Finding 2024-025 – Financial Statement Finding *(Reported Initially in Finding 2022-036)*

Rhode Island Public Transit Authority – During our current year testing of fare revenue policies and procedures, we noted all the days selected had variances (some immaterial and some more than 1% of revenue) between the daily farebox report and GFI daily summary report. We also noted immaterial variances between deposits and the related documentation and discrepancies in the coin deposits to the bank.

2024-025 The auditors recommended that the Authority enhance internal control policies and procedures to correct this process going forward.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-027.*

Finding 2024-026 – Financial Statement Finding *(Reported Initially in Finding 2023-028)*

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

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

Status: *Implemented.*

Finding 2024-027 – Financial Statement Finding

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

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

Status: *Implemented.*

Finding 2024-028 – Financial Statement Finding

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

2024-028 The auditors recommended that the Corporation enhance internal control policies and procedures to correct this process going forward.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-028.*

Finding 2024-029 – Statewide Federal Award Audit Finding

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

2024-029 Enhance review procedures to ensure all programs in the TSA are included in the interest calculation on an annual basis. Ensure underlying reports are properly modified, as necessary, to capture data for all programs in the TSA.

Status: *Implemented.*

Finding 2024-030 – Statewide Federal Award Audit Finding

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

2024-030 Submit cost allocation methodology for grants management services allocated to federal programs as part of billed costs in the statewide cost allocation plan.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-030.*

Finding 2024-031 – ALNs 10.551, 10.561

Likely questioned costs were identified in conjunction with a fraud investigation performed by the Office of Internal Audit (OIA).

2024-031 Evaluate the underlying allegations of program fraud and return funds to the federal government that did not meet federal requirements.

Status: *Partially Implemented. Criminal case is currently ongoing. Once a disposition is issued, DHS will take appropriate action(s) including any disqualification from the SNAP program and as well as establishing an overpayment claim for any restitution.*

Finding 2024-032 – ALNs 10.553, 10.555, 10.556, 10.559, 10.582

RIDE did not ensure that three out of five School Food Authorities (SFA) submitted their written code of standards of conduct as required by federal regulations before approving their procurement.

2024-032 Establish policies and procedures in conjunction with formalizing internal control to ensure compliance of 7 CFR §210.21(c) by requiring SFAs to submit a written code of standards of conduct at the beginning of the procurement process.

Status: *Not Implemented. After further review of this issue, RIDE does not agree that Federal Regulation 7 CFR 210.21(c) requires SFA's to submit a written code of standards to the State Agency. Federal Regulation 7 CFR 210.21(c) states a school must include a standard code of conduct in their procurement process and that State Agencies may impose a pre-issuance review of SFA's proposed procurements which would include reviewing the SFA's procurement procedures, but since the State Agency is not required to conduct a pre-issuance review, RIDE argues that we are not required to collect their standard code of conduct. In accordance with federal regulation 7 CFR 210.19(a)(5), RIDE does review contracts between SFAs and FSMCs prior to contract execution, but this is specific to procuring an FSMC and again, does not require a review of the SFAs procurement procedures (including their standard code of conduct). Further, in accordance with 7 CFR 210.19(a)(3), RIDE conducts Procurement Reviews on a periodic basis to ensure SFAs comply with 2 CFR 200, subpart D. It is through this process that we review SFA's procurement procedures, including their standards of conduct. However, it is not a requirement of this process to keep a copy of their standards of conduct on file.*

Finding 2024-033 – ALNs 10.553, 10.555, 10.556, 10.559, 10.582

RIDE did not submit complete and timely SF-425 Financial Reports in accordance with federal requirements.

2024-033 Establish policies and procedures in conjunction with formalizing internal control that ensures complete and timely reporting of the SF-425 Federal Financial Report.

Status: *Implemented.*

Finding 2024-034 – ALNs 10.553, 10.555, 10.556, 10.559, 10.582

Controls over reporting of subawards can be enhanced to ensure accurate and complete reporting in accordance with FFATA requirements.

2024-034 Establish policies and procedures in conjunction with formalizing internal control that ensures complete reporting of subawards in accordance with FFATA.

Status: *Not Implemented. RIDE will review current controls over reporting of subawards, and update internal policies and procedures to ensure compliance with FFATA requirements.*

Finding 2024-035 – ALNs 10.553, 10.555, 10.556, 10.559, 10.582 *(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.

2024-035 Improve inventory control procedures over USDA-donated food commodities, including complete reconciliations and resolution of discrepancies noted.

Status: *Partially Implemented. The Department of Corrections implemented a new software package in May 2025 to address the inventory discrepancies. Although the number of discrepancies has been reduced, variances were identified at the year-end inventory count. Changes in procedures are expected to resolve outstanding deficiencies at the next inventory count.*

Finding 2024-036 – ALNs 10.553, 10.555, 10.556, 10.559, 10.582

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

2024-036 Establish policies and procedures in conjunction with formalizing internal control that ensures that SFAs with a negative balance in their non-profit food service account are in compliance with 7 CFR §210.14(e).

Status: *Not Implemented. RIDE will develop field guidance and a tool in order to assist SFAs in being compliant with 7 CFR Sec. 201.14(e)*

Finding 2024-037 – ALNs 10.553, 10.555, 10.556, 10.559, 10.582; 84.027, 84.173 *(Reported Initially in Finding 2022-056)*

Information Technology (IT) risk assessments, vendor management, oversight controls, and documentation for overall security need improvement to enhance the reliability of systems and the administration of federal funds.

2024-037a Develop formalized comprehensive policies and procedures based on an acceptable IT security framework like NIST SP 800-53 Rev.5 or adopt the State's comprehensive policies and procedures maintained and updated by ETSS.

2024-037b Evaluate the IT security resources needed to implement the adopted security framework or utilize ETSS for IT security support like other State agencies.

2024-037c Focus on maturing logical access controls, documentation, and related processes. Create a proper logical access request tracking process utilizing a ticketing system to manage user change requests efficiently. Setup clearly defined parameters for LEA's acceptable usage and routinely review and manage vendor activities and performance.

2024-037d Adopt best practice procedures, including management and oversight, over system administrator accounts employed within RIDE's systems.

Status: *Partially Implemented. Ongoing continuous improvement.*

Finding 2024-038 – ALN 17.225 *(Reported Initially in Findings 2020-002 and 2020-030)*

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

2024-038a Implement compensating controls to identify noncompliance with program requirements.

2024-038b Ensure that ongoing considerations for the modernization of the unemployment benefit program administration system maximize automated processes designed to enhance controls over eligibility requirements.

2024-038c Ensure that official State UI policies and procedures on file with the Secretary of State relating to work search requirements are consistent with UI claimant guidance available on DLT's website.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-034.*

Finding 2024-039 – ALN 17.225 *(Reported Initially in Finding 2015-032)*

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

2024-039 Implement procedures to: (1) impose and collect a 15% penalty on benefit overpayments of claimants who commit fraud (RIGL 28-42-62.1(a)(4)) and (2) prohibit providing relief to an employer account when an overpayment is the result of the employer's failure to respond timely or adequately to a request for information by the State agency (RIGL 28- 43-3(2)(viii)).

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-035.*

Finding 2024-040 – ALNs 20.205; 20.933 *(Reported Initially in Finding 2021-050)*

RIDOT lacks policies and procedures requiring consultants to certify final indirect costs as mandated by federal regulations.

2024-040 Develop, document and implement a Certificate of Final Indirect Costs for the procurement of engineering and design-related service procurements in compliance with 23 CFR §172.11(c)(3)(iii) and (ii). Integrate the Certificate of Final Indirect Costs within RIDOT's internal control system to provide assurance of compliance with laws, regulations, and grant terms and conditions.

Status: *Implemented.*

Finding 2024-041 – ALNs 20.205; 20.933

RIDOT has no documentation of FHWA approved Indefinite Delivery/Indefinite Quantity (ID/IQ) procurement policies and procedures.

2024-041 Develop and document ID/IQ procurement procedures and submit them to FHWA for review and approval. Upon FHWA approval, integrate ID/IQ procurement procedures within RIDOT's internal control system to provide assurance of compliance with laws, regulations, and grant terms and conditions.

Status: *Not Implemented. Project Management and Contracts and Specifications are working together to write a complete ID/IQ procurement procedures manual. Once the procedures manual is complete it will be sent to FHWA for review and approval.*

Finding 2024-042 – ALN 20.823

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

2024-042 The Organization should address the weakness noted above and create policies and procedures related to federal awards in order to comply with the Uniform Guidance.

Status: *Implemented.*

Finding 2024-043 – ALN 20.933

RIDOT lacks documentation of internal controls over the reporting requirements for National Infrastructure Investment (NII) Grants.

2024-043a Enhance internal controls over the Reporting requirement by documenting policies, procedures and control activities in conformance with an internal control framework such as COSO or the Green Book.

2024-043b Document NII Grant report review and submission approval.

Status: *Partially Implemented. The Office of Performance Management staff have created a document that outlines the general policies and procedures for RIDOT's Grants. The document was forwarded to management for further review and approval on August 5, 2025. The policy has been fully implemented as of 12/31/2025.*

Finding 2024-044 – ALN 21.027 *(Reported Initially in Finding 2023-030)*

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

2024-044a Enhance internal control procedures to ensure timely review of audit reports and issuance of management decisions in accordance with Uniform Guidance.

2024-044b Strengthen subrecipient compliance by requiring submission of Single Audit Reports to the pass-through department/agency as part of the subaward terms and conditions, prompting the review upon receipt of the reports.

2024-044c Enhance controls to ensure adequate documentation of monitoring procedures performed and support for subrecipient expenditures is obtained. Document any meetings and/or conversations with the subrecipients and discussion had therein.

Status: *Not Implemented. See current year update and recommendations in Finding 2025-039.*

Finding 2024-045 – ALNs 66.468; 93.323

Controls are inadequate to ensure allocation of indirect costs is accurate, complete and in compliance with federal regulations.

2024-045a Enhance internal controls over the UGS to ensure only allowable costs are included in the calculation of indirect costs and that only the approved indirect cost rate is applied.

2024-045b Credit the federal grantor for unallowable costs charged to the ELC grant award.

Status: *Implemented.*

Finding 2024-046 – ALNs 66.468; 93.323 *(Reported Initially in Finding 2021-062)*

RIDOH controls over time and effort reporting are lacking to ensure accurate allocations and reimbursements from federal programs.

2024-046 Enhance reporting of time and effort for general timesheet category activities to improve documentation and support for personnel costs charged to Federal programs.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-043.*

Finding 2024-047 – ALNs 84.027, 84.173

The Department of Education (RIDE) has not implemented adequate subrecipient monitoring activities to ensure compliance with federal regulations.

2024-047 Improve internal controls over subrecipient monitoring by 1) updating subrecipients' risk assessments when they fail to comply with documentation requirements, and 2) implementing monitoring procedures to identify instances where RIDE's monitoring is not consistent with the risk assessed.

Status: *Partially Implemented. RIDE reviewed its sub-recipient risk assessments; RIDE will continue to update/ improve its sub-recipient monitoring policies and procedures to meet Federal regulations.*

Finding 2024-048 – ALN 93.323

There are insufficient controls to ensure complete and accurate program reporting requirements.

2024-048a Enhance internal control over the UGS to ensure the accuracy and integrity of cumulative financial information used in generating required federal financial reports.

2024-048b Reconcile the details contained within the UGS to the underlying transactional information recorded in the State's accounting system, to verify amounts reported within the required SF-425A forms are complete and accurate.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-045.*

Finding 2024-049 – ALN 93.558 *(Reported Initially in Finding 2017-064)*

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

2024-049 Improve policies and procedures to ensure that all required eligibility compliance requirements for TANF are documented within RIBridges.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-046.*

Finding 2024-050 – ALN 93.558

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

2024-050a Conduct a review of the TANF state plan and update it to include detailed procedures for utilizing IEVS interfaces and incorporating the resulting information into eligibility determinations.

2024-050b Ensure that income data interfaces are properly executed and that the information obtained is used in making benefit eligibility determinations.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-047.*

Finding 2024-051 – ALNs 93.558; 93.575, 93.596 *(Reported Initially in Finding 2023-053)*

Federal reports for both TANF and Childcare did not agree to underlying documentation. Subawards were not reported timely in accordance with federal regulations.

2024-051a Maintain documentation for each report as submitted. Perform a secondary review to ensure that reports agree to supporting documentation and reconcile to the accounting system.

2024-051b Implement monitoring controls to ensure that subaward information is submitted timely in accordance with FFATA reporting requirements.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-050.*

Finding 2024-052 – ALNs 93.558; 93.575, 93.596

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

2024-052a Adopt specific policy requirements regarding documentation required from subrecipients in support of reimbursement requests.

2024-052b Obtain adequate and complete documentation to support the allowability of costs claimed under contracts before authorization of payment.

Status: *Implemented.*

Finding 2024-053 – ALNs 93.558; 93.575, 93.596; 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2015-069)*

The State continued to enhance systems security oversight over systems used to administer multiple federally funded programs. Certain internal control deficiencies should be addressed to improve the State's monitoring of information systems security over RIBridges and the Medicaid Management Information System (MMIS).

2024-053a Improve monitoring of MMIS system access, oversight of IT security activities performed by the system contractor (e.g., penetration testing and vulnerability scans), and tracking of IT security deficiencies to ensure timely remediation by the contractor.

2024-053b Implement recommendations identified in the MARS-E assessment to improve IT security administration of the RIBridges system.

2024-053c Utilize risk assessment results annually to document how expected audit coverage will ensure that critical risk areas are included in the scope of work for assessments planned for that year.

2024-053d Ensure consistent implementation of controls over system user access across all programs administered through RIBridges.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-032.*

Finding 2024-054 – ALNs 93.575, 93.596 *(Reported Initially in Finding 2017-068)*

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

2024-054 Improve controls over CCDF eligibility determinations by ensuring consistent inclusion of eligibility documentation in the electronic case record.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-053.*

Finding 2024-055 – ALNs 93.575, 93.596

The DHS Office of Child Care's (OCC) monitoring policies and procedures are not ensuring childcare provider compliance with health and safety standards.

2024-055 Evaluate current monitoring procedures and resources needed to improve child care provider compliance with health and safety requirements.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-054.*

Finding 2024-056 – ALN 93.767 *(Reported Initially in Finding 2014-067)*

Operational and system deficiencies, including eligibility processing modifications implemented due to public health emergency (PHE) regulations and policy modifications that extended into fiscal year 2024, resulted in noncompliance with federal regulations relating to CHIP eligibility.

2024-056a Address and correct the RIBridges system deficiencies (e.g., citizenship and income validation, TPL consideration, PARIS notification follow-up) to strengthen controls and ensure compliance with federal regulations regarding CHIP eligibility.

2024-056b Identify ET worker errors and case documentation deficiencies and conduct training to address common issues leading to incorrect or unsupported eligibility determinations.

2024-056c Identify ineligible CHIP costs and return to the federal grantor.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-058.*

Finding 2024-057 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2023-058)*

Internal controls over administrative costs allocated to the Medical Assistance and CHIP programs need to be improved to ensure that costs allocated to the programs comply with federal regulations.

2024-057 Improve internal controls over administrative claiming to federal programs by 1) completely documenting cost allocation policies and procedures, 2) reconciling quarterly cost allocation results to the State accounting system, and 3) enhancing supervision and monitoring of the cost allocation process.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-033.*

Finding 2024-058 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2021-069)*

The State is not currently in compliance with federal requirements to obtain audited financial reports from its managed care organizations (MCO) in accordance with 42 CFR §438.3(m).

2024-058a Implement policies and procedures to comply with federal regulations for audits of MCO financial reports.

2024-058b Address deficiencies identified by the contracted encounter data study by ensuring corrective action is taken by the MCOs.

Status: *Partially Implemented. EOHHS obtained MCO audited financials. Efforts to obtain PAHP audited financials are ongoing. See current year update and recommendations in Finding 2025-060.*

Finding 2024-059 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2019-064)*

Controls over the screening, enrollment, and revalidation of providers within the Medicaid program should be improved to ensure compliance with federal requirements relating to provider eligibility.

2024-059 Enhance internal controls over provider eligibility by addressing deficiencies cited that collectively undermine compliance with federal regulations.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-061.*

Finding 2024-060 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2009-086)*

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

2024-060 Improve controls over compliance requirements for the allowability of federal expenditures by addressing internal control deficiencies (including system limitations for managed care capitation adjustments and editing encounter data) that specifically impact financial settlements with managed care organizations.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-062.*

Finding 2024-061 – 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.

2024-061a Eliminate untimely expenditure adjustments between Medicaid and CHIP by addressing RIBridges programming deficiencies which prevent CHIP eligibility from being completely determined and coded through the State's integrated eligibility system.

2024-061b Require all HHS agencies to submit reconciliations of their quarterly administrative claiming (as determined through approved cost allocation methodologies) to reported expenditures in RIFANS on a quarterly basis.

2024-061c Implement procedures for supervisory review of all federal reports before submission.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-063.*

Finding 2024-062 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2020-055)*

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

2024-062 Share and match identified TPL coverage with the MCOs annually. Periodic matching with MCO enrollment files would ensure that TPL coverage is consistently being applied throughout the Medicaid and CHIP programs.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-064.*

Finding 2024-063 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2023-067)*

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

2024-063 Document and implement internal controls to ensure the allowability of special education services for reimbursement by Medicaid.

Status: *Implemented.*

Finding 2024-064 – ALNs 93.767; 93.775, 93.777, 93.778

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

2024-064 Address staffing deficiencies within the MEQC unit to provide for organizationally independent staff to conduct required quality control procedures.

Status: *Implemented.*

Finding 2024-065 – ALNs 93.775, 93.777, 93.778 *(Reported Initially in Findings 2014-067 and 2015-060)*

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

2024-065a Address and correct the eligibility system and process deficiencies (e.g., SWICA interface, Medicaid Expansion age-out, citizenship verification, death reporting, PARIS reporting) which weaken controls and result in noncompliance with federal regulations regarding Medicaid eligibility.

2024-065b Implement procedures to identify noncompliance resulting from eligibility system and process deficiencies so that cases can be worked manually to resolve long-standing instances of noncompliance detected by external audits and MEQC processes.

2024-065c Identify ineligible Medicaid costs and return to the federal grantor.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-066.*

Finding 2024-066 – ALNs 93.775, 93.777, 93.778 *(Reported Initially in Finding 2023-066)*

Controls need to be improved to ensure that claims from the State Hospital are reimbursed by Medicaid as the payer of last resort.

2024-066 Ensure that claiming from Eleanor Slater Hospital is subject to edits for other insurance to ensure that Medicaid is the payer of last resort.

Status: *Partially Implemented. See current year update and recommendations in Finding 2025-067.*

Finding 2024-067 – ALNs 97.036

Controls over project workbook submissions for reimbursement of eligible costs were not operating effectively to ensure all claimed costs were accurately documented, leading to reimbursement of unallowable costs.

2024-067a Improve review procedures to ensure accuracy of workbook reimbursement submissions to FEMA.

2024-067b Credit the federal grantor for unallowable costs that were reimbursed.

Status: *Implemented.*

Finding 2024-068 – ALNs 97.036 *(Reported Initially in Finding 2022-039)*

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

2024-068a Complete implementation of subrecipient monitoring procedures by improving the detail maintained in the tracking worksheet to provide more transparency as to what was reviewed (e.g., audit year reviewed, FAC submission date, documentation of control deficiencies related to the financial statements).

2024-068b RIEMA will also need to document its review of subrecipient audit reports including follow-up on findings reported in Single Audit Reports and issuing management decisions when required.

Status: *Implemented.*

Finding 2024-069 – ALNs 97.036 *(Reported Initially in Finding 2021-077)*

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

2024-069a Strengthen procedures for preparing federal financial reports to ensure that information reported is adequately supported and consistent with underlying accounting records.

2024-069b Enhance review procedures prior to submission to compare the current quarter to the previous quarter.

2024-069c Submit revised SF-425 to reflect corrected expenditures and drawdowns for fiscal 2024, as necessary.

Status: *Implemented.*

Finding 2024-070 – ALNs 97.036

Controls over FFATA reporting can be enhanced to ensure timely and complete reporting of subawards issued during the fiscal year.

2024-070 Enhance controls over FFATA reporting to ensure subawards are reported timely. Incorporate FFATA reporting procedures into existing procedures when disbursing funds to subrecipients.

Status: *Implemented.*