

**State of Rhode Island
and Providence Plantations**

SINGLE AUDIT REPORT

Fiscal Year Ended June 30, 2000

**Ernest A. Almonte, CPA, CFE
Auditor General**



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STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS
GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

- ♦ INTEGRITY
- ♦ RELIABILITY
- ♦ INDEPENDENCE
- ♦ ACCOUNTABILITY

March 29, 2001

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

I am pleased to submit the State's *Single Audit Report* for the fiscal year ended June 30, 2000. 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 *Single Audit Report* includes our reports on (1) the general-purpose financial statements of the State of Rhode Island, (2) compliance and on internal control over financial reporting, and (3) compliance with requirements applicable to each major federal program and internal control over compliance. A detailed Schedule of Expenditures of Federal Awards is also included as outlined in the Table of Contents on the next page. 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. A corrective action plan, which addresses each current year finding, has been prepared by the State and is included herein. Additionally, the status of prior year findings has also been prepared by the State and is included herein.

Respectfully submitted,

Ernest A. Almonte, CPA, CFE
Auditor General

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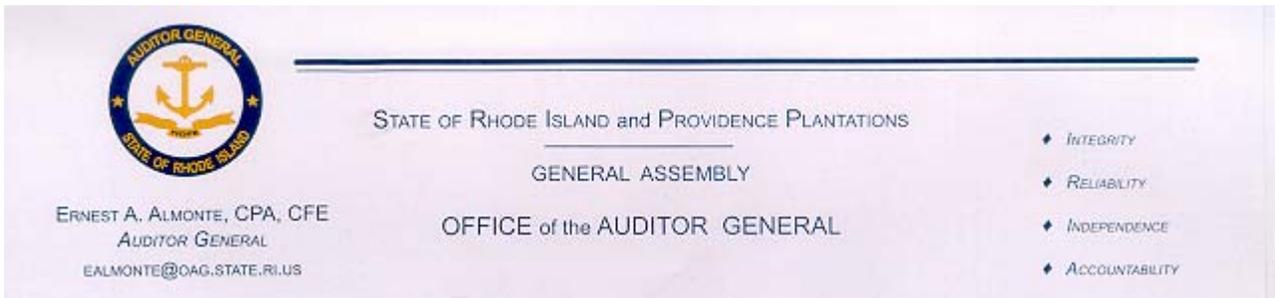
**General – Purpose
Financial Statements**



**General - Purpose
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 and Providence Plantations:

We have audited the accompanying general-purpose financial statements of the State of Rhode Island and Providence Plantations (the State) as of and for the year ended June 30, 2000 as listed in the Table of Contents. These general-purpose financial statements are the responsibility of the State's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit. We did not audit the financial statements of certain component units which represent 100% of the assets and revenues of the discretely presented component units and 1% of the assets and revenues of the special revenue funds. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

The general-purpose financial statements do not include the statement of the general fixed assets account group which should be included in order to conform with generally accepted accounting principles. The State has not completed the accumulation of historical information as to the cost and classification of its investment in general fixed assets. The amount that should be recorded in the general fixed assets account group is not known.

In our opinion, based on our audit and the reports of other auditors, except for the effect on the general-purpose financial statements of the omission of the statement of the general fixed assets account group, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the State at June 30, 2000, and the results of its operations, the cash flows of its proprietary fund types, nonexpendable trust funds and proprietary component units, and the changes in plan net assets of its pension trust funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 1(V), the State changed its definition of the reporting entity.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2001 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the State, taken as a whole. The Schedules of Funding Progress as listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, based on our audit and the reports of the other auditors, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.



Ernest A. Almonte, CPA, CFE
Auditor General

January 22, 2001

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

COMBINED BALANCE SHEET

ALL FUND TYPES, ACCOUNT GROUPS, AND DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2000

(Expressed in thousands)

Assets	Governmental Fund Types				Proprietary Fund Types	
	General	Special Revenue	Debt Service	Capital Projects	Enterprise (State Lottery)	Internal Service
Cash and cash equivalents	\$ 195,590	\$ 44,631	\$ 686	\$ 172,347	\$ 19,405	\$ 3,552
Funds on deposit with fiscal agent				10,353		
Investments		30,740		15,507	2,873	
Receivables (net)	91,329	14,515			4,850	3,555
Due from other funds	17,656	5,553	2,090	17,325		5,779
Due from component units	16,202	6,486		50		
Due from primary government						
Due from other governments and agencies (net)	116,140	29,481		1,620		
Inventories					804	2,292
Loans to other funds	6,387					
Fixed assets (net)					619	4,633
Other assets	7,524	4		3,370	536	
Amount available in debt service reserves						
Amount to be provided for retirement of general long-term obligations						
Rentals due						
Total assets	\$ 450,828	\$ 131,410	\$ 2,776	\$ 220,572	\$ 29,087	\$ 19,811
Liabilities and Fund Equity						
Liabilities:						
Cash overdraft	\$ 135	\$ 2,764	\$	\$ 11,558	\$	\$
Vouchers and accounts payable	155,105	26,981		4,381	6,973	5,720
Due to other funds	17,601	7,574	258	19,012	12,968	1,314
Due to component units	14,138	2,121		7,328		
Due to primary government						
Due to other governments and agencies	5,813					
Accrued liabilities	19,651	2,465			307	2,237
Deferred revenue	3,030	1,705		186	255	
Loans from other funds				3,017		3,370
Other current liabilities	21,592			4,118		
Compensated absences						
Notes payable						
Loans payable						
Obligations under capital leases						1,791
Bonds payable						
Other long-term liabilities					8,405	
Total liabilities	237,065	43,610	258	49,600	28,908	14,432
Fund equity:						
Contributed capital						
Retained earnings:						
Reserved						854
Unreserved (deficit)					179	4,525
Fund balances:						
Reserved	121,841	220,950	2,518	34,907		
Unreserved:						
Designated		21,165		135,895		
Undesignated (deficit)	91,922	(154,315)		170		
Total fund equity	213,763	87,800	2,518	170,972	179	5,379
Total liabilities and fund equity	\$ 450,828	\$ 131,410	\$ 2,776	\$ 220,572	\$ 29,087	\$ 19,811

The accompanying notes are an integral part of these financial statements.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Fiduciary Fund Types	Account Group	TOTAL PRIMARY GOVERNMENT (Memorandum only)	Component Units		TOTAL REPORTING ENTITY (Memorandum only)		
			Trust and Agency	General Long-term Debt		Governmental	Proprietary
\$ 14,756	\$	\$ 450,967	\$ 35,341	\$ 414,352	\$ 900,660		
277,697		288,050			288,050		
7,100,959		7,150,079	1,796	808,015	7,959,890		
20,741		134,990	36,490	2,113,837	2,285,317		
10,424		58,827			58,827		
		22,738			22,738		
			4,322	15,323	19,645		
961		148,202		17,678	165,880		
		3,096	2,792	2,082	7,970		
		6,387			6,387		
		5,252	5,384	960,153	970,789		
		11,434	23,883	162,842	198,159		
	20,743	20,743	848		21,591		
	1,567,522	1,567,522	119,098		1,686,620		
				8,500	8,500		
<u>\$ 7,425,538</u>	<u>\$ 1,588,265</u>	<u>\$ 9,868,287</u>	<u>\$ 229,954</u>	<u>\$ 4,502,782</u>	<u>\$ 14,601,023</u>		
\$	\$	\$ 14,457	\$ 5,190	\$ 361	\$ 20,008		
4,003		203,163	26,259	16,303	245,725		
100		58,827			58,827		
		23,587			23,587		
			1,497	19,530	21,027		
810		6,623		18,800	25,423		
		24,660		76,875	101,535		
		5,176	12,135	7,185	24,496		
		6,387			6,387		
67,658		93,368	4,765		98,133		
	65,007	65,007	32,011		97,018		
			2,320	14,625	16,945		
			652	47,753	48,405		
	424,943	426,734	23,208	36,199	486,141		
	1,078,614	1,078,614	63,073	2,973,581	4,115,268		
	19,701	28,106	628	289,310	318,044		
<u>72,571</u>	<u>1,588,265</u>	<u>2,034,709</u>	<u>171,738</u>	<u>3,500,522</u>	<u>5,706,969</u>		
				399,500	399,500		
		854		252,494	253,348		
		4,704	1,246	350,266	356,216		
7,349,605		7,729,821	80,857		7,810,678		
		157,060			157,060		
3,362		(58,861)	(23,887)		(82,748)		
<u>7,352,967</u>		<u>7,833,578</u>	<u>58,216</u>	<u>1,002,260</u>	<u>8,894,054</u>		
<u>\$ 7,425,538</u>	<u>\$ 1,588,265</u>	<u>\$ 9,868,287</u>	<u>\$ 229,954</u>	<u>\$ 4,502,782</u>	<u>\$ 14,601,023</u>		

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS, AND DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS

For the Fiscal Year Ended June 30, 2000

(Expressed in thousands)

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Taxes	\$ 1,817,779	\$ 265,127	\$	\$
Licenses, fines, sales, and services	170,233	4,446		9,074
Departmental restricted revenue	114,140	322		
Federal grants	1,060,819	190,200		6,184
Income from investments	6,171	4,229	52	8,818
Other revenues	30,996	5,635		
Total revenues	3,200,138	469,959	52	24,076
Other financing sources:				
Bonds and notes issued				152,740
Lease certificates of participation issued				9,843
Operating transfers in	255,067	30,639	8,514	41,655
Operating transfers from primary government				
Operating transfers from component units	15,780	15,079		
Other	74,260			1,150
Total revenues and other financing sources	3,545,245	515,677	8,566	229,464
Expenditures:				
Current:				
General government	188,771	33,354		
Human services	1,735,554	144,923		
Education	59,869			
Public safety	257,625			
Environment	48,656	3,794		
Transportation		45,368		
Capital outlays	26,371	173,408		29,899
Intergovernmental	760,691	1,441		3,538
Debt service:				
Principal	74,519		4,415	
Interest and other charges	58,880		87	12,290
Total expenditures	3,210,936	402,288	4,502	45,727
Other financing uses:				
Operating transfers out	52,247	66,975		63,524
Operating transfers to primary government				
Operating transfers to component units	277,297	45,157	5,546	64,453
Other				
Total expenditures and other financing uses	3,540,480	514,420	10,048	173,704
Revenues and other financing sources over (under) expenditures and other financing uses	4,765	1,257	(1,482)	55,760
Net gain from proprietary operations				
Fund balances, July 1, 1999, as restated	208,998	86,543	4,000	115,212
Fund balances, June 30, 2000	\$ 213,763	\$ 87,800	\$ 2,518	\$ 170,972

The accompanying notes are an integral part of these financial statements.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Fiduciary Fund Types Expendable Trust	TOTAL PRIMARY GOVERNMENT (Memorandum only)	Component Units Governmental	TOTAL REPORTING ENTITY (Memorandum only)
\$ 163,262	\$ 2,246,168	\$	\$ 2,246,168
	183,753	181,819	365,572
	114,462		114,462
1,705	1,258,908	64,354	1,323,262
16,964	36,234		36,234
1,752	38,383	39,084	77,467
183,683	3,877,908	285,257	4,163,165
	152,740	28,683	181,423
	9,843		9,843
	335,875	42	335,917
		185,112	185,112
	30,859		30,859
4,284	79,694		79,694
187,967	4,486,919	499,094	4,986,013
	222,125		222,125
146,005	2,026,482		2,026,482
	59,869	452,667	512,536
	257,625		257,625
	52,450		52,450
	45,368		45,368
	229,678	21,441	251,119
	765,670		765,670
	78,934		78,934
	71,257	3,144	74,401
146,005	3,809,458	477,252	4,286,710
	182,746		182,746
		2,891	2,891
	392,453		392,453
3,540	3,540		3,540
149,545	4,388,197	480,143	4,868,340
38,422	98,722	18,951	117,673
		1,030	1,030
244,185	658,938	38,235	697,173
\$ 282,607	\$ 757,660	\$ 58,216	\$ 815,876

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND EQUITY

ALL PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS, AND DISCRETELY PRESENTED PROPRIETARY COMPONENT UNITS

For the Fiscal Year Ended June 30, 2000

(Expressed in thousands)

	Proprietary Fund Types	
	Enterprise (State Lottery)	Internal Service
Operating revenues:		
Charges for services	\$ 864,092	\$ 80,654
Interest income		
Other operating income		
Total operating revenues	864,092	80,654
Operating expenses:		
Personal services	3,016	12,800
Supplies, materials, and services	124,717	67,752
Interest expense		
Grant, scholarships, and contract programs		
Prize awards	587,901	
Depreciation, depletion, and amortization	219	652
Other operating expenses		
Total operating expenses	715,853	81,204
Operating income (loss)	148,239	(550)
Nonoperating revenues (expenses):		
Income from investments	767	1
Grants		
Gain on sale of property		
Interest expense		(101)
Other nonoperating revenues	1,302	
Total nonoperating revenue (expenses)	2,069	(100)
Income (loss) before transfers	150,308	(650)
Operating transfers in		328
Operating transfers out	(150,380)	
Operating transfers from primary government		
Operating transfers to primary government		
Income (loss) before extraordinary items	(72)	(322)
Extraordinary items		
Net income (loss)	(72)	(322)
Other changes in fund equity:		
Increase in contributed capital		
Other		
Net increase (decrease) in fund equity	(72)	(322)
Fund equity, July 1, 1999, as restated	251	5,701
Fund equity, June 30, 2000	\$ 179	\$ 5,379

The accompanying notes are an integral part of these financial statements.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Fiduciary Fund Types Nonexpendable Trust	TOTAL PRIMARY GOVERNMENT (Memorandum only)	Component Units Proprietary	TOTAL REPORTING ENTITY (Memorandum only)
\$ 60	\$ 944,806	\$ 190,818	\$ 1,135,624
168	168	183,110	183,278
		34,675	34,675
228	944,974	408,603	1,353,577
	15,816	99,239	115,055
	192,469	98,338	290,807
		127,323	127,323
		11,400	11,400
	587,901		587,901
	871	46,717	47,588
84	84	17,972	18,056
84	797,141	400,989	1,198,130
144	147,833	7,614	155,447
	768	12,246	13,014
		26,043	26,043
		69	69
	(101)	(40,459)	(40,560)
	1,302	12,730	14,032
	1,969	10,629	12,598
144	149,802	18,243	168,045
	328		328
	(150,380)		(150,380)
		123,932	123,932
		(12,889)	(12,889)
144	(250)	129,286	129,036
		(519)	(519)
144	(250)	128,767	128,517
		63,041	63,041
		4,969	4,969
144	(250)	196,777	196,527
3,218	9,170	805,483	814,653
\$ 3,362	\$ 8,920	\$ 1,002,260	\$ 1,011,180

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

COMBINED STATEMENT OF CASH FLOWS

ALL PROPRIETARY FUND TYPES, SIMILAR TRUST FUNDS, AND DISCRETELY PRESENTED PROPRIETARY COMPONENT UNITS

For the Fiscal Year Ended June 30, 2000

(Expressed in thousands)

	Proprietary Fund Types		Fiduciary	TOTAL	Component	TOTAL
	Enterprise	Internal	Fund Types	PRIMARY	Units	REPORTING
	(State Lottery)	Service	Nonexpendable	GOVERNMENT	Proprietary	ENTITY
			Trust	(Memorandum		(Memorandum
				only)		only)
Cash flows from operating activities:						
Cash received from customers	\$ 876,539	\$ 79,875	\$	\$ 956,414	\$ 536,458	\$ 1,492,872
Cash received from grants					1,246	1,246
Collections from loans and receivership assets					45,989	45,989
Cash payments to suppliers for goods and services	(3,700)	(69,030)		(72,730)	(115,114)	(187,844)
Cash payments to employees for services	(3,000)	(12,540)		(15,540)	(89,950)	(105,490)
Loans issued					(148,986)	(148,986)
Cash payments for claims, grants, and scholarships					(161,109)	(161,109)
Other operating revenue	677	4,266	60	5,003	15,704	20,707
Other operating expenses	(716,068)		(84)	(716,152)	(370)	(716,522)
Net cash provided by (used for) operating activities	154,448	2,571	(24)	156,995	83,868	240,863
Cash flows from noncapital financing activities:						
Proceeds from issuance of long-term debt					323,582	323,582
Payment of bonds and notes					(309,822)	(309,822)
Payment of interest					(132,697)	(132,697)
Proceeds from grants					25,856	25,856
Loans from other funds		1,850		1,850		1,850
Repayment of loans to other funds		(2,739)		(2,739)		(2,739)
Collection of loans and mortgages					410	410
Contract revenue					3,868	3,868
Operating transfers out	(149,873)			(149,873)		(149,873)
Operating transfers from primary government					122,575	122,575
Operating transfers to primary government					(502)	(502)
Grants issued					(3,406)	(3,406)
Negative cash balance implicitly financed		(33)		(33)	233	200
Net cash provided by (used for) noncapital financing activities	(149,873)	(922)		(150,795)	30,097	(120,698)
Cash flows from capital and related financing activities:						
Principal paid on revenue bonds					(12,760)	(12,760)
Proceeds from issuance of long-term debt					55,169	55,169
Payment of interest		(101)		(101)	(37,333)	(37,434)
Payment of notes and loans					(19,438)	(19,438)
Payment of capital lease obligations		(674)		(674)	(5,714)	(6,388)
Payment of financing costs					(768)	(768)
Payment for the purchase of program rights					(499)	(499)
Acquisition of capital assets	(238)	(317)		(555)	(85,973)	(86,528)
Contributed capital		328		328	58,347	58,675
Proceeds from capital grants used for operating activities					5,325	5,325
Proceeds from sale of assets					3,712	3,712
Net cash provided by (used for) capital and related financing activities	(238)	(764)		(1,002)	(39,932)	(40,934)
Cash flows from investing activities:						
Purchase of investments			(1,560)	(1,560)	(726,134)	(727,694)
Proceeds from sale and maturity of investments	1,462		1,513	2,975	677,035	680,010
Interest on investments	767	1	99	867	60,655	61,522
Net cash provided by (used for) investing activities	2,229	1	52	2,282	11,556	13,838
Net increase (decrease) in cash and cash equivalents	6,566	886	28	7,480	85,589	93,069
Cash and cash equivalents, July 1, 1999	12,839	2,666	626	16,131	323,973	340,104
Cash and cash equivalents, June 30, 2000	\$ 19,405	\$ 3,552	\$ 654	\$ 23,611	\$ 409,562	\$ 433,173

The accompanying notes are an integral part of these financial statements.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

	Proprietary Fund Types		Fiduciary	TOTAL	Component	TOTAL
	Enterprise (State Lottery)	Internal Service	Fund Types Nonexpendable Trust	PRIMARY GOVERNMENT (Memorandum only)	Units Proprietary	REPORTING ENTITY (Memorandum only)
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:						
Operating income (loss)	\$ 148,239	\$ (550)	\$ 144	\$ 147,833	\$ 7,614	\$ 155,447
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Depreciation, depletion, and amortization	219	651		870	46,717	47,587
Interest on investments and other income	(1,160)		(168)	(1,328)	(57,930)	(59,258)
Interest expense and other charges					128,942	128,942
Provision for cost of scholarships					2,400	2,400
Landfill postclosure costs					6,475	6,475
(Increase) decrease in assets:						
Receivables	5,846	1,130		6,976	(56,870)	(49,894)
Inventories	(233)	182		(51)	(362)	(413)
Prepaid items					722	722
Other assets	2,595			2,595	3,534	6,129
Increase (decrease) in liabilities:						
Accounts payable and accrued expenses	1,597	1,158		2,755	(7,711)	(4,956)
Deferred revenue	(641)			(641)	24	(617)
Escrow deposits					10,313	10,313
Other liabilities	(2,014)			(2,014)		(2,014)
Subtotal	6,209	3,121	(168)	9,162	76,254	85,416
Net cash provided by (used for) operating activities	\$ 154,448	\$ 2,571	\$ (24)	\$ 156,995	\$ 83,868	\$ 240,863
Noncash investing, capital, and financing activities:						
Assets acquired through loan program	\$	\$	\$	\$	\$ 6,048	\$ 6,048
Interest capitalized					26	26
Accretion of interest on investment for jackpot awards	229			229		229
Total noncash transactions	\$ 229	\$	\$	\$ 229	\$ 6,074	\$ 6,303

Cash and cash equivalents in the Fiduciary Fund Types on the Combined Balance Sheet include:

Expendable Trust Funds	\$ 1,893
Pension Trust Funds	648
Agency Fund	11,561
Nonexpendable Trust Funds	654
Total	<u>\$ 14,756</u>

Cash and cash equivalents for Proprietary Component Units on the Combined Balance Sheet include:

Cash and cash equivalents from Statement of Cash Flow	\$ 409,562
R.I. Housing Mortgage Finance Corporation - Affordability Housing Trust	692
R.I. Higher Education Assistance Authority - Savings Trust	25
R.I. Higher Education Assistance Authority - Federal Student Loan Reserve Fund	4,073
Total	<u>\$ 414,352</u>

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

GENERAL FUND AND BUDGETED SPECIAL REVENUE FUNDS

For the Fiscal Year Ended June 30, 2000

(Expressed in thousands)

	General Fund		
	Budget	Actual	Variance
Revenues:			
Taxes	\$ 1,788,410	\$ 1,817,779	\$ 29,369
Licenses, fines, sales, and services	169,432	170,233	801
Departmental restricted revenue	104,085	114,140	10,055
Federal grants	1,134,415	1,060,819	(73,596)
Other revenues	36,000	37,167	1,167
Total revenues	3,232,342	3,200,138	(32,204)
Other financing sources:			
Operating transfers in	262,524	255,067	(7,457)
Operating transfers from component units	19,498	15,780	(3,718)
Other	80,673	74,260	(6,413)
Total revenues and other financing sources	3,595,037	3,545,245	(49,792)
Expenditures:			
Current:			
General government	227,303	188,771	38,532
Human services	1,778,127	1,735,554	42,573
Education	84,584	59,869	24,715
Public safety	271,458	257,625	13,833
Environment	63,615	48,656	14,959
Transportation			
Capital outlays	24,092	26,371	(2,279)
Intergovernmental	753,248	760,691	(7,443)
Debt service:			
Principal	75,386	74,519	867
Interest and other charges	60,678	58,880	1,798
Total expenditures	3,338,491	3,210,936	127,555
Other financing uses:			
Operating transfers out	49,201	52,247	(3,046)
Operating transfers to component units	271,137	277,297	(6,160)
Total expenditures and other financing uses	3,658,829	3,540,480	118,349
Revenues and other financing sources over (under) expenditures and other financing uses	(63,792)	4,765	68,557
Fund balances, July 1, 1999, as restated	208,998	208,998	
Fund balances, June 30, 2000	\$ 145,206	\$ 213,763	\$ 68,557

The accompanying notes are an integral part of these financial statements.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Budgeted Special Revenue Funds			Total (Memorandum Only)		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 261,125	\$ 265,127	\$ 4,002	\$ 2,049,535	\$ 2,082,906	\$ 33,371
37,798	322	(37,476)	169,432	170,233	801
250,161	190,200	(59,961)	141,883	114,462	(27,421)
2,270	9,404	7,134	1,384,576	1,251,019	(133,557)
<u>551,354</u>	<u>465,053</u>	<u>(86,301)</u>	<u>3,783,696</u>	<u>3,665,191</u>	<u>(118,505)</u>
	43,968	43,968	262,524	299,035	36,511
			19,498	15,780	(3,718)
			80,673	74,260	(6,413)
<u>551,354</u>	<u>509,021</u>	<u>(42,333)</u>	<u>4,146,391</u>	<u>4,054,266</u>	<u>(92,125)</u>
34,453	29,944	4,509	261,756	218,715	43,041
140,911	144,923	(4,012)	1,919,038	1,880,477	38,561
			84,584	59,869	24,715
			271,458	257,625	13,833
94,796	45,360	49,436	63,615	48,656	14,959
155,047	173,403	(18,356)	94,796	45,360	49,436
	376	(376)	179,139	199,774	(20,635)
			753,248	761,067	(7,819)
			75,386	74,519	867
			60,678	58,880	1,798
<u>425,207</u>	<u>394,006</u>	<u>31,201</u>	<u>3,763,698</u>	<u>3,604,942</u>	<u>158,756</u>
62,640	66,734	(4,094)	111,841	118,981	(7,140)
71,738	44,786	26,952	342,875	322,083	20,792
<u>559,585</u>	<u>505,526</u>	<u>54,059</u>	<u>4,218,414</u>	<u>4,046,006</u>	<u>172,408</u>
(8,231)	3,495	11,726	(72,023)	8,260	80,283
6,478	82,206	75,728	215,476	291,204	75,728
<u>\$ (1,753)</u>	<u>\$ 85,701</u>	<u>\$ 87,454</u>	<u>\$ 143,453</u>	<u>\$ 299,464</u>	<u>\$ 156,011</u>

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

COMBINED STATEMENT OF PLAN NET ASSETS

PENSION TRUST FUNDS

June 30, 2000

(Expressed in thousands)

	Employees' Retirement System	Municipal Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	TOTAL (Memorandum only)
Assets					
Cash and cash equivalents	\$ 318	\$ 77	\$ 153	\$ 100	\$ 648
Receivables:					
Member contributions	7,616	1,309			8,925
Employer contributions	8,371	578			8,949
Due from other funds	10,099	220	3	2	10,324
Total receivables	26,086	2,107	3	2	28,198
Investments, at fair value:					
Equity in short-term investment fund	4,442	416			4,858
Equity in pooled trust	6,098,621	892,447	11,377	7,406	7,009,851
Plan specific investments	27,445				27,445
Total investments	6,130,508	892,863	11,377	7,406	7,042,154
Total assets	6,156,912	895,047	11,533	7,508	7,071,000
Liabilities					
Vouchers and accounts payable	3,462	530	6	4	4,002
Total liabilities	3,462	530	6	4	4,002
Net assets held in trust for pension benefits	\$ 6,153,450	\$ 894,517	\$ 11,527	\$ 7,504	\$ 7,066,998

The accompanying notes are an integral part of these financial statements.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS

PENSION TRUST FUNDS

For the Fiscal Year Ended June 30, 2000

(Expressed in thousands)

	Employees' Retirement System	Municipal Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust	TOTAL (Memorandum only)
Additions:					
Contributions:					
Member contributions	\$ 111,462	\$ 14,188	\$ 496	\$ 289	\$ 126,435
Employer contributions	104,499	5,824	1,509	1,007	112,839
State contributions for teachers	40,719				40,719
Interest on service credits purchased	939	127			1,066
Service credit transfer payments	177	71			248
Total contributions	<u>257,796</u>	<u>20,210</u>	<u>2,005</u>	<u>1,296</u>	<u>281,307</u>
Investment income:					
Net appreciation in fair value of investments	342,181	50,210	608	396	393,395
Interest	129,835	18,739	215	140	148,929
Dividends	40,718	5,961	69	45	46,793
Other investment income	21,687	3,089	36	24	24,836
	<u>534,421</u>	<u>77,999</u>	<u>928</u>	<u>605</u>	<u>613,953</u>
Less investment expense	19,017	2,782	32	21	21,852
Net investment income	<u>515,404</u>	<u>75,217</u>	<u>896</u>	<u>584</u>	<u>592,101</u>
Total additions	<u>773,200</u>	<u>95,427</u>	<u>2,901</u>	<u>1,880</u>	<u>873,408</u>
Deductions:					
Retirement benefits	333,613	31,415			365,028
Refund of contributions	6,326	1,205			7,531
Administrative expense	2,288	334	3	1	2,626
Service credit transfer payments	71	177			248
Total deductions	<u>342,298</u>	<u>33,131</u>	<u>3</u>	<u>1</u>	<u>375,433</u>
Net increase	430,902	62,296	2,898	1,879	497,975
Net assets held in trust for pension benefits					
July 1, 1999	5,722,548	832,221	8,629	5,625	6,569,023
June 30, 2000	<u>\$ 6,153,450</u>	<u>\$ 894,517</u>	<u>\$ 11,527</u>	<u>\$ 7,504</u>	<u>\$ 7,066,998</u>

The accompanying notes are an integral part of these financial statements.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Note 1. Summary Of Significant Accounting Policies

A. Basis of Presentation

The accompanying general-purpose financial statements have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB), except as described in Note 1(D). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles. In accordance with GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," in the absence of specific guidance from GASB pronouncements, pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989 have been followed.

B. Reporting Entity

The general-purpose financial statements include all funds and account groups of the State of Rhode Island and Providence Plantations (the state) and its component units. GASB defines component units as legally separate entities for which a primary government (the state) is financially accountable or, if not financially accountable, their exclusion would cause the state's financial statements to be misleading. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an entity's governing body and (1) the ability of the state to impose its will on that entity or (2) the potential for the entity to provide specific financial benefits to, or impose specific financial burdens on the state. The state has considered all agencies, boards, commissions, public benefit authorities and corporations, the state university and colleges and the Central Falls School District as potential component units. Audited financial statements of the individual component units can be obtained from their respective administrative offices.

Blended Component Units

These component units are entities which are legally separate from the state, but are so intertwined with the state that they are in substance, the same as the state. They are reported as part of the state and blended into the appropriate funds.

State Lottery Fund (Lottery) - This fund is used to account for the revenues generated by the State Lottery Commission in conducting various lottery games. According to statute, earnings after allocation for prize awards and payment of expenses shall be transferred to the state's general fund. For more detailed information, a copy of the financial statements can be obtained by writing to the State Lottery Commission, 1425 Pontiac Avenue, Cranston, RI 02920.

Rhode Island Refunding Bond Authority (RIRBA) - This authority was created by law for the purpose of loaning money to the state to provide funds to pay, redeem, or retire certain general obligation bonds. In fiscal 1998, the state abolished the R.I. Public Buildings Authority (RIPBA) and assigned the responsibility for managing RIPBA's outstanding debt to the RIRBA. RIPBA was previously reported as a blended component unit. The RIRBA is authorized to issue bonds. Even though it is legally separate, the RIRBA is reported as if it were part of the primary government because it provides services entirely to the primary

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

government. It is blended into the Capital Projects Funds and the General Long-Term Debt Account Group. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Refunding Bond Authority, State House, Providence, RI 02903.

Rhode Island Economic Policy Council (RIEPC) - This council is a non-profit organization created by executive order in March 1995 and incorporated in January 1996. The purpose of the council is to work closely with state officials to identify issues facing the state's economy, to develop and recommend creative strategies and policies to address them, to advise the state legislature in policy matters relating to economic development, and to administer a program designed to foster private technology commercialization and plant and process modernization through research centers, higher education partnerships and cluster collaboratives. It is blended into the Special Revenue Funds. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Economic Policy Council, 15 Westminster Street Suite 615, Providence, RI 02903-2417.

Discretely Presented Component Units

Discretely presented component units are reported in separate columns in the combined financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government. Discretely presented component units are:

Governmental Component Units

University and Colleges - The Board of Governors for Higher Education has oversight responsibility for the University of Rhode Island, Rhode Island College and Community College of Rhode Island. The Board is appointed by the Governor with approval of the Senate. The university and colleges are funded through state appropriations, tuition, federal grants, private donations and grants. For more detailed information, a copy of the financial statements can be obtained by writing to the University of Rhode Island, Carlotti Administration Building, Kingston, RI 02881; Rhode Island College, Mount Pleasant Avenue, Providence, RI 02908; and Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805.

Central Falls School District - The Rhode Island General Assembly passed an act which provided for the state to assume an administrative takeover of the Central Falls School District. The Governor appointed a special state administrator who replaced the school committee. The state administrator reports to the Commissioner of Elementary and Secondary Education. The District's purpose is to provide elementary and secondary education to residents of the City of Central Falls. For more detailed information, a copy of the financial statements can be obtained by writing to the Central Falls School District, 21 Hadley Street, Central Falls, RI 02863.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Proprietary Component Units

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. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, RI 02903-1721.

Rhode Island Student Loan Authority (RISLA) - This Authority, established in 1981, was created in order to provide a statewide student loan program through the acquisition of student loans. It has the power to issue bonds and notes, payable solely from its revenues. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Student Loan Authority, 560 Jefferson Boulevard, Warwick, RI 02886.

Rhode Island Turnpike and Bridge Authority (RITBA) - This Authority was created by the General Assembly as a body corporate and politic, with powers to construct, acquire, maintain and operate bridge projects as defined by law. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835.

Rhode Island Economic Development Corporation (RIEDC) - This Corporation was created in 1995 as a result of a merger by the General Assembly of the Rhode Island Port Authority (RIPAEDC) and former Department of Economic Development. The purpose of RIEDC 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, which will promote economic development. It has the power to issue tax-exempt industrial development bonds to accomplish its corporate purpose. Prior to 1995, the RIPAEDC created a subsidiary corporation, the R. I. Airport Corporation, to manage the state's six airports. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Economic Development Corporation, One West Exchange Street, Providence, RI 02903.

Rhode Island Convention Center Authority (RICCA) - This Authority was created in 1987 to facilitate the construction and development of a convention center, parking garages and related facilities within the City of Providence. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Convention Center Authority, One West Exchange Street, Providence, RI 02903.

Narragansett Bay Commission (NBC) - This Commission was created for the purposes of acquiring, planning, constructing, extending, improving, operating and maintaining publicly owned wastewater treatment facilities. NBC receives contributed capital from the state to upgrade its facilities. For more detailed information, a copy of the financial statements can be obtained by writing to the Narragansett Bay Commission, 235 Promenade Street, Suite 500, Providence, RI 02908-5739.

Rhode Island Health and Educational Building Corporation (RIHEBC) - This Corporation has the following purposes: (1) to assist in providing financing for education facilities for colleges and universities operating in the state; (2) to assist hospitals in the state in the financing of health care

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

facilities; (3) to assist stand-alone, non-profit assisted-living and adult daycare facilities; (4) to assist in financing a broad range of non-profit health care providers; and (5) to assist in financing non-profit secondary schools and child care centers. RIHEBC issues bonds, notes and leases which are special obligations of RIHEBC payable from revenues derived from the projects financed or other moneys of the participating education institution or health care institution. The bonds, notes and leases do not constitute a debt or pledge of the faith and credit of RIHEBC or the state and accordingly have not been reported in the accompanying financial statements. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Health and Educational Building Corporation, 400 Westminster Street, Providence, RI 02903.

Rhode Island Resource Recovery Corporation (RIRRC) - This Corporation was established in 1974 in order to provide and/or coordinate solid waste management services to municipalities and persons within the state. RIRRC has the power to issue negotiable bonds and notes to achieve its corporate purpose. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Resource Recovery Corporation, 65 Shun Pike, Johnston, RI 02919.

Rhode Island Depositors Economic Protection Corporation (DEPCO) - This Corporation was created in 1991 to assist in protecting the interests of depositors of certain financial institutions in the state which had been closed when their private deposit insurer failed, thereby leaving those institutions without deposit insurance as required by statute. DEPCO is empowered to acquire all or a portion of the assets of the closed institutions thereby aiding the prompt repayment of the deposit liabilities of the closed institutions. DEPCO has the power to issue negotiable bonds and notes to achieve its corporate purpose. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Depositors Economic Protection Corporation, 832 Dyer Avenue, Cranston, RI 02920.

Rhode Island Higher Education Assistance Authority (RIHEAA) - This Authority was created by law in 1977 for the dual purpose of guaranteeing loans to students in eligible institutions and administering other programs of post secondary student assistance. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Higher Education Assistance Authority, 560 Jefferson Boulevard, Warwick, RI 02886.

Rhode Island Public Transit Authority (RIPTA) - This Authority was established in 1964 to acquire any mass motor bus transportation system if that system has previously filed a petition to discontinue its service and further, if RIPTA determines it is in the public interest to continue such service. Revenues of RIPTA include operating assistance grants from the federal and state governments. For more detailed information, a copy of their financial statements can be obtained by writing to the R.I. Public Transit Authority, 265 Melrose Street, Providence, RI 02907.

Rhode Island Industrial Facilities Corporation (RIIFC) - The purpose of this Corporation is to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the state. All bonds and

notes issued by RIIFC are payable solely from the revenues derived from leasing or sale by RIIFC of its projects. The bonds and notes do not constitute a debt or pledge of the faith and credit of RIIFC or the state and accordingly have not been reported in the accompanying financial statements. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Industrial Facilities Corporation, One West Exchange Street, Providence, RI 02903.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Rhode Island Clean Water Finance Agency (RICWFA) - This Agency was established in 1991 for the purpose of providing financial assistance in the form of loans to municipalities, sewer commissions and waste water management districts in the state for the construction or upgrading of water pollution abatement projects. RICWFA receives capital grants from the state and federal governments and is authorized to issue revenue bonds and notes. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Clean Water Finance Agency, 235 Promenade Street, Providence, RI 02908.

Rhode Island Industrial-Recreational Building Authority (RIIRBA) - This Authority is authorized to insure first mortgages and first security agreements granted by financial institutions and the Rhode Island Industrial Facilities Corporation for companies conducting business in the state. Any losses realized in excess of the fund balance would be funded by the state. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Industrial-Recreational Building Authority, One West Exchange Street, Providence, RI 02903.

Rhode Island Water Resources Board Corporate (RIWRBC) - This Board was created by law to foster and guide the development of water resources including the establishment of water supply facilities and lease these facilities to cities, towns, districts, and other municipal, quasi-municipal or private corporations engaged in the water supply business in the state. RIWRBC is authorized to issue revenue bonds which are payable solely from revenues generated by the lease of its facilities or the sale of water. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Water Resources Board Corporate, 100 North Main Street, Providence, RI 02903.

Rhode Island Public Telecommunications Authority (RIPTCA) - This Authority owns and operates a non-commercial educational television station in the state. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Public Telecommunications Authority, 50 Park Lane, Providence, RI 02907-3124.

Rhode Island Children's Crusade for Higher Education (RICCHE) - This is a Rhode Island nonprofit corporation formed for the purpose of fostering the education of economically disadvantaged youth through scholarship awards, summer jobs programs, and mentoring programs for parents and students. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Children's Crusade for Higher Education, One Allens Avenue, Providence, RI 02903.

C. Fund Accounting

The general-purpose financial statements have been prepared from accounts maintained by the State Controller and from reports prescribed by the State Controller and prepared by

the component units based on independent accounting systems maintained by those entities.

The state uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

The state records its transactions in the fund types and account group described below.

Governmental Fund Types

General - is the general operating fund of the state and is used to account for all financial transactions except those required to be accounted for in another fund. Included within this fund are the operations of most jointly financed state - federal programs.

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

Debt Service - is used to account for the accumulation of resources for, and the payment of, long-term debt. The state's debt service fund is funded by annual appropriations that approximate the annual interest savings from debt refundings and other sources.

Capital Projects - accounts for resources obtained and used for the acquisition, construction or improvement of capital facilities not reported in other governmental or proprietary funds. Such resources are derived principally from the proceeds of general obligation bonds, revenue bonds, lease participation certificates, and operating transfers from the general fund.

Proprietary Fund Types

Enterprise - is used to account for activities that are financed and operated in a manner similar to private business enterprises where (1) the costs of providing goods or services to the general public on a continuing basis are to be financed or recovered through user charges; or (2) the periodic determination of revenues earned, expenses incurred and/or net income is appropriate. The State Lottery Fund is the only fund in this category.

Internal Service - is used to account for the financing and providing of specified goods and services, on a centralized basis, for other departments and agencies.

Fiduciary Fund Types

Trust and Agency - is used to account for transactions related to assets held by the state in a trustee or agency capacity. These include pension trust funds, expendable and nonexpendable trust funds, and agency funds.

Account Group

General Long-Term Debt Account Group - accounts for all general long-term debt and other long-term obligations of the primary government not accounted for in the proprietary funds. Significant long-term obligations include general obligation bonds, revenue bonds, capital leases and compensated absences.

D. Basis of Accounting

All governmental fund types, expendable trust funds, agency funds and governmental component units are accounted for using the current financial resources measurement focus and are maintained on the modified accrual basis of accounting. Under this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) as changes in net current assets.

Under the modified accrual basis of accounting, revenues, grants, entitlements and related receivables are recorded in the accounting period that they become both measurable and available, i.e., earned and collected or expected to be collected within the next 12 months. Tax revenues are recorded by the state as taxpayers earn income (personal and business income taxes) or as sales are made (sales and use taxes) or as cash is received (miscellaneous taxes), net of estimated refunds. Grant revenue is recorded when the related expenditure has been made. Cash advances from grants are reported as deferred revenue.

Expenditures are recorded when the related fund liability is incurred. Exceptions to the general modified accrual expenditure recognition criteria include principal and interest on general long-term debt which are recognized when due and compensated absences which are recognized when paid.

On-behalf payments for fringe benefits are reported the same as direct payments to grantees. Therefore, both the state aid to local public school districts and the state's share of the employers' contribution, as required by General Laws, to the Employees' Retirement System for teachers employed by local public school districts are reported as intergovernmental expenditures (operating transfers out for the Central Falls School District) in the general fund.

Unexpended general revenue appropriations, as reappropriated by the Governor, and unexpended restricted revenues and operating transfers in are carried forward at fiscal year end and are available for expenditure in the following fiscal year. The amounts carried forward are reflected in the combined balance sheet as part of fund equity.

All proprietary fund types, pension trust funds, nonexpendable trust funds and proprietary component units are accounted for using the economic resources measurement focus and are maintained on the accrual basis of accounting. Under the accrual basis of accounting, revenues and grants are recognized when earned and expenses are recognized at the time related liabilities are incurred. All assets and liabilities associated with the operation of these funds are included on the combined balance sheet. Fund equity is segregated into contributed capital and retained earnings/fund balance.

The financial statements of R.I. Children's Crusade for Higher Education (RICCHE) are prepared in conformity with generally accepted accounting principles using FASB guidance. RICCHE adopted FASB Statement No. 116, "Accounting for Contributions Received and Contributions Made;" FASB Statement No. 117, "Financial Statements of Not-for-Profit Organizations" and FASB Statement No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations."

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.

The state does not pool its cash deposits.

F. Funds on Deposit with Fiscal Agent

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Funds on deposit with fiscal agent in the capital projects funds and trust and agency funds are the unexpended portion of certificates of participation and funds held by the United States Treasury Department for the payment of unemployment benefits, respectively.

G. Investments

Investments are generally stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than a forced or liquidation sale. Short-term investments are stated at amortized cost, which approximates fair value.

The pension trust funds may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on the asset and liability positions of foreign investments. The gains or losses on these contracts are included in income in the period in which the exchange rates change. Gains and losses on contracts which hedge specific foreign currency denominated commitments are deferred and recognized in the period in which the transaction is completed. By policy, no more than 50% of actively managed foreign equity securities (at fair value) may be hedged into the base currency (U.S. dollars).

H. Receivables

Receivables are stated net of allowances for uncollectable and unavailable amounts.

I. Due From Other Governments and Agencies

Due from other governments and agencies represents principally amounts owed to the state in reimbursement of federal expenditures.

J. Due from/to Other Funds/Component Units/Primary Government

During the course of operations, numerous transactions occur between individual funds within the primary government and between the primary government and discretely presented component units. These intra-entity receivables and payables are classified as "due from other funds/component units/primary government" or "due to other funds/component units/primary government" in the combined balance sheet.

K. Inventories

Inventory type items acquired by governmental funds are accounted for as expenditures at the time of purchase.

Inventories of governmental component units are stated at the lower of cost (first-in, first-out and retail inventory method) or market, and consist primarily of bookstore and dining, health and residential life services items.

Inventories of the proprietary funds and proprietary component units are stated at cost.

L. Fixed Assets

The cost of fixed assets acquired by governmental fund types is accounted for as an expenditure upon purchase.

A statement of general fixed assets is not included herein since the information required to prepare such a statement has not been fully developed.

Certain fixed assets used in the operation of internal service funds are capitalized in the fund in which they are utilized and are depreciated on the straight-line basis over their estimated useful lives. Certain internal service funds use capital leases to finance assets. Since the lease costs are recovered through service charges, such assets and related debt are accounted for within the internal service funds. These assets are depreciated over their estimated useful lives.

The cost of fixed assets used by the enterprise fund is capitalized and depreciation is provided on a straight-line basis over the estimated useful lives of the assets.

The cost of fixed assets used by the component units is capitalized and depreciation is provided on a straight-line basis over the estimated useful lives of the assets. With the exception of the R.I. Economic Development Corporation and the Narragansett Bay Commission, interest is not capitalized.

M. Other Assets

Other assets include, among other things, deferred bond issuance and financing costs, present value of future scholarships pledged by institutions of higher learning, airport noise mitigation assets, restricted assets held in trust, and property held for sale and development.

N. Rentals Due

Rentals due for payment of principal and current interest on revenue bonds represent amounts due as required under several lease arrangements relating to capital projects.

O. Other Liabilities

Other liabilities include, among other things, deferred scholarships, landfill post-closure costs, and deposits pending distribution.

P. Bonds Payable

In governmental fund types, bond discounts/premiums and issuance costs are recognized in the current period; bond proceeds are recorded net of these amounts. Bond discounts, premiums and issuance costs for proprietary fund types are generally deferred and amortized over the term of the bonds using the straight-line method for issuance costs and the interest method for discounts and premiums. Bond discounts and premiums are presented as an adjustment to the face amount of bonds payable.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

The R.I. Convention Center Authority has entered into interest rate swap agreements to modify interest rates on outstanding debt. Other than the net interest expenditures resulting from these agreements, no amounts are recorded in the financial statements.

Q. Obligations Under Capital Leases

The construction and acquisition of certain state office buildings, campus facilities and other public facilities, as well as certain equipment acquisitions, have been financed through bonds and notes issued by the R.I. Refunding Bond Authority, the R.I. Convention Center Authority, the R.I. Economic Development Corporation, or by a trustee pursuant to a lease/purchase agreement with the state (See Note 7(D)).

R. Accrued Liabilities

Accrued liabilities generally represent accrued salary and fringe benefits in the governmental fund types and accrued interest payable, accrued salaries and accrued vacation and sick leave in the proprietary fund types.

S. 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. For governmental fund types, such obligations are recorded in the General Long-Term Debt Account Group and for proprietary fund types, they are recorded as fund liabilities.

T. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from the federal and/or state governments. Depreciation expense is recognized on assets acquired or constructed with these funds. Certain funds record transfers from contributed capital to retained earnings in an amount equal to the annual depreciation charge.

Reserved fund balances represent amounts which are (1) not appropriate for expenditure or (2) legally segregated for a specific future use.

Designated fund balances represent amounts segregated to indicate management's tentative plans or intent for future use of financial resources.

U. Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns are not comparable to a consolidation. Intra-entity eliminations have not been made in the aggregation of this data.

V. Change in the Reporting Entity

In fiscal year 2000 the state began reporting the assets and liabilities related to court deposits in an agency fund. These are, principally, deposits held by the various state courts pending resolution of litigation between two or more parties.

The Rhode Island Economic Policy Council has been included as a blended component unit within the special revenue funds.

Note 2. Budgeting and Budgetary Control

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the general fund and certain special revenue funds. Preparation and submission of the budget is governed by both the State Constitution and the Rhode Island General Laws. The budget, as enacted by the General Assembly and signed by the governor, contains a complete plan of estimated general, federal, restricted revenues and operating transfers in and proposed expenditures.

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 as follows:

- (1) For general revenue appropriations, it is the line item within the appropriation act. Management cannot reallocate any appropriations without special approval from the legislative branch.
- (2) For federal grants, it is the total of all grants available to a department under the same Catalog of Federal Domestic Assistance (CFDA) number. Federal grant appropriations may also be limited by the availability of matching funds and may also require special approval from a federal agency before reallocating resources among programs.
- (3) For restricted programs and operating transfers in, it is the account level. By its very nature, a restricted account is created by statute for a special purpose and management cannot reassign the resources without special approval. Operating transfers in are accounted for separately because they are reported under "Other Financing Sources" in the Combined Statement of Revenues, Expenditures, and Changes in Fund Balances – All Governmental Fund Types, Expendable Trust Funds and Discretely Presented Governmental Component Units.

Internal administrative and accounting budgetary controls utilized by the state consist principally of statutory restrictions on the expenditure of funds in excess of appropriations and the supervisory powers and functions exercised by management. Management cannot reduce the budget without special approval.

Unexpended general revenue appropriations lapse at the end of the fiscal year, unless the department/agency directors identify unspent appropriations related to specific projects/purchases and request a reappropriation. If the requests are approved by the governor, such amounts are reappropriated for the ensuing fiscal year and made immediately available for the same purposes as the former appropriations. Unexpended appropriations of the General Assembly and its legislative commissions and agencies may be reappropriated by the Joint Committee on Legislative Services. If the sum total of all departments and agencies general revenue expenditures exceeds the total general revenue appropriations, it is the policy of management to lapse all unexpended appropriations, except those of the legislative branch and the Justice Link program.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

For the fiscal year ended June 30, 2000 expenditures exceeded appropriations in the following departments and agencies (expressed in thousands):

General Fund

<u>Department - Division Grant or Program</u>	<u>CFDA Number</u>	<u>Account Number</u>	<u>Amount</u>
Administration			
General revenue appropriations:			
Accounts and Control			\$ 162
Municipal Affairs			11
Taxation			652
Office of Library and Information Services			423
Motor Vehicle Excise Tax Program			3,941
Distressed Communities Relief Program			3,543
Debt Service Payments			27
Federal grants:			
Economic Development - Support for Planning Organizations	11.302		31
Community Development Block Grants/State's Program	14.228		8
Regional Biomass Energy Programs	81.079		11
Conservation Research and Development	81.086		3
Low-Income Home Energy Assistance	93.568		415
Restricted programs:			
DEPCO Escrow Account		2450-80200	2,094
Exxon Oil Overcharge Interest Earnings		2460-81410	78
RIRBA - Workers Compensation Court		2484-82750	2

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

General Fund

<u>Department - Division Grant or Program</u>	<u>CFDA Number</u>	<u>Account Number</u>	<u>Amount</u>
<i>Administration (Continued)</i>			
Operating transfers in:			
Motor Vehicle - Highway Safety Grant		2456-90200	24
Lighting Conservation		2462-90100	195
FHWA - T2 - Systems Planning		2472-90200	28
RICPF - Cranston Street Armory		2480-91100	19
Sinking Fund Bond Earnings		2483-90200	648
Debt - URI Sponsored Research Indirect Cost		2486-91501	60
Debt - RIC Housing		2486-95400	18
Debt - CCRI Bookstore		2486-97402	2
<i>Business Regulation</i>			
General revenue appropriations:			
Central Management			8
Securities Regulation			7
Restricted programs:			
Real Estate Appraiser - Registration Fees		1825-80900	7
<i>Labor and Training</i>			
General revenue appropriations:			
Central Management			29
Income Support			21
Restricted programs:			
Office of Director - Workers Compensation		1652-80100	17
Second Injury Indemnity Fund Operation		1652-80500	33
Self-Insurance Operations		1652-81000	7
<i>Legislature</i>			
Restricted programs:			
Audit of Federal Assistance Programs		2626-80100	233
<i>Secretary of State</i>			
General revenue appropriations:			
Corporations			21
State Archives			7
<i>Boards for Design Professionals</i>			
General revenue appropriation			25
<i>Public Utilities Commission</i>			
General revenue appropriation			1
<i>Children, Youth and Families</i>			
General revenue appropriations:			
Children's Behavioral Health			1,276
Juvenile Corrections			109
Federal grants:			
Tech-Prep Education	84.243		6
Children's Justice Grants to States	93.643		7
Child Welfare Services - State Grants	93.645		275
Adoption Assistance	93.659		1,018
Medical Assistance Program	93.778		1,733
Other Expenditures of Federal Awards			36
Restricted programs:			
Social Security Income		3340-80200	61
<i>Elderly Affairs</i>			
Federal grants:			
Nutrition Program for the Elderly (Commodities)	10.570		125
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care			
Ombudsman Services for Older Americans	93.042		15
Special Programs for the Aging - Title III, Part B - Grants for			
Supportive Services and Senior Centers	93.044		133
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045		106
Low-Income Home Energy Assistance	93.568		14
Health Care Financing Research, Demonstrations and Evaluations	93.779		4

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

General Fund

<u>Department - Division Grant or Program</u>	<u>CFDA Number</u>	<u>Account Number</u>	<u>Amount</u>
Health			
General revenue appropriations:			
Central Management			204
Family Health			65
Health Services Regulation			111
Health Laboratories			136
Federal grants:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557		2,319
Fair Housing Assistance Program - State and Local	14.401		23
State Public Water System Supervision	66.432		12
Maternal and Child Health Federal Consolidated Programs	93.110		39
Project Grants and Cooperative Agreements for Tuberculosis Control Program	93.116		58
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118		32
Injury Prevention and Control Research and State and Community Based Programs	93.136		1
Health Program for Toxic Substances and Disease Registry	93.161		24
Disabilities Prevention	93.184		27
Child Support Enforcement	93.563		5
Medical Assistance Program	93.778		836
HIV Care Formula Grants	93.917		2
Restricted programs:			
Indirect Cost Recovery - Central Management		1102-80601	376
Making The Grade - RWJ Foundation		1131-80100	116
Infant - Child Immunization		1134-80100	156
All Kids Count		1134-80200	11
Human Services			
General revenue appropriations:			
Individual and Family Support			258
Child Care			500
Food Stamp Replacement for Legal Immigrants			40
Federal grants:			
Veterans Domiciliary Care	64.008		142
Independent Living - State Grants	84.169		5
Rehabilitation Services-Independent Living Services for Older Individuals who are Blind	84.177		26
Supportive Employment Services for Individuals With Severe Disabilities	84.187		74
State's Children Insurance Program	93.767		805
Restricted programs:			
Indirect Cost Recovery - Central Management		1210-80101	168
Operating transfers in:			
RICPF - Forand Building Steam Chiller		1230-90300	1
Mental Health, Retardation and Hospitals			
General revenue appropriations:			
Central Management			46
Hospitals and Community System Support			122
Hospital and Community Rehabilitative Services			1,619
Federal grants:			
Labor Management Cooperation	34.002		7
Office of the Child Advocate			
General revenue appropriation			
			12
Federal grants:			
Crime Victim Assistance	16.575		2
Medical Assistance Program	93.778		13
Governor's Commission on Disabilities			
General revenue appropriation			
			13

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

General Fund

<u>Department - Division Grant or Program</u>	<u>CFDA Number</u>	<u>Account Number</u>	<u>Amount</u>
Commission for Human Rights			
Federal grants:			
Fair Housing Assistance Program - State and Local	14.401		6
Elementary and Secondary Education			
General revenue appropriations:			
Teachers' Retirement			758
Rhode Island School for the Deaf			31
Federal grants:			
Civil Rights Training and Advisory Services	84.004		1
Byrd Honors Scholarships	84.185		13
Policy Research and Evaluation Grants	93.239		9
Child Care and Development Block Grant	93.575		19
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938		13
Rhode Island State Council on the Arts			
Federal grants:			
Promotion of the Arts - Leadership Initiatives	45.026		1
Historical Preservation and Heritage Commission			
Federal grants:			
Historic Preservation Fund Grants-In-Aid	15.904		42
Restricted Programs:			
Survey and Planning - Restricted Fund		2062-80100	2
Historic Preservation Easement Fund		2062-80300	29
Attorney General			
Federal grants:			
Byrne Formula Grant Program	16.579		3
Local Law Enforcement Block Grants Program	16.592		3
Other Expenditures of Federal Awards			2
Corrections			
Federal grants:			
State Justice Statistics Program for Statistical Analysis Centers	16.550		2
Residential Substance Abuse Treatment for State Prisoners	16.593		4
Governor's Justice Commission			
Federal grants:			
Violence Against Women Formula Grants	16.588		77
Judiciary			
General revenue appropriations:			
Supreme Court			307
Defense of Indigents			38
Family Court			12
District Court			56
Traffic Tribunal			172
Federal grants:			
Byrne Formula Grant Program	16.579		1,153
Violence Against Women Formula Grants	16.588		10
State and Community Highway Safety	20.600		1
Restricted programs:			
Indirect Cost Recovery - Family Court		2729-80100	47
Military Staff			
General revenue appropriations:			
Emergency Management			13
Federal grants:			
Community Assistance Program - State Support			
Services Element (CAP-SSSE)	83.105		20
Project Impact - Building Disaster Resistance Communities	83.551		8
Operating transfers in:			
Rails to Trails - Military Staff		2086-90100	38
Welfare to Work - Operation Forward March		2086-90200	167

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

General Fund

<u>Department - Division Grant or Program</u>	<u>CFDA Number</u>	<u>Account Number</u>	<u>Amount</u>
State Police			
General revenue appropriations			12
Federal grants:			
Public Safety Partnership and Community Policing Grants	16.710		6
Restricted programs:			
Forfeited Property - Gambling		2070-80400	14
Operating transfers in:			
Traffic Enforcement		2070-90500	120
Environmental Management			
General revenue appropriations:			
Natural Resources			485
Federal Grants:			
Federal - State Marketing Improvement Program	10.156		12
Boating Safety Financial Assistance	20.005		30
Hazardous Waste Management State Program Support	66.801		61
State and Tribal Underground Storage Tanks Program	66.804		119
Solid Waste Management Assistance	66.808		34
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283		11
Restricted programs:			
Boat Registration		1721-80100	23
Fishing License Receipts		1732-80100	6
Boating Safety		1735-80100	121
Environmental Response Fund		1754-80200	144
Water and Air Protection Program		1754-80600	300
State Water Resources Board			
General revenue appropriations			3
Restricted programs:			
Loans for Water Facilities		2835-80300	16

Special Revenue Funds

Employment Insurance			
Federal Grants:			
Labor Force Statistics	17.002		7
Trade Adjustment Assistance - Workers	17.245		2,797
Employment and Training Assistance - Dislocated Workers	17.246		206
Workforce Investment Act	17.255		139
Intermodal Surface Transportation			
Restricted programs:			
Amtrak Projects		Various	322

Note 3. Cash, Cash Equivalents and Investments

Cash Deposits

Primary Government

At June 30, 2000, the carrying amount of the state's cash deposits was \$42,852,639 and the bank balance was \$42,075,950. Of the bank balance, \$1,419,881 was covered by federal depository insurance. The remaining amount, \$40,656,069 was uninsured and uncollateralized. The carrying amount and bank balance include \$9,248,280 of certificates of deposit.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Component Units

At June 30, 2000, the carrying amount of the component units' cash deposits was \$126,436,244 and the bank balance was \$134,006,143. Of the bank balance, \$3,338,015 was covered by federal depository insurance and \$32,267,452 was collateralized with investments held by a bank in a component unit's name. The remaining amount, \$98,400,676 was uninsured and uncollateralized. The carrying amount and the bank balance include \$5,301,000 of certificates of deposit.

In accordance with Chapter 35-10.1 of the General Laws, depository institutions holding deposits of the state, its agencies or governmental subdivisions of the state, shall at a minimum, insure or pledge eligible collateral equal to one hundred percent 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 one hundred percent of deposits, regardless of maturity. None of the cash deposits of the primary government was required to be collateralized at June 30, 2000.

Investments

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

Short-term cash equivalent type investments are made by the General Treasurer in accordance with guidelines established by the Commission. Investments of the pension trust funds are made by investment managers in accordance with the Commission's stated investment objectives and policies.

Investments of certain component units are not made at the direction of the Commission, but are governed by specific statutes or policies established by their governing body.

The state's investments (expressed in thousands) are categorized in the following table to give an indication of the level of risk assumed by the entity at June 30, 2000.

- Category 1: Insured or registered, or securities held by the state or its agent in the state's name.
- Category 2: Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the state's name.
- Category 3: Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the state's name.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Primary Government

	Category			Fair Value
	1	2	3	
U.S. Government and Agency Securities	\$ 1,520,293	\$ 737	\$	\$ 1,521,030
Commercial Paper	38,740			38,740
Repurchase Agreements	41,500			41,500
Corporate Bonds	687,821	165		687,986
Equity Securities	3,195,537	1,348		3,196,885
Foreign Securities	1,199,093			1,199,093
	<u>\$ 6,682,984</u>	<u>\$ 2,250</u>	<u>\$</u>	<u>6,685,234</u>
Money Market Mutual Funds				426,162
Real Estate and Venture Capital Limited Partnership				372,460
Investments of Statutory Deposits Held In Trust				67,658
Other				6,679
Total				<u>7,558,193</u>
Less amount classified as cash equivalents				<u>408,114</u>
Total Investments				<u>\$ 7,150,079</u>

Component Units

	Category			Fair Value
	1	2	3	
U.S. Government and Agency Securities	\$ 136,042	\$ 209,050	\$ 69,300	\$ 414,392
Money Market			20,996	20,996
Commercial Paper	9,510		25,613	35,123
Repurchase Agreements	53,252	339	90,162	143,753
Corporate Bonds	300			300
Equity Securities	58	2,047		2,105
	<u>\$ 199,162</u>	<u>\$ 211,436</u>	<u>\$ 206,071</u>	<u>616,669</u>
Money Market Mutual Funds				42,971
Investment Agreements				450,876
Investments of the R.I. Children's Crusade for Higher Education				10,570
Other				11,982
Total				<u>1,133,068</u>
Less amount classified as cash equivalents				<u>323,257</u>
Total Investments				<u>\$ 809,811</u>

Derivatives

Primary Government

The Employees' Retirement System (System) may enter into forward foreign currency contracts. These contracts involve risk in excess of the amount reflected in the balance sheet. The face or contract amount in U.S. dollars reflects the total exposure the System has in that particular currency contract. 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.

The System may invest in interest-only (IO) and principal-only strips (PO) (forms of mortgage-backed securities) in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments on underlying mortgages. Therefore, they are sensitive to pre-payments by mortgagees, which may result from a decline in interest rates. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments. If actual prepayment rates are lower than anticipated, the time remaining until the return of principal is increased. There were no IO strips or PO strips at June 30, 2000.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Cash and Cash Equivalents

Primary Government

Cash and cash equivalents of \$450,967,000 consists of the \$42,853,000 cash carrying amount and \$408,114,000 of investments determined to be cash equivalents.

Component Units

Cash and cash equivalents of \$449,693,000 consists of the \$126,436,000 cash carrying amount and \$323,257,000 of investments determined to be cash equivalents.

Note 4. Receivables

Receivables at June 30, 2000 (expressed in thousands) consist of the following:

	Taxes	Accounts	Accrued Interest	Notes and Loans	Contributions	Allowance for Uncollectable and Unavailable Amounts	Total
Primary Government:							
General fund	\$ 135,232	\$ 9,736	\$	\$	\$	\$ (53,639)	\$ 91,329
Special revenue funds	14,887	3,870				(4,242)	14,515
Enterprise fund		5,139				(289)	4,850
Internal service fund		3,555					3,555
Trust and agency funds	5,035	8,182			17,874	(10,350)	20,741
Total Primary Government	155,154	30,482			17,874	(68,520)	134,990
Component Units:							
Governmental		25,842	6	16,321		(5,679)	36,490
Proprietary		69,354	33,168	2,044,715		(33,400)	2,113,837
Total Receivables	\$ 155,154	\$ 125,678	\$ 33,174	\$ 2,061,036	\$ 17,874	\$ (107,599)	\$ 2,285,317

Component Units

Loans receivable of the R.I. Housing and Mortgage Finance Corporation are secured by a first lien on real and personal property and, in some instances, are federally insured. Loans receivable of the R.I. Student Loan Authority are insured by the R.I. Higher Education Assistance Authority, which in turn has a reinsurance agreement with the federal government. The R.I. Clean Water Finance Agency provides loans to municipalities, sewer commissions, or wastewater management districts in the state for constructing or upgrading water pollution abatement projects.

Other

The amount reported in the special revenue funds as due from other governments and agencies, \$29,480,000, is net of \$5,150,000, which is considered unavailable to meet current year expenditures.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Note 5. Intra-Entity Receivables and Payables

Intra-entity receivables and payables (operations - due from/due to and working capital loans - loan to/loan from), as of June 30, 2000, are summarized below (expressed in thousands):

Fund Type/Fund	Due from Other Funds	Due to Other Funds	Due from Component Units	Due to Component Units
General	\$ 17,656	\$ 17,601	\$ 16,202	\$ 14,138
Special Revenue:				
Employment Insurance - Federal Programs	1,134	799		
Employment Insurance - Job Development	3	164		
Employment Insurance - Interest	157	94		
Employment Insurance - Tardy		271		
R.I. Temporary Disability Insurance	2,393	2,344		
Intermodal Surface Transportation	1,857	3,625	6,486	2,121
R.I. Underground Storage Tank		1		
Providence River Relocation	9	276		
Subtotal	5,553	7,574	6,486	2,121
Debt Service	2,090	258		
Capital Projects:				
Bond Capital	17,325	19,012	50	7,328
Subtotal	17,325	19,012	50	7,328
Enterprise:				
State Lottery		12,968		
Subtotal		12,968		
Internal Service:				
Central Utilities	1,099			
Central Services	938	22		
Workers' Compensation	878	3		
Special Facilities	764	16		
Automotive Maintenance	617	5		
Central Warehouse	298	3		
Correctional Industries	1,185	1,254		
Federal Surplus		2		
Records Center Fund		9		
Subtotal	5,779	1,314		
Trust and Agency:				
Pension Trust	10,324			
Expendable Trust - ES	100	100		
Subtotal	10,424	100		
Total	\$ 58,827	\$ 58,827	\$ 22,738	\$ 23,587

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Component Units:	Due from Other Funds	Due to Other Funds	Due to Primary Government	Due from Primary Government
Governmental:				
University of Rhode Island	\$	\$	\$ 600	\$ 2,782
Rhode Island College			493	954
Community College of Rhode Island			404	586
Subtotal			1,497	4,322
Proprietary:				
R.I. Economic Development Corporation			3,179	3,386
R.I. Depositors Economic Protection Corporation			12,200	9,483
R.I. Higher Education Assistance Authority			2	333
R.I. Public Telecommunications Authority			6	
Narragansett Bay Commission			19	
R.I. Convention Center Authority			2,478	
R.I. Public Transit Authority			1,646	2,121
Subtotal			19,530	15,323
Total	\$	\$	\$ 21,027	\$ 19,645
Reconciliation				
<u>Fund Type/Fund</u>	<u>Due from Component Units</u>	<u>Due to Primary Government</u>	<u>Due to Component Units</u>	<u>Due from Primary Government</u>
Amounts recorded	\$ 22,738	\$ 21,027	\$ 23,587	\$ 19,645
Capital Projects:				
Bond Capital			(3,942)	
Governmental Component Units				
Rhode Island College		50		
Proprietary Component Units				
RIEDC		1,661		
	\$ 22,738	\$ 22,738	\$ 19,645	\$ 19,645

The Intermodal Surface Transportation Fund reported \$1,661,000 due from R.I. Economic Development Corporation (RIEDC) for certain project costs. RIEDC did not report a corresponding liability because it was not aware of it at the time its financial statements were prepared. The Bond Capital Fund reported \$3,942,000 as due to component units that was not reported as due from primary government in the component units. The Bond Capital Fund reported \$50,000 due from Rhode Island College (RIC). RIC did not report a corresponding liability because it was not aware of it at the time its financial statements were prepared.

Fund Type/Fund	Loans to Other Funds	Loans from Other Funds
General	\$ 6,387	\$
Capital Projects:		
Bond Capital		1,459
RI Clean Water Act Environmental Trust Fund		1,500
Certificates of Participation		58
Subtotal		3,017
Internal Service:		
Workers' Compensation		650
Central Services		500
Central Warehouse		570
Central Utilities		400
Correctional Industries		750
Special Facilities		500
Subtotal		3,370
Total	\$ 6,387	\$ 6,387

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Note 6. Fixed Assets

The fixed assets by fund type consist of the following (expressed in thousands):

	Land and Improvements	Structures and Improvements 15-100	Machinery and Equipment 5-10	Construction in Progress	Accumulated Depreciation	Net Fixed Assets
Estimated useful lives						
Primary Government:						
Enterprise fund	\$	\$ 1,719	\$ 835	\$	\$ (1,935)	\$ 619
Internal service funds		4,212	3,402		(2,981)	4,633
Total Primary Government		5,931	4,237		(4,916)	5,252
Component Units:						
Governmental	526	1,811	286	3,452	(691)	5,384
Proprietary	142,771	901,918	124,614	92,477	(301,627)	960,153
Total	\$ 143,297	\$ 909,660	\$ 129,137	\$ 95,929	\$ (307,234)	\$ 970,789

The R.I. Economic Development Corporation capitalized interest expense of approximately \$1,514,200, net of interest income of \$1,065,000. The Narragansett Bay Commission capitalized approximately \$25,800 of interest expense as a component of the cost of construction. For the Proprietary Component Units, actual nonoperating interest expense was \$43,064,000 and actual nonoperating interest revenue was \$13,311,000 which represents increases of \$2,605,000 and \$1,065,000 respectively, over the amounts reported in Combined Statement of Revenues, Expenses, and Changes in Fund Equity - All Proprietary Fund Types, Similar Trust Funds, and Discretely Presented Proprietary Component Units.

Note 7. Long-Term Obligations

Long-term obligations include bonds, notes and loans payable, obligations under capital leases, compensated absences, and other long-term liabilities.

A. Bonds Payable

At June 30, 2000, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government		Governmental Component Units		Proprietary Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2001	\$ 70,823	\$ 55,075	\$ 1,442	\$ 3,309	\$ 159,866	\$ 164,930
2002	76,832	50,249	1,570	3,309	159,416	156,312
2003	79,362	46,425	1,594	3,261	94,893	149,467
2004	78,915	42,415	1,661	3,209	93,706	144,308
2005	79,616	37,805	1,712	3,155	87,230	139,156
Later Years	656,720	206,329	55,093	38,485	2,410,025	1,872,548
	<u>\$ 1,042,268</u>	<u>\$ 438,298</u>	<u>\$ 63,072</u>	<u>\$ 54,728</u>	<u>\$ 3,005,136</u>	<u>\$ 2,626,721</u>

Primary Government

Current interest bonds of the state are serial bonds with interest payable semi-annually and multi-modal bonds that were initially issued at the weekly rate mode but can be changed by the issuer (the state) to a daily rate mode, a commercial paper rate mode or a term rate mode. Capital appreciation bonds are designated as College and University Savings Bonds. The College and University Savings Bonds mature in varying amounts to 2010 with all interest payable at maturity.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Interest requirements for the multi-modal variable rate bonds are not reflected in the amortization table shown above since the amounts are indeterminable.

Revenue bonds of the R.I. Refunding Bond Authority (RIRBA) are secured by lease rentals payable by the state pursuant to lease agreements relating to projects financed by the authority and leased to the state. Proceeds from the RIRBA bonds have been used (1) to loan funds to the state to effect the advance refunding of general obligation bonds issued by the state in 1984; (2) to finance construction and renovation of certain buildings, and (3) to finance acquisition of equipment used by various state agencies.

Governmental Component Units

Revenue bonds of the Governmental Component Units were issued under trust indentures and are collateralized by a pledge of revenues from the facilities financed. The facilities include housing, student union (including bookstores) and dining operations. 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 of the Governmental Component Units also include amounts borrowed under a loan and trust agreement between the R.I. Health and Educational Building Corporation (RIHEBC) (a proprietary component unit) and the Board of Governors for Higher Education acting for URI, RIC, and CCRI. The agreement provides 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.

Proprietary Component Units

Bonds of the R.I. Housing and Mortgage Finance Corporation (RIHMFC) are special obligations of RIHMFC, payable from the revenue, prepayments and all the funds and accounts pledged under the various bond resolutions to the holders of the bonds. The proceeds of the bonds were generally used to acquire mortgage loans which are secured principally by a first lien upon real property and improvements.

The R.I. Student Loan Authority issued tax exempt Student Loan Revenue Bonds that are secured by eligible student loans, the monies in restricted funds established by the trust indenture and all related income. The proceeds of the issuance and operating cash were used to refund bonds and to originate and purchase eligible student loans.

The R.I. Economic Development Corporation (RIEDC) has bonds outstanding referred to as Airport Revenue Bonds. They were issued to finance the construction and related costs of certain capital improvements at T.F. Green State Airport. The proceeds of the bonds were loaned to the R.I. Airport Corporation, a subsidiary and component unit of RIEDC. The remainder of bonds outstanding comprise the financing to purchase land and make land improvements at Island Woods Industrial Park in Smithfield, R.I. and to acquire land, make improvements and renovations of a building and parking lot (The Fleet National Bank Project).

Revenue bonds of the R.I. Convention Center Authority (RICCA) were issued to (a) refund bonds and notes, (b) pay construction costs, (c) pay operating expenses, (d) pay interest on revenue

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

bonds prior to completion of construction, (e) fund a debt service reserve and (f) pay costs of issuance. The revenue bonds are secured by all rents receivable, if any, under a lease and agreement between the RICCA and the state covering all property purchased by the RICCA. It also covers a mortgage on facilities and land financed by the proceeds of the revenue bonds and amounts held in various accounts into which bond proceeds were deposited.

The R.I. Depositors Economic Protection Corporation (DEPCO) has special obligation bonds outstanding at June 30, 2000. They are payable from amounts, if any, appropriated annually to and deposited in DEPCO's Special Revenue Fund created by statute and amounts realized from the liquidation of assets and other activity (See Notes 21 and 22). The proceeds of the bonds were used to pay deposit liabilities of certain financial institutions in the state which had been closed when their private insurer, Rhode Island Share and Deposit Indemnity Corporation, failed.

The proceeds of the revenue bonds of the R.I. Clean Water Finance Agency provide funds to make low interest loans to municipalities in the state and quasi-state agencies to finance or refinance the costs of construction or rehabilitation of water pollution abatement projects.

Bonds of the Narragansett Bay Commission (NBC) represent the NBC's portion of the state's general obligation bonds. Debt service on NBC's portion is recovered through charges levied for services provided to users of its facilities. These bonds are guaranteed by the state.

Bonds of the R.I. Water Resources Board Corporate were issued to provide financing to various cities, towns, private corporations and companies engaged in the sale of potable water and the water supply business.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

A summary of general obligation bonds authorized by the voters and unissued (expressed in thousands) at June 30, 2000 is shown below.

	Authorized and Unissued July 1	Authorized	Issued	Extinguished	Authorized and Unissued June 30
General Obligation Bonds Supported by Taxes:					
Capital Development Plan - 1986	\$ 960	\$	\$ 800	\$	\$ 160
Capital Development Plan - 1988	1,337		365	2	970
Capital Development Plan - 1989	7,245		2,115	1,624	3,506
Capital Development Plan - 1990	21,610		3,220		18,390
Capital Development Plan - 1994	19,165		11,050		8,115
Capital Development Plan - 1996	85,583		56,965		28,618
Capital Development Plan - 1998	101,690		44,035		57,655
R.I. Economic Development Fund	450				450
Underground Storage Tank Replacement Revolving Loan Fund	602		600		2
Narragansett Bay Water Quality Management District Commission Fund	32,531		19,595	1	12,935
Clean Water Act Environmental Trust Fund	4,040		200		3,840
Open Space and Recreational Area Fund	8,143		3,705		4,438
Drinking Water Protection Fund	4,235		820		3,415
Rhode Island Aqua Fund	440		440		
Clean Water Finance Agency - Water Pollution Revolving Loan Fund	22,790		8,830		13,960
General Obligation Bonds Supported by Taxes	<u>310,821</u>		<u>152,740</u>	<u>1,627</u>	<u>156,454</u>
R. I. Industrial-Recreational Building Authority	80,000				80,000
Total	<u>\$ 390,821</u>	<u>\$</u>	<u>\$ 152,740</u>	<u>\$ 1,627</u>	<u>\$ 236,454</u>

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.

The amount of authorized bonds that may be issued by the R.I. Industrial-Recreational Building Authority is limited by mortgage balances that it has insured, \$35,630,465 at June 30, 2000 (See Note 21). The insured mortgages are guaranteed by the state.

See Note 12 for information concerning contingent liabilities relating to "Moral Obligation" bonds.

B. Notes Payable

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Notes payable (expressed in thousands) at June 30, 2000 are as follows:

Component Units - Governmental	
Rhode Island College note payable to the federal government with interest at 5.5% payable in semi-annual installments of principal and interest through 2024.	<u>\$ 2,320</u>
Component Units - Proprietary	
R.I. Housing and Mortgage Finance Corporation bank notes, 4.375% to 6.71% interest, payable through 2008.	\$ 8,476
R.I. Economic Development Corporation (R.I. Airport Corporation) note payable at 6.75% interest, payable through 2005	561
R.I. Resource Recovery Corporation landfill lease notes, 4% interest.	5,000
R.I. Higher Education Assistance Authority notes payable to the Student Loan Marketing Association, interest is 1.5% above the Treasury Bill rate, through 2001.	435
R.I. Convention Center Authority notes payable under management agreements .	153
	<u>\$ 14,625</u>

C. Loans Payable

Loans payable of the Proprietary Component Units represent liabilities of the Narragansett Bay Commission (NBC) to the City of Providence (\$357,811), to the R.I. Clean Water Finance Agency (RICWFA) (\$47,349,721) and to the R.I. Refunding Bond Authority (\$45,000). The amounts due to the city are liabilities assumed by NBC upon the acquisition of the city's sewage treatment facilities. The loans payable to the RICWFA are for projects financed by that agency.

D. Obligations Under Capital Leases

Primary Government

The state's obligation to the R.I. Convention Center Authority (RICCA) consists of RICCA's outstanding debt at June 30, 2000 based on a lease and agreement between RICCA and the state in effect at that date. The state makes lease payments to pay the operating expenses of RICCA and the debt service on its obligations to the extent they are not supported by RICCA revenues.

The state has entered into capital lease agreements with financial institutions which have issued certificates of participation (COP). These financing arrangements have been used by the state to acquire, construct or renovate facilities and acquire other fixed assets.

The state's obligation under capital leases at June 30, 2000 consists of the present value of future minimum lease payments less any funds available in debt service reserve funds. The portion of the state's obligation under capital leases that is payable from general fund appropriations and capital leases not recorded in proprietary fund types is reflected in the general long-term debt account group at June 30, 2000.

Obligation of the state to make payments under lease agreements is subject to and dependent upon annual appropriations being made by the General Assembly.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

The following is a summary of material future minimum lease payments (expressed in thousands) required under capital leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2000. Interest for variable rate COP is not reported since the amount is indeterminable.

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>RICCA</u>	<u>COP</u>	<u>Total</u>
2001	\$ 23,955	\$ 11,443	\$ 35,398
2002	23,952	11,522	35,474
2003	23,952	11,153	35,105
2004	23,952	11,104	35,056
2005	23,956	11,056	35,012
Later Years	458,201	83,933	542,134
Total future minimum lease payments	577,968	140,211	718,179
Amount representing interest	(255,038)	(38,198)	(293,236)
Present value of future minimum lease payments	<u>\$ 322,930</u>	<u>\$ 102,013</u>	<u>\$ 424,943</u>

Component Units

The University of Rhode Island (URI), Rhode Island College (RIC), Community College of Rhode Island (CCRI), and R.I. Public Telecommunications Authority (RIPTCA) obligations under capital leases consist, primarily, of construction of facilities and equipment acquisitions financed by the R.I. Refunding Bond Authority, a blended component unit.

Capital lease obligations of the R.I. Airport Corporation (RIAC), a subsidiary and component unit of the R.I. Economic Development Corporation (RIEDC), are for annual payments to the state equal to the principal and interest for airport related general obligation bonds issued by the state.

The following is a summary of the material future minimum lease payments (expressed in thousands) required under capital leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2000.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Fiscal Year Ending June 30	Governmental			Proprietary	
	URI	RIC	CCRI	RIEDC	RIPTCA
2001	\$ 1,937	\$ 664	\$ 268	\$ 3,782	\$ 1,078
2002	1,609	443	157	3,781	821
2003	1,539	439	156	3,811	827
2004	1,385	443	156	3,622	820
2005	1,367	449	156	3,380	807
Later Years	19,020	1,903	2,970	22,253	4,908
Total future minimum lease payments	26,857	4,341	3,863	40,629	9,261
Amount representing interest	(9,208)	(976)	(1,749)	(11,607)	(2,264)
Present value of future minimum lease payments	\$ 17,649	\$ 3,365	\$ 2,114	\$ 29,022	\$ 6,997

E. Compensated Absences

State employees are granted vacation and sick leave in varying amounts based upon years of service. At the termination of service, the employee is paid for accumulated unused vacation leave. Also, the employee is entitled to payment of a percentage of accumulated sick leave at retirement. Payment is calculated at their then-current rate of pay.

F. Other Long-Term Liabilities

Income on invested general obligation bond proceeds, determined to be arbitrage earnings in accordance with federal regulations, has been included in the general long-term debt account group. These amounts are generally payable to the federal government five years after the bond issuance date.

The long-term debt portion of violent crimes' claims is included in the general long-term debt account group. Also included is an advance from the Federal Highway Authority Right of Way Revolving Fund that will be used to acquire land and rights-of-way for the Quonset access road project. Repayment has been budgeted for fiscal year 2002 with federal funds allowable under federal regulations (23 CFR Subpart G 712.701 to 712.703).

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

G. Changes in General Long-Term Debt

During the fiscal year ended June 30, 2000, the following changes (expressed in thousands) occurred in general long-term debt:

Primary Government

	Balance July 1	Additions	Reductions	Balance June 30
General obligation bonds payable:				
Current interest bonds	\$ 755,315	\$ 152,740	\$ (58,286)	\$ 849,769
Capital appreciation bonds	34,728		(3,439)	31,289
Accreted interest on capital appreciation bonds	34,603	5,434	(3,691)	36,346
Revenue bonds - RIRBA	174,315		(13,105)	161,210
Bonds payable	<u>998,961</u>	<u>158,174</u>	<u>(78,521)</u>	<u>1,078,614</u>
Lease obligations to the RICCA	329,665		(6,735)	322,930
Certificates of Participation (COP)	96,865	9,843	(4,695)	102,013
Obligations under capital leases	<u>426,530</u>	<u>9,843</u>	<u>(11,430)</u>	<u>424,943</u>
Compensated absences	62,478	2,529		65,007
Other long-term liabilities	17,228	4,391	(1,918)	19,701
	<u>\$ 1,505,197</u>	<u>\$ 174,937</u>	<u>\$ (91,869)</u>	<u>\$ 1,588,265</u>

Governmental Component Units

	Balance July 1	Additions	Reductions	Balance June 30
Compensated absences	\$ 34,033	\$ 3,287	\$ (5,309)	\$ 32,011
Obligations under capital leases	7,392	17,043	(1,227)	23,208
Notes payable	2,366		(46)	2,320
Loans payable	495	200	(43)	652
Bonds payable	40,322	23,800	(1,049)	63,073
Other liabilities	1,153		(525)	628
	<u>\$ 85,761</u>	<u>\$ 44,330</u>	<u>\$ (8,199)</u>	<u>\$ 121,892</u>

H. Defeased Debt

In prior years, the state and its component units defeased certain general obligation bonds and revenue bonds, respectively, and the state defeased COP by placing the proceeds of the new bonds or COP in irrevocable trusts to provide for all future debt service payments on the old bonds and COP. Accordingly, the trust account assets and the liabilities for the defeased bonds and COP are not included in the general-purpose financial statements. On

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

June 30, 2000, the following bonds and COP outstanding (expressed in thousands) are considered defeased:

	<u>Amount</u>
Primary government:	
General Obligation Bonds	
(includes \$4,301,000 of NBC)	\$ 103,740
Revenue Bonds	
R.I. Refunding Bond Authority	41,747
Component Units:	
R.I. Clean Water Finance Agency	14,935
R.I. Convention Center Authority	202,710
R.I. Depositors Economic Protection Corporation	616,230
R.I. Economic Development Corporation	31,865
R.I. Turnpike And Bridge Authority	41,340

On June 15, 2000, the State deposited \$4,498,927 in an irrevocable trust with an escrow agent. The deposit was used to purchase U.S. Treasury Obligations, at a yield rate of 6.182%, to provide for debt service on \$4,415,000 of 1992 refunding bonds. This resulted in a debt service savings of \$1,846,563. The defeased bonds were removed from the State's General Long-Term Debt Account Group.

During the year ended June 30, 2000, the Rhode Island Depositors Economic Protection Corporation (DEPCO) restructured the existing escrow for the 1992 Series B special obligation bonds, resulting in the recognition of an accounting gain of \$2,060,242. DEPCO also purchased U.S. Government securities, which were deposited into an irrevocable trust with an escrow agent to provide for all future debt service on \$3,980,000, \$24,860,000, \$20,975,000, and \$7,050,000 of the 1991 Series A, 1992 Series A, 1992 Series B, and 1993 Series A special obligation bonds, respectively. These bonds are legally defeased and the liability has been removed from the statement of assets, liabilities, and fund balance (deficit). The defeasance was funded through the liquidation of assets, net settlements, excess State sales tax and a loan sale; it resulted in the recognition of an accounting loss of \$1,290,205. DEPCO reduced its aggregated principal and interest payments by approximately \$76,666,000 over the next 10 years.

I. Conduit Debt

The R.I. Industrial Facilities Corporation, the R.I. Health and Educational Building Corporation and the R.I. Economic Development Corporation issue revenue bonds, equipment acquisition notes, and construction loan notes to finance various capital expenditures for Rhode Island business entities. The bonds and notes issued by the corporations are not general obligations of the corporations and are payable solely from the revenues derived from the related projects. They neither constitute nor give rise to a pecuniary liability for the corporations nor do they represent a charge against their general credit. Under the terms of the various indentures and related loan and lease agreements, the business entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. The payments are not shown as receipts and disbursements of the corporations, nor are the related assets and obligations included in the financial statements. The amount of conduit debt outstanding on June 30, 2000 was \$166,500,000, \$1,022,216,868 and \$250,000,000, respectively.

Note 8. Reservations and Designations of Fund Equity

Reserved Retained Earnings

The General Laws require that the net income of the Correctional Industries Internal Service Fund be reserved for capital expansion. At June 30, 2000, the balance of the reserve was \$853,439.

The reservations of retained earnings of the R.I. Housing and Mortgage Finance Corporation (RIHMFC) are restricted by specific bond resolutions, designations by the Board of Commissioners (Board), or by a trust agreement initiated by RIHMFC. These reserves are made up of four major elements: (1) RIHMFC's Housing Endowment Fund (Fund), (2) commitments for housing initiatives, (3) designated funds, and (4) Affordability Housing Trust (Trust). The Fund was established by the Board to provide a reserve against its outstanding indebtedness, future uncertainties related to the marketplace and as a reserve against non-market related uncertainties. In addition to meeting the foregoing objectives, the Fund was established to provide a means whereby RIHMFC can meet the short-term and long-term affordable housing needs targeted to low and moderate income Rhode Island residents. At a minimum, the amount of the Fund will be maintained at the greater of \$50,000,000 or 4% of the outstanding long-term indebtedness of RIHMFC. The Fund amounted to \$55,665,008 at June 30, 2000. Commitments for housing initiatives represent amounts set aside by the Board. In order to properly finance and administer various major housing initiatives, the Board approved the utilization of RIHMFC's program fund balances for program expenses, housing loans, subsidies and trust funds. Most of the programs, once established, are accounted for in the Operating Program. Commitments for housing initiatives amounted to \$159,013,967 at June 30, 2000. Designated funds represent amounts designated for RIHMFC's self insurance reserve, the operating budget, and cash flow obligations necessary in each of the programs that have bonded indebtedness. Designated funds amounted to \$9,645,786 at June 30, 2000. The Trust was established to assist in activities that involve the creation and preservation of affordable housing in the state. The Trust accounts for funds held by the Trust in a trustee capacity where both the corpus and earnings may be spent in fulfillment of a variety of designated purposes. The balance of the Trust was \$15,177,538 at June 30, 2000.

Reserved retained earnings of the R.I. Turnpike and Bridge Authority (RITBA) consists of \$4,809,710 for debt service.

The General Laws authorize the Narragansett Bay Commission (NBC) to maintain a restricted asset account for environmental enforcement funds. These funds consist of sums recovered by administrative or civil enforcement action and may be used for emergency response or enforcement activities. At June 30, 2000, NBC reported \$103,856 of funds reserved for this purpose.

The reserved retained earnings of the R.I. Higher Education Assistance Authority (RIHEAA) is the trust fund balance of the R.I. Higher Education Savings Trust (RIHEST). RIHEST was created by law to provide a qualified state tuition savings program under Section 529 of the Internal Revenue Code. RIHEST is managed by an independent contractor under the supervision of the R.I. State Investment Commission and RIHEAA. The balance held in trust at June 30, 2000 was \$8,077,564.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

Reserved Fund Balance

The state and its component units' reserved fund balances represent those portions of fund balance that are (1) not appropriable for expenditure or (2) legally segregated for a specific future use. Reserved fund balances (expressed in thousands) are as follows:

	Governmental Fund Types			Fiduciary	Total	Governmental	
	General	Special Revenue	Debt Service	Capital Projects			Trust and Agency
Budget reserve	\$ 71,269	\$	\$	\$	\$	\$ 71,269	\$
Appropriations carried forward							
General revenue	21,739					21,739	
Departmental restricted revenue	22,385					22,385	
Operating transfers in	6,448					6,448	
Encumbrances		156,413		16,562		172,975	20,565
Long-term receivables		1,647				1,647	
Employment insurance programs		62,890			282,607	345,497	
Debt			2,518	18,245		20,763	2,075
Self-insurance				100		100	
Pension benefits					7,066,998	7,066,998	
Academic college overhead							2,189
Inventory							2,755
Asset protection and capital projects							18,821
Auxiliary enterprises							10,183
Restricted grants, gifts, and aid							2,026
Loan fund							20,402
Trust indenture							1,347
Staff benefit costs allocation							474
Landscaping fund							20
	<u>\$ 121,841</u>	<u>\$ 220,950</u>	<u>\$ 2,518</u>	<u>\$ 34,907</u>	<u>\$ 7,349,605</u>	<u>\$ 7,729,821</u>	<u>\$ 80,857</u>

Changes in General Fund Reserves

The state maintains certain reserves within the General Fund in accordance with the General Laws. These reserves accumulate in the General Fund until withdrawn by statute or used for the intended purposes pursuant to the enabling legislation.

The state maintains a budget reserve in the general fund. Annually, 2% of general revenues and opening surplus are set aside in this reserve account. Amounts in excess of 3% of the total general revenues and opening surplus are transferred to the bond capital fund to be used for capital projects, debt reduction or debt service.

The reserve account, or any portion thereof, may be appropriated in the event of an emergency involving the health, safety or welfare of the citizens of the state or in the event of an unanticipated deficit in any given fiscal year. Such appropriations must be approved by a majority of each chamber of the General Assembly.

Appropriations carried forward can only be used for the same purpose as intended in the original budget as enacted by the General Assembly.

The following table summarizes the activity (expressed in thousands) of these reserve accounts for the fiscal year ended June 30, 2000:

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	Reserved Fund Balance July 1	Additions	Reductions	Reserved Fund Balance June 30
State Budget Reserve Account	\$ 65,412	\$ 47,513	\$ (41,656)	\$ 71,269
Public Facilities Asset Protection Account	163		(163)	
Appropriations carried forward				
General revenue	16,123	21,739	(16,123)	21,739
Departmental restricted revenue	22,191	22,385	(22,191)	22,385
Operating transfers in	6,809	6,448	(6,809)	6,448
Total	<u>\$ 110,698</u>	<u>\$ 98,085</u>	<u>\$ (86,942)</u>	<u>\$ 121,841</u>

Designations of Fund Balance

Designated fund balances represent that portion of fund balance segregated to indicate management's tentative plans for future financial resource use.

Designated fund balances in the Special Revenue Funds represent unexpended gasoline tax revenue and unexpended bond proceeds (\$20,919,987) and restricted revenue (\$245,103) brought forward to fiscal year 2001.

Designated fund balance in the Capital Projects Funds (\$135,894,616) represents funds committed to capital projects.

Note 9. Operating Transfers

Operating transfers for the fiscal year ended June 30, 2000 are presented below (expressed in thousands):

Fund Type/Fund	Operating Transfers			
	In	Out	From Component Units	To Component Units
Primary Government:				
General	\$ 255,067	\$ 52,247	\$ 15,780	\$ 277,297
Special Revenue:				
Employment Insurance Federal Programs		1,677		
Employment Insurance Job Development		212		
R.I. Temporary Disability		645		
R.I. Underground Storage Tank Fund				370
Intermodal Surface Transportation	28,889	64,200	15,079	44,787
Providence River Relocation		241		
R.I. Economic Policy Council	1,750			
Subtotal	<u>30,639</u>	<u>66,975</u>	<u>15,079</u>	<u>45,157</u>
Capital Projects:				
Bond Capital	41,655	63,524		61,605
R.I. Clean Water Act/ Environmental Trust Fund				2,848
Subtotal	<u>41,655</u>	<u>63,524</u>		<u>64,453</u>
Debt Service	8,514			5,546
Enterprise - State Lottery		150,380		
Internal Service - Central Warehouse	328			
Total	<u>\$ 336,203</u>	<u>\$ 333,126</u>	<u>\$ 30,859</u>	<u>\$ 392,453</u>

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	Operating Transfers			
	In	Out	To Primary Government	From Primary Government
Component Units:				
Governmental:				
University of Rhode Island	\$ 42	\$	\$ 1,922	\$ 78,063
Rhode Island College			789	39,281
Community College of Rhode Island			180	36,116
Central Falls School District				31,652
Subtotal	<u>42</u>	<u></u>	<u>2,891</u>	<u>185,112</u>
Proprietary:				
R.I. Economic Development Corporation				8,257
R.I. Convention Center Authority				20,421
R.I. Depositors Economic Protection Corporation			12,200	59,094
R.I. Higher Education Assistance Authority				7,611
R.I. Public Transit Authority			502	25,454
R.I. Public Telecommunications Authority				1,443
R.I. Children's Crusade for Higher Education				1,652
Narragansett Bay Commission			187	
Subtotal	<u></u>	<u></u>	<u>12,889</u>	<u>123,932</u>
Total Component Units	<u>\$ 42</u>	<u>\$</u>	<u>\$ 15,780</u>	<u>\$ 309,044</u>

Reconciliation

	From Component Units	To Primary Government	To Component Units	From Primary Government
Amounts recorded	\$ 30,859	\$ 15,780	\$ 392,453	\$ 309,044
Component Units				
Governmental				
University of Rhode Island				4,563
Rhode Island College				6,547
Community College of Rhode Island				7,122
Proprietary				
R.I. Economic Development Corporation		15,079		22,609
R.I. Public Telecommunications Authority			414	
Narragansett Bay Commission				14,497
R.I. Clean Water Finance Agency				6,367
R.I. Housing Mortgage Finance Corporation				1,628
R.I. Public Transit Authority				20,490
	<u>\$ 30,859</u>	<u>\$ 30,859</u>	<u>\$ 392,867</u>	<u>\$ 392,867</u>

The difference of \$3,077,000 between operating transfers in/out occurs because the Employees' Retirement System recorded the transactions as expenses as required by GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans." The difference of \$42,000 between operating transfers in/out of the governmental component units occurs because the University of Rhode Island reported an operating transfer in from its enterprise fund. Only the enterprise fund's net gain is reported in the financial statements. The differences in operating transfers to governmental component units occur because, as stated in their notes to the financial statements, operating transfers related to asset protection assistance are based primarily on encumbrances. The state has budgeted for these operating transfers in fiscal year 2001 and does not consider them current year transactions because the agreement is for reimbursement of expenditures. The R.I. Public Telecommunications Authority reported \$414,000 of operating transfers from the primary government to support debt service related to capital lease obligations. However, the primary government paid the debt directly. The Intermodal Surface Transportation Fund reported \$15,079,000 of operating transfers from the R.I. Economic Development Corporation (RIEDC) as reimbursement for certain project costs. RIEDC did not report a corresponding operating transfer

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because the project costs were capitalized. The remaining differences occur because some component units reported funds received from the primary government as contributed capital, grants or increases in fixed assets rather than as operating transfers.

Note 10. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately \$11,575,000 for the fiscal year ended June 30, 2000.

Most of the operating leases contain an option allowing the state, at the end of the initial lease term, to renew its lease at the then fair rental value. In most cases, it is expected that these leases will be renewed or replaced by other leases.

The following is a summary of material future minimum rental payments (expressed in thousands) required under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2000:

Fiscal Year Ending June 30	
2001	\$ 11,555
2002	10,087
2003	9,781
2004	9,187
2005	8,668
Later Years	19,740
Total	<u>\$ 69,018</u>

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

Note 11. Commitments

Commitments (expressed in thousands) arising from encumbrances outstanding at June 30, 2000 are summarized as follows:

General fund (\$4,300 to be funded by federal funds, \$3,600 to be funded substantially by future appropriations and \$4,900 from other sources)	\$ 12,800
Special revenue funds	156,413
Capital projects funds	16,562
	<u>\$ 185,775</u>

Encumbrance accounting, under which contracts, purchase orders and other commitments for the expenditure of funds are recorded to reserve that portion of the applicable appropriation during the fiscal year, is employed in the governmental fund types. General Fund encumbrances outstanding at fiscal year end are not reported as a reservation of fund balance. These commitments are funded by future appropriations in the subsequent fiscal year. For financial statement purposes, encumbrances outstanding at June 30 of the Special Revenue Funds and the Capital Projects Funds are shown as a reservation of fund balance.

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In fiscal year 1999, the state initiated the development of an integrated financial management information system. The system is expected to be implemented in fiscal year 2002. The state has expended approximately \$2,300,000 thus far and expects to spend \$2,000,000 in fiscal year 2001.

The R.I. Economic Development Corporation (RIEDC) entered into several agreements with Providence Place Group Limited Partnership (PPG). The agreements state the terms by which the state shall perform with regard to a shopping mall, parking garage and related offsite improvements developed by PPG. The authority to enter into these agreements was provided in legislation passed by the General Assembly and signed by the Governor. This legislation further provided for payments to the developer, during the first 20 years only, of an amount equal to the lesser of (a) two-thirds of the amount of sales tax generated from retail transactions occurring at or within the mall or (b) \$3,600,000 in the first five years and \$3,560,000 in years 6 through 20.

Component Units

The R.I. Airport Corporation (RIAC), a subsidiary and component unit of RIEDC, was obligated for completion of certain airport improvements under commitments of approximately \$9,785,600 which is expected to be funded from current available resources and future operations.

The Narragansett Bay Commission has entered into various engineering and construction contracts for the design and improvement of its facilities as part of a capital improvement program. Commitments under these contracts aggregated approximately \$6,862,000 at June 30, 2000.

The R.I. Resource Recovery Corporation's (RIRRC) currently licensed landfill consists of areas known as Phases II, III, and IV. The capacity of Phase I was reached in May 1993. Phases II and III encompass 34 acres adjoining Phase I. Phase II consists of two areas, referred to as Area I and Area II. Waste disposal commenced on Area II in April 1993 and on Area I in March 1995. Phase III commenced in June 1997. Approximately \$10,621,000 in costs relating to Phase II and \$5,303,000 relating to Phase III have been incurred as of June 30, 2000, and are included in land and improvements in the financial statements. Phase IV consists of four eleven acre cells of which two cells began accepting refuse in September 2000. To date, \$18,128,434 has been expended on legal fees, permitting and engineering costs related to Phase IV, and other costs associated with readying the area for use, including relocation of a brook.

The Environmental Protection Agency (EPA) established closure and postclosure care requirements for municipal solid waste landfills as a condition for the right to operate a landfill in the current period. Based on RIRRC's engineers and independent engineering studies, it is estimated that these costs of closure and postclosure activities for Phase I, II and III will be approximately \$30,484,000. The liability at June 30, 2000 is approximately \$29,630,000, with \$854,000 remaining to be recognized. RIRRC recognizes an expense and a liability for these costs based on landfill capacity used to date. Based on the estimates of RIRRC's engineers, approximately 94% of landfill capacity for Phase II and III, which has approximately six months of estimated life remaining, has been used to date. Amounts provided for closure and postclosure are based on current costs. These costs may be adjusted each year due to changes in the closure and postclosure care plan, inflation or deflation, technology, or applicable laws and regulations. RIRRC has designated investments in the amount of \$12,541,625 to meet the financial requirements of closure and postclosure costs, and plans to increase these designated investments each year to enable it to pay the costs as they are incurred.

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

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Notes to General-Purpose Financial Statements

and were submitted to the EPA for review. During 1996, the RIRRC entered into a consent decree with the EPA concerning remedial actions taken by the RIRRC for groundwater contamination. The consent decree, which was approved by the U.S. District Court on October 2, 1996, requires the establishment of a trust fund in the amount of \$27,000,000 for remedial purposes. The trust is included in restricted assets held in trust on RIRRC's balance sheet. As of June 30, 2000, the market value of the trust was \$23,843,726. The projected additional deposits into the trust fund on an annual basis are as follows: FYE 2001 - \$1,000,000 and FYE 2002 - \$249,957. The present value of the estimated remaining total expenditures relating to groundwater contamination that will be required as a result of the consent decree is estimated to be approximately \$10,645,000 and is recorded in the financial statements, net of the amount included in the trust fund.

RIRRC is required by the R.I. Department of Environmental Management to restore certain wetlands which are located at the Central Landfill. The costs for this project can not be estimated at this time.

RIRRC is committed, under various contracts and agreements, for a materials recovery facility and a methane gas collection-flare system.

In addition, RIRRC is required to grant funds to municipalities to assist them in organizing source separation and recycling programs in their communities.

RIRRC has entered into an agreement with the City of Cranston to furnish sewer and water services to RIRRC's Johnston facilities in exchange for payments by RIRRC.

The R.I. Convention Center Authority (RICCA) has entered into management contracts with vendors under which these vendors will provide various services relating to the operation of the convention center, parking garages, and hotel. In addition, RICCA has entered into a licensing agreement with a major hotel chain that permits the hotel to use its name, trademark, reservation system and other services.

The R.I. Housing and Mortgage Finance Corporation had loan commitments of \$19,403,000 under various loan programs at June 30, 2000.

The R.I. Turnpike and Bridge Authority has entered into various contracts for maintenance of its bridges. At June 30, 2000 remaining commitments on these contracts approximated \$1,422,000.

The R.I. Public Transit Authority is committed under construction contracts in the amount of \$13,209,068 at June 30, 2000.

The R.I. Higher Education Assistance Authority is required to return to the federal government \$4,310,909 in student loan reserve funds over a period of five years, such that the total is returned by September 1, 2002.

The University of Rhode Island, Rhode Island College and Community College of Rhode Island have begun a technology modernization of core administration systems. This is being accomplished system wide through the Office of Higher Education and will be financed over a seven-year period beginning in fiscal year 2000 at a cost of \$3,700,000, \$2,200,000, and \$2,500,000, respectively.

Note 12. Contingencies

Primary Government

The state is involved in various civil lawsuits which could result in monetary loss to the state. The lawsuits are in various developmental stages, some to the point that a favorable decision, with no or minimal loss is anticipated, others, where the outcome and amount of loss, if any, cannot be determined and others which are still in the discovery stage.

Federal Grants

The state receives significant amounts of federal financial assistance under grant agreements which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit. Any disallowances as a result of these audits become a liability of the state. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Moral Obligation Bonds

Some component units issue bonds with bond indentures requiring capital reserve funds. Moneys in the capital reserve fund are to be utilized by the trustee in the event scheduled payments of principal and interest by the component unit are insufficient to pay the bond holder(s). These bonds are considered "moral obligations" of the state when the General Laws require the executive director to submit to the Governor the amount needed to restore each capital reserve fund to its minimum funding requirement and the Governor is required to include the amount in the annual budget. At June 30, 2000 the R.I. Housing and Mortgage Finance Corporation and the R.I. Economic Development Corporation (RIEDC) had \$194,527,734 and \$60,348,857 respectively, in "moral obligation" bonds outstanding. Certain of the RIEDC bonds are economic development revenue bonds whereby the state will assume the debt if the employer reaches and maintains a specified level of full-time equivalent employees. The participating employers have certified that the employment level has been exceeded, thereby triggering credits toward the debt. As a result, the state anticipates paying approximately \$454,000 of the debt on the related economic development revenue bonds in fiscal year 2001.

Component Units

R.I. Student Loan Authority

The R.I. Student Loan Authority (RISLA) maintains letters of credit in the original stated amount of \$31,940,000 on its January 1995 weekly adjustable interest rate bonds and the originally stated amount of \$69,203,000 on its April 1996 Series I, II and III variable rate bonds. The letters of credit obligate the letter of credit provider to pay to the trustee an amount equal to principal and interest on the bonds when the same becomes due and payable (whether by reason of redemption, acceleration, maturity or otherwise) and to pay the purchase price of the bonds tendered or deemed tendered for purchase but not remarketed. The letters of credit will expire on the earliest to occur: a) July 28, 2004, for the January 1995 and April 1996 issue, and March 15, 2003 for the March 2000 issue; b) the date the letter of credit is surrendered to the letter of credit provider; c) when an alternative facility is substituted for the letter of credit; d) when the bonds commence bearing interest at a fixed rate; e) when an event of default has occurred or f) when no amount becomes available to the trustee under the letter of credit.

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The RISLA also has an available \$2,000,000 line of credit. Interest is based upon one month London Inter-Bank Offer Rate (LIBOR) plus thirty basis points adjusted weekly. The line of credit is secured by eligible loans of RISLA. Minimum drawdowns on the line of credit are \$100,000 and all proceeds are to be used to purchase or originate eligible student loans. As of June 30, 2000, there was no outstanding balance.

R.I. Public Transit Authority

The R.I. Public Transit Authority has a \$2,000,000 line of credit with a financial institution. The line of credit is due on demand with interest payable at a floating rate at the financial institution's base rate or fixed rate options at the financial institution's cost of funds plus 2.25%. No amount was due under this line of credit at June 30, 2000.

Note 13. Employer Pension Plans

Plan Descriptions

The state, through the Employees' Retirement System (System), administers four defined benefit pension plans. Three of these plans; the Employees' Retirement System (ERS), a cost-sharing multiple-employer defined benefit pension plan and the Judicial Retirement Benefits Trust (JRBT) and the State Police Retirement Benefits Trust (SPRBT), single-employer defined benefit pension plans; cover most state employees. The state does not contribute to the Municipal Employees' Retirement System, an agent multiple-employer defined benefit pension plan. The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The level of benefits provided to state employees, which is subject to amendment by the general assembly, is established by the General Laws as listed below. In addition to the state, there are 40 local public school entities that are members of the ERS. The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained by writing to the Employees' Retirement System, 40 Fountain Street, Providence, RI 02903.

Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the System 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 contributions are due. 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. 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 amount that a plan can reasonably expect to receive for an investment in a current sale between a willing

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Notes to General-Purpose Financial Statements

buyer and a willing seller - that is, other than a forced liquidation sale. The fair value of fixed income and domestic and international stocks are generally based on published market prices and quotations from national security exchanges and securities pricing services. Real estate is primarily valued on appraisals by independent appraisers or as adjusted by the general partner.

Other securities and investments, which are not traded on a national security exchange, are valued by the respective fund manager. Short-term investments are stated at cost, which approximates fair value. Investment transactions are recorded on a trade date basis.

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Funding Policy and Annual Pension Cost

The state's annual pension cost (expressed in thousands) for the current year and related information for each plan is listed below. The most recent actuarial information may be found in the separately issued audit report referred to above.

	Employees' Retirement System	State Police Retirement Benefits Trust	Judicial Retirement Benefits Trust
Contribution rates:			
State	8.57%	26.62%	30.49%
Plan members - state employees	8.75%	8.75%	8.75%
State contribution for teachers	5.38% & 6.21%		
Annual pension cost	\$85,073	\$1,509	\$1,008
Contributions made - state employees	\$44,354	\$1,509	\$1,008
Contributions made - teachers	\$40,719		
Actuarial valuation date	June 30, 1997	June 30, 1997	June 30, 1997
Actuarial cost method	Frozen Entry Age	Frozen Entry Age	Frozen Entry Age
Amortization method	Level Percent of Payroll - Closed	Level Percent of Payroll - Closed	Level Percent of Payroll - Closed
Equivalent Single Remaining Amortization Period	19 years	25 years	30 years
Asset valuation method	Market Value of Assets	Market Value of Assets	Market Value of Assets
Actuarial Assumptions:			
Investment rate of return	8.25%	8.25%	8.25%
Projected salary increases	4.75%	5.00%	5.50%
Inflation	3.50%	3.50%	3.50%
Cost-of-living adjustments	3% compounded annually	\$1,500 per annum	3% of original retirement, compounding varies
Level of benefits established by:			
General Law(s)	36-8 to 10	42-28-22.1	8-3-16, 8-8-10.1, 8-8-2-7 and 28-30-18.1

Three-Year Trend Information

	Year Ending	Annual Pension Cost (APC) (In Thousands)	Percentage of APC Contributed	Net Pension Obligation
Employees' Retirement System	6/30/98	\$ 86,313	100%	\$ 0
	6/30/99	78,729	100%	0
	6/30/00	85,073	100%	0
State Police Retirement Benefits Trust	6/30/98	603	100%	0
	6/30/99	631	100%	0
	6/30/00	1,509	100%	0
Judicial Retirement Benefits Trust	6/30/98	744	100%	0
	6/30/99	737	100%	0
	6/30/00	1,008	100%	0

Other

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 with the Teachers' Insurance and Annuity Association. Total expenditures by the institutions for such annuity contracts amounted to \$10,334,212 during the year ended June 30, 2000.

The R.I. Public Transit Authority has two pension plans that cover employees meeting certain eligibility requirements. Employer contribution paid in fiscal year 2000 was \$2,362,203. At July 1, 1999, the most recent valuation date, the total pension benefit obligation was \$33,414,133 and net assets available for benefits were \$17,243,302.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

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

Note 14. Postemployment Benefits

In accordance with the General Laws, postretirement health care benefits are provided to state employees who retire on or after July 1, 1989. The benefits in general cover medical and hospitalization costs for pre-Medicare retirees and a Medicare supplement for Medicare-eligible retirees. The state's share varies with years of service and ranges from 50% for retirees with 10-15 years of service to 100% for retirees with 35 years of service. During fiscal year 2000, the state contributed 0.66% of covered payroll for postretirement healthcare benefits. The contribution rates are not actuarially determined. Postretirement health care expenses for the fiscal year ended June 30, 2000 were \$4,200,886, net of retirees' contributions for the 3,126 retirees receiving benefits.

In addition to the pension benefits described above, expenditures of \$1,045,773 were recognized for postretirement benefits provided under early retirement incentive programs (an average of \$994 for each of the 1,052 retirees covered by the plans).

The employer share of the above plans is financed on a pay-as-you-go basis.

Note 15. Deferred Compensation

The state offers its employees a deferred compensation plan created in accordance with Internal Revenue Code (IRC) 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. Benefit payments are not available to employees earlier than the calendar year in which the participant attains age 70½, termination, retirement, 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 financial statements.

Note 16. Fund Deficits

The Workers' Compensation Internal Service Fund and the Federal Surplus Property Internal Service Fund reported deficits of \$57,471 and \$450, respectively, at June 30, 2000. These deficits will be funded by future revenues.

The R.I. Convention Center Authority reported a deficit of \$53,912,990 at fiscal year ended June 30, 2000. This deficit will be funded by future revenues.

The R.I. Public Transit Authority reported a deficit of \$6,390,711 at fiscal year ended June 30, 2000. This deficit will be funded by future revenues.

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The R.I. Water Resources Board Corporate reported a deficit of \$705,143 at fiscal year ended June 30, 2000. This deficit will be funded by future revenues.

Note 17. Restatement of Fund Equity

Certain restatements of fund equity balances, as of June 30, 1999, are summarized in the following table (expressed in thousands):

	June 30, 1999 Fund Equity As Previously Reported	Adjustment	July 1, 1999 Fund Equity Restated
Primary Government			
Special Revenue Funds			
Intermodal Surface Transportation Fund	\$ 25,164	\$ (1,009)	\$ 24,155
Rhode Island Economic Policy Council		2,290	2,290
Other Special Revenue Funds	60,098		60,098
	<u>\$ 85,262</u>	<u>\$ 1,281</u>	<u>\$ 86,543</u>
Internal Service Funds			
Central Services	\$ 1,354	\$ 7	\$ 1,361
Central Warehouse	1,210	1	1,211
Correctional Industries	1,350	(1)	1,349
Federal Surplus Property		1	1
Other Internal Service Funds	1,779		1,779
	<u>\$ 5,693</u>	<u>\$ 8</u>	<u>\$ 5,701</u>
Governmental Component Units			
University of Rhode Island	\$ 24,825	\$ 699	\$ 25,524
Other Governmental Component Units	12,711		12,711
	<u>\$ 37,536</u>	<u>\$ 699</u>	<u>\$ 38,235</u>
Proprietary Component Units			
R.I. Turnpike and Bridge Authority	\$ 30,740	\$ 3	\$ 30,743
R.I. Economic Development Corporation	243,225	(20,226)	222,999
R.I. Public Telecommunications Authority	1,569	(899)	670
Other Proprietary Component Units	551,071		551,071
	<u>\$ 826,605</u>	<u>\$ (21,122)</u>	<u>\$ 805,483</u>

The beginning fund balance of the Intermodal Surface Transportation Fund was restated to correct errors resulting in an overstatement of previously reported assets.

The Rhode Island Economic Policy Council is reported as a blended component unit of the special revenue funds beginning with fiscal year 2000.

The beginning retained earnings of the Central Services Internal Service Fund was restated to correct errors resulting in an overstatement of previously reported fixed assets and accumulated depreciation.

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The beginning retained earnings of the Central Warehouse Internal Service Fund was restated to correct errors resulting in an understatement of previously reported fixed assets, accumulated depreciation, and capital lease obligations.

The beginning retained earnings of the Correctional Industries Internal Service Fund was restated to exclude Federal Surplus Property which is now reported as a separate Internal Service Fund.

The beginning fund equity of the University of Rhode Island was restated to correct errors resulting in an understatement of previously reported assets.

The beginning retained earnings of the R.I. Turnpike and Bridge Authority was restated to correct errors resulting in an understatement of previously reported assets.

The beginning retained earnings of the R.I. Economic Development Corporation was restated to correct errors resulting in the overstatement of previously reported assets.

The beginning retained earnings of the R.I. Public Telecommunications Authority was restated to correct errors resulting in an understatement of previously reported liabilities.

Note 18. Segment Information

Segment information for the governmental and proprietary component units is presented (expressed in thousands) in the following schedules:

Governmental	URI	RIC	CCRI	CFSD
Due from primary government	\$ 2,782	\$ 954	\$ 586	\$
Other current assets	51,059	14,244	7,475	3,642
General fixed assets	5,384			
Amounts available in debt service fund		284	564	
Amounts to be provided for retirement of GLTD	86,534	20,672	10,489	1,404
Due to primary government	600	494	404	
Other current liabilities	32,701	9,197	4,141	2,309
Bonds payable	48,407	10,432	4,233	
Other long-term liabilities	39,652	10,944	6,820	1,404
Revenues	205,924	45,328	32,797	1,208
Current expenditures	271,684	82,621	66,273	32,089
Capital outlay expenditures	15,873	2,261	2,038	1,269
Debt service expenditures	2,319	425	400	
Transfers from primary government	78,063	39,281	36,116	31,651
Excess of revenues and expenditures	19,049	378	21	(498)
Net gain from proprietary operations	1,030			

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Notes to General-Purpose Financial Statements

Proprietary	RIHMFC	RISLA	RITBA	RIEDC	RICCA	NBC
Due from primary government	\$	\$	\$	\$ 3,386	\$	\$
Other current assets	1,951,479	674,957	35,019	181,621	29,173	33,065
Fixed assets (net)	15,427	546	46,127	350,411	219,593	218,739
Due to primary government				3,179	2,478	19
Other current liabilities	40,813	15,096	2,502	5,960	7,239	5,203
Bonds payable	1,525,716	623,306	42,266	247,978	300,203	19,609
Other long-term liabilities	183,969			45,074	153	48,085
Operating revenue	126,172	45,674	11,221	39,613	39,940	29,098
Operating expenses	115,918	37,978	3,895	30,502	31,726	22,101
Depreciation, depletion and amortization	2,922	412	749	15,086	9,526	5,032
Operating income (loss)	7,332	7,285	6,577	(5,974)	(1,311)	1,965
Transfers from primary government				8,257	20,420	
Transfers to primary government						(188)
Net income (loss)	6,042	7,285	6,197	4,492	1,131	216
Current capital contribution				33,136		14,497

Proprietary	RIHEBC	RIRRC	DEPCO	RIHEAA	RIPTA	RIIFC
Due from primary government	\$	\$	\$ 9,483	\$ 334	\$ 2,121	\$
Other current assets	8,863	28,876	69,766	34,201	13,445	1,166
Fixed assets (net)	9	50,155	82	1,584	51,825	
Due to primary government			12,200	2	1,647	
Other current liabilities	7	3,846	1,828	18,045	13,879	11
Bonds payable			41,659			
Other long-term liabilities		45,275	1,011	1,285	14	621
Operating revenue	1,068	50,673	29,314	6,159	11,439	210
Operating expenses	527	31,357	4,243	12,241	45,614	37
Depreciation, depletion and amortization	3	5,721	35	190	5,804	
Operating income (loss)	538	13,596	25,036	(6,272)	(39,980)	173
Transfers from primary government			59,094	7,611	25,454	
Transfers to primary government			(12,200)		(502)	
Net income (loss)	920	13,596	70,189	1,770	(6,171)	(7)
Current capital contribution					15,409	

Proprietary	RICWFA	RIIRBA	RIWRBC	RIPTCA	RICCHE
Due from primary government	\$	\$	\$	\$	\$
Other current assets	267,804	3,834	8,591	2,732	11,372
Fixed assets (net)	34	649		4,864	109
Due to primary government				6	
Other current liabilities	3,041	15	1,263	419	355
Bonds payable	155,795		17,048		
Other long-term liabilities		1,197		6,997	54,204
Operating revenue	11,891	315	1,907	2,048	1,860
Operating expenses	9,220	157	31	3,058	5,668
Depreciation, depletion and amortization	68	14	113	1,010	33
Operating income (loss)	2,603	144	1,763	(2,020)	(3,841)
Transfers from primary government				1,444	1,652
Transfers to primary government					
Net income (loss)	27,012	266	(2,141)	(152)	(1,876)
Current capital contribution					

Note 19. Risk Management

The state is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; employee injury; and natural disasters.

The state has entered into agreements with commercial insurance companies for comprehensive insurance coverage on state property to protect the state against loss from fire and other risks. 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 in the sum of \$100,000 per person

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

and \$300,000 per accident for personal injury and \$20,000 for property damage. The state also contracts with various insurance carriers and health maintenance organizations to provide health care benefits to employees.

The state is self-insured for risks of loss related to torts. Tort claims are defended by the state Attorney General and, when necessary, appropriations are provided to pay claims.

The state is self-insured for various risks of loss related to work related injuries of state employees. The state maintains the Workers' Compensation Fund, an internal service fund that services workers' compensation claims. The fund bills to user agencies the costs associated with claims and a service charge to cover the fund's administrative expenses.

There are no funds reserved for pending claims or incurred but not reported liabilities.

Note 20. Extraordinary Items

The R.I. Housing and Mortgage Finance Corporation periodically retires bonds prior to the redemption date. Deferred bond issuance costs, along with any premium paid on the call, in the amount of \$1,289,456 were reported as an extraordinary loss in fiscal year 2000.

The R.I. Depositors Economic Protection Corporation reported an extraordinary item of \$770,037. This was the net result of reporting an accounting gain of \$2,060,242 on the restructure of the existing escrow for special obligation bonds and an accounting loss of \$1,290,205 on a debt defeasance that was funded through the liquidation of assets, net legal settlements, excess state sales tax, and a loan sale.

Note 21. Related Party Transactions

The R.I. Depositors Economic Protection Corporation (DEPCO) is entitled by statute to six-tenths of one percent within the state's sales and use tax rate. For the fiscal year ended June 30, 2000, the portion of the state's sales tax appropriated for DEPCO amounted to \$46,894,097. Payment to DEPCO requires an annual appropriation by the General Assembly. The General Assembly is not legally bound or obligated to make such appropriations. Due to the final defeasance of all remaining outstanding bonds on August 3, 2000, the payment agreement between DEPCO and the State was terminated effective August 28, 2000.

The R.I. Resource Recovery Corporation (RIRRC) entered into a lease and agreement with the state whereby the RIRRC agreed to lease the landfill to the state. Pursuant to this lease and agreement RIRRC issued \$5,000,000 of notes on July 29, 1999. The principal and interest on these notes are secured by rentals as set forth in the lease and agreement. The notes were due on July 30, 2000. On July 29, 2000, the \$5,000,000 and \$200,000 of accrued interest were paid out of available cash and investments.

Funds held by the University of Rhode Island Foundation for the future use of the university and its faculty and students are not reflected in the accompanying financial statements. Funds held at June 30, 2000 amounted to \$77,322,000. Distributions of \$8,722,836 during the fiscal year ended June 30, 2000 are included in private gift revenue of the university.

Funds held by the Rhode Island College Foundation for the future use of the college and its faculty and students are not reflected in the accompanying financial statements. Funds held at June 30,

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Notes to General-Purpose Financial Statements

2000 amounted to approximately \$9,800,000. There were no distributions to RIC during the fiscal year ended June 30, 2000.

As of June 30, 2000, the Employees' Retirement System held investments in bonds issued by the R.I. Housing and Mortgage Finance Corporation having a fair value of \$3,844,884. This corporation is included as a component unit in the accompanying general-purpose financial statements.

The R.I. Industrial-Recreational Building Authority is authorized to insure mortgages and first security agreements for companies conducting business in the state, granted by financial institutions and the R.I. Industrial Facilities Corporation.

The state entered into a lease and operating agreement (the agreement) with the R.I. Airport Corporation (RIAC) a subsidiary of the R.I. Economic Development Corporation providing for the lease and/or transfer from the state to the RIAC all real, personal, and tangible property; intangible property, including accounts receivable, contract rights, choices in action, licenses, permits, grants, and entitlements; and all other assets of the state used or used primarily in connection with the administration, maintenance, management, regulation, operation, improvement, development or use of the state's six airports and other air facilities. RIAC agrees to reimburse the state for principal and interest payments for certain airport related General Obligation Bonds. The term of the agreement is 35 years beginning July 1, 1993, with annual rent of \$1.00.

Note 22. Subsequent Events

Primary Government

In September 2000, the state issued \$31,365,000 of variable rate general obligation multi-modal bonds.

In December 2000, the state issued \$28,180,000 of certificates of participation. The interest rates ranged from 4.30% to 5.125% with maturities from 2001 to 2014 and term certificates due in 2020 at an interest rate of 5.375%.

Component Units

In August 2000, DEPCO defeased \$32,540,000 of its special obligation bonds. This represented all remaining bonds of DEPCO.

In September 2000 and December 2000, the R.I. Housing and Mortgage Finance Corporation (RIHMFC) issued bonds in the amount of \$65,000,000 and \$42,875,000 respectively. Additionally in October 2000, RIHMFC called \$37,355,000 of bonds outstanding at June 30, 2000.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS**REQUIRED SUPPLEMENTARY INFORMATION****SCHEDULES OF FUNDING PROGRESS***(Expressed in thousands)***Employees' Retirement System**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded Frozen Actuarial Liability (UFAL) (b)	Frozen Initial Liability (c) = (a + b)	Funded Ratio (a / c)	Covered Payroll (d)	Excess as a Percentage of Covered Payroll (b / d)
6/30/1997	4,437,070	1,455,147	5,892,217	75.3%	1,047,786	138.9%
6/30/1998	5,121,478	1,454,527	6,576,005	77.9%	1,113,567	130.6%
6/30/1999	5,460,907	1,449,632	6,910,539	79.0%	1,168,300	124.1%

State Police Retirement Benefits Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded Frozen Actuarial Liability (UFAL) (b)	Frozen Initial Liability (c) = (a + b)	Funded Ratio (a / c)	Covered Payroll (d)	Excess as a Percentage of Covered Payroll (b / d)
6/30/1997	4,862	574	5,436	89.4%	5,371	10.7%
6/30/1998	6,757	581	7,338	92.1%	7,212	8.1%
6/30/1999	8,481	587	9,068	93.5%	7,502	7.8%

Judicial Retirement Benefits Trust

Actuarial Valuation Date	Actuarial Value of Assets (a)	Unfunded Frozen Actuarial Liability (UFAL) (b)	Frozen Initial Liability (c) = (a + b)	Funded Ratio (a / c)	Covered Payroll (d)	Excess as a Percentage of Covered Payroll (b / d)
6/30/1997	2,607	901	3,508	74.3%	2,815	32.0%
6/30/1998	4,120	929	5,049	81.6%	3,040	30.6%
6/30/1999	5,522	957	6,479	85.2%	3,169	30.2%

**Schedule of Expenditures
Of Federal Awards**



Schedule of Expenditures of
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STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
U.S. Department of Agriculture		
Federal - State Marketing Improvement Program	10.156	\$ 36,938
Inspection Grading and Standardization	10.162	56,577
Very Low to Moderate Income Housing Loans (See Note 2)	10.410	2,503,583
Rural Housing Preservation Grants	10.433	7,595
Food Distribution	10.550	2,716,493
Food Stamp Cluster:		
Food Stamps	10.551	59,919,694
State Administrative Matching Grants for Food Stamp Program	10.561	5,222,228
Child Nutrition Cluster:		
School Breakfast Program	10.553	2,930,729
National School Lunch Program	10.555	16,138,643
Special Milk Program for Children	10.556	116,273
Summer Food Service Program for Children	10.559	1,128,970
Special Supplemental Nutrition Program for Women, Infants and Children (See Note 4)	10.557	16,606,020
Child and Adult Care Food Program	10.558	4,753,092
State Administrative Expenses for Child Nutrition	10.560	552,115
Nutrition Education and Training Program	10.564	14,156
Emergency Food Assistance Cluster:		
Emergency Food Assistance Program (Administrative Costs)	10.568	128,290
Nutrition Program for the Elderly (Commodities)	10.570	832,607
Team Nutrition Grants	10.574	259,882
Cooperative Forestry Assistance	10.664	585,191
Farmland Protection Program	10.913	175,000
Total U.S. Department of Agriculture (See Note 1)		\$ 114,684,076
U.S. Department of Commerce		
Economic Development - Support of Planning Organizations	11.302	\$ 149,915
Economic Adjustment Assistance	11.307	68,335
Interjurisdictional Fisheries Act of 1986	11.407	88,896
Coastal Zone Management Administration Awards	11.419	915,407
Coastal Zone Management Estuarine Research Reserves	11.420	267,672
Unallied Management Projects	11.454	64,111
Atlantic Coastal Fisheries Cooperative Management Act (B)	11.474	178,181
Total U.S. Department of Commerce (See Note 1)		\$ 1,732,517
U.S. Department of Defense		
Procurement Technical Assistance for Business Firms Grant	12.002	\$ 190,217
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113	119,669
Federal Grants - Rhode Island National Guard	N/A	4,086,677
Total U.S. Department of Defense (See Note 1)		\$ 4,396,563

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
U.S. Department of Housing and Urban Development		
Interest Reduction Payments - Rental and Cooperative Housing for Lower Income Families	14.103	\$ 828,405
Mortgage Insurance - Homes (See Note 2)	14.117	59,226,239
Property Improvement Loan Insurance for Improving All Existing Structures and Building of New Nonresidential Structures (See Note 2)	14.142	540,023
Section 8 Project-Based Cluster:		
Section 8 New Construction and Substantial Rehabilitation	14.182	65,202,119
Lower Income Housing Assistance Program - Section 8 Moderate Rehabilitation	14.856	622,826
Home Equity Conversion Mortgages (See Note 2)	14.183	22,101,215
Community Development Block Grants/State's Program	14.228	5,613,626
Emergency Shelter Grants Program	14.231	36,898
Supportive Housing Program	14.235	3,479,261
Shelter Plus Care	14.238	409,134
HOME Investment Partnerships Program	14.239	4,824,066
Housing Opportunities for Persons with AIDS	14.241	355,631
Fair Housing Assistance Program - State and Local	14.401	189,238
Section 8 Housing Choice Vouchers	14.871	4,436,721
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900	958,498
		\$ 168,823,900
Total U.S. Department of Housing and Urban Development (See Note 1)		
U.S. Department of Interior		
Fish and Wildlife Cluster:		
Sport Fish Restoration	15.605	\$ 2,776,713
Wildlife Restoration	15.611	678,216
Coastal Wetlands Planning, Protection and Restoration Act	15.614	557,350
Clean Vessel Act	15.616	57,186
Historic Preservation Fund Grants-In-Aid	15.904	569,890
Outdoor Recreation - Acquisition, Development and Planning	15.916	4
National Maritime Heritage Grants	15.925	257
		\$ 4,639,616
Total U.S. Department of Interior (See Note 1)		
U.S. Department of Justice		
Law Enforcement Assistance - Narcotics and Dangerous Drugs - Laboratory Analysis	16.001	\$ 38,708
Juvenile Accountability Incentive Block Grants	16.523	793,924
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	859,075
Gang-Free Schools and Communities - Community Based Gang Intervention (See Note 3)	16.544	6,168
Victims of Child Abuse	16.547	37,415
Title V - Delinquency Prevention Program	16.548	5,650
State Justice Statistics Program for Statistical Analysis Centers	16.550	82,452
National Criminal History Improvement Program	16.554	579,556
National Sex Offender Registry Assistance Program	16.555	55,703
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	260,314

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
Crime Victim Assistance	16.575	1,032,939
Crime Victim Compensation	16.576	864,920
Byrne Formula Grant Program	16.579	4,865,263
Drug Court Discretionary Grant Program	16.585	354,932
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	657,327
Violence Against Women Formula Grants	16.588	1,472,640
Grants to Encourage Arrest Policies	16.590	126,677
Local Law Enforcement Block Grants Program	16.592	15,006
Residential Substance Abuse Treatment for State Prisoners	16.593	227,336
State Criminal Alien Assistance Program	16.606	1,446,997
Public Safety Partnership and Community Policing Grants	16.710	150,965
Enforcing Underage Drinking Laws Program	16.727	219,543
Total U.S. Department of Justice (See Note 1)		\$ 14,153,510
U.S. Department of Labor		
Labor Force Statistics	17.002	\$ 584,911
Compensation and Working Conditions	17.005	10,118
Employment Services Cluster:		
Employment Service (See Note 3)	17.207	5,028,337
Disabled Veterans Outreach Program	17.801	716,247
Unemployment Insurance (See Note 5)	17.225	159,142,753
Senior Community Service Employment Program	17.235	406,871
Trade Adjustment Assistance-Workers (See Note 3)	17.245	8,453,596
JTPA Cluster:		
Employment and Training Assistance-Dislocated Workers (See Note 3)	17.246	4,790,390
Job Training Partnership Act (See Note 3)	17.250	4,855,744
Welfare-to-Work Grants to States and Localities	17.253	1,973,879
Workforce Investment Act	17.255	139,899
Occupational Safety and Health - State Program	17.503	9
Total U.S. Department of Labor (See Note 1)		\$ 186,102,754
U.S. Department of Transportation		
Boating Safety Financial Assistance	20.005	\$ 467,527
Airport Improvement Program	20.106	10,973,902
Highway Planning and Construction Cluster:		
Highway Planning and Construction	20.205	130,424,135
Motor Carrier Safety	20.217	636,999
National Motor Carrier Safety	20.218	66,933
Local Rail Freight Assistance	20.308	73,421
Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	11,760
Federal Transit - Formula Grants	20.507	15,364,669
Federal Transit - Metropolitan Planning Grants	20.505	170,636
Public Transportation for Nonurbanized Areas	20.509	710,407

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
Highway Safety Cluster:		
State and Community Highway Safety	20.600	1,281,198
Pipeline Safety	20.700	57,819
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	18,860
Freight Rail Improvement Project	None	<u>7,539,160</u>
Total U.S. Department of Transportation (See Note 1)		\$ 167,797,426
Equal Employment Opportunity Commission		
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	<u>\$ 67,774</u>
Total Equal Employment Opportunity Commission (See Note 1)		\$ 67,774
Federal Mediation and Conciliation Service		
Labor Management Cooperation	34.002	<u>\$ 7,092</u>
Total Federal Mediation and Conciliation Service (See Note 1)		\$ 7,092
General Services Administration		
Donation of Federal Surplus Personal Property (See Note 2)	39.003	<u>\$ 562,455</u>
Total General Services Administration (See Note 1)		\$ 562,455
National Aeronautics and Space Administration		
Technology Transfer (See Note 3)	43.002	<u>\$ 18,165</u>
Total National Aeronautics and Space Administration (See Note 1)		\$ 18,165
National Foundation on the Arts and the Humanities		
Promotion of The Arts - Partnership Agreements	45.025	\$ 498,471
Promotion of the Arts - Leadership Initiatives	45.026	30,567
State Library Program	45.310	<u>774,366</u>
Total National Foundation on the Arts and the Humanities (See Note 1)		\$ 1,303,404
National Science Foundation		
Mathematical and Physical Sciences (See Note 3)	47.049	2,308
Education and Human Resources	47.076	<u>373,064</u>
Total National Science Foundation (See Note 1)		\$ 375,372
U.S. Department of Veterans Affairs		
Veterans Domiciliary Care	64.008	\$ 4,315,933
Veterans Housing - Guaranteed and Insured Loans (See Note 2)	64.114	5,087,186

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
All-Volunteer Force Educational Assistance	64.124	18,163
State Cemetery Grants	64.203	92
Total U.S. Department of Veterans Affairs (See Note 1)		\$ 9,421,374
Environmental Protection Agency		
Air Pollution Control Program Support	66.001	\$ 1,185,732
State Indoor Radon Grants	66.032	110,895
Water Pollution Control - State and Interstate Program Support	66.419	1,166,919
State Public Water System Supervision	66.432	459,369
State Underground Water Source Protection	66.433	545
National Estuary Program	66.456	300,383
Capitalization Grants for State Revolving Funds	66.458	13,794,814
Nonpoint Source Implementation Grants	66.460	362,085
National Pollutant Discharge Elimination System Related State Program Grants	66.463	280,452
Wastewater Operator Training Grant Program (Technical Assistance)	66.467	5,035
Capitalization Grants for Drinking Water State Revolving Fund	66.468	4,148,368
Environmental Protection Consolidated Grants - Program Support	66.600	100,133
Surveys, Studies, Investigations and Special Purpose Grants	66.606	107,991
Innovative Community Partnership	66.651	9,510
Consolidated Pesticide Enforcement Cooperative Agreements	66.700	308,222
TSCA Title IV State Lead Grants - Certification of Lead-Based Paint Professionals	66.707	310,041
Pollution Prevention Grants Program	66.708	48,562
Hazardous Waste Management State Program Support	66.801	829,619
Superfund State Site-Specific Cooperative Agreements	66.802	566,433
State and Tribal Underground Storage Tanks Program	66.804	119,280
Leaking Underground Storage Tank Trust Fund Program	66.805	358,303
Solid Waste Management Assistance	66.808	80,562
CEPP Technical Assistance Grants Program (B)	66.810	16,130
Total Environmental Protection Agency (See Note 1)		\$ 24,669,383
U.S. Department of Energy		
State Energy Program	81.041	\$ 769,588
Weatherization Assistance for Low-Income Persons	81.042	486,068
Office of Science Financial Assistance Program	81.049	1,635
Regional Biomass Energy Programs	81.079	41,484
Conservation Research and Development	81.086	3,757
Total U.S. Department of Energy (See Note 1)		\$ 1,302,532
Federal Emergency Management Agency		
Hazardous Materials Training Program for Implementation of the Superfund Amendment and Reauthorization Act (SARA) of 1985	83.011	\$ 6,078
Community Assistance Program - State Support Services Element (CAP-SSSE)	83.105	60,258

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
Emergency Management Institute - Training Assistance	83.527	3,131
First Responder Counter-Terrorism Training Assistance	83.547	50,495
National Dam Safety Program	83.550	223
Project Impact - Building Disaster Resistant Communities	83.551	44,478
Emergency Management Performance Grants	83.552	<u>1,265,572</u>
Total Federal Emergency Management Agency (See Note 1)		\$ <u>1,430,235</u>
U.S. Department of Education		
Adult Education - State Grant Program	84.002	\$ 1,526,782
Student Financial Assistance Cluster: (See Note 6)		
Federal Supplemental Educational Opportunity Grants	84.007	2,367,183
Federal Family Education Loans (See Note 2)	84.032	61,456,913
Federal Work-Study Program	84.033	1,596,613
Federal Perkins Loan Program-Federal Capital Contribution (See Note 2)	84.038	13,209,604
Federal Pell Grant Program	84.063	11,513,231
Title I Grants to Local Educational Agencies	84.010	24,984,235
Migrant Education - Basic State Grant Program	84.011	133,961
Title I Program for Neglected and Delinquent Children	84.013	423,189
Undergraduate International Studies and Foreign Language Programs	84.016	4,460
Children with Deaf/Blindness	84.025	76,116
Special Education Cluster:		
Special Education - Grants to States	84.027	17,153,840
Special Education - Preschool Grants	84.173	1,505,471
Preparation of Personnel	84.029	287,182
Federal Family Education Loans (Guaranty Agency)	84.032	9,034,705
TRIO Cluster:		
TRIO-Student Support Services	84.042	488,824
TRIO-Talent Search	84.044	303,974
TRIO-Upward Bound	84.047	456,568
TRIO-Educational Opportunity Centers	84.066	453,226
Vocational Education - Basic Grants to States	84.048	3,668,981
Leveraging Educational Assistance Partnership	84.069	134,790
Fund for the Improvement of Postsecondary Education	84.116	133,712
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	8,422,667
Rehabilitation Long-Term Training	84.129	19,162
National Institute on Disability and Rehabilitation Research	84.133	6,607
Secondary Education and Transitional Services for Youth with Disabilities	84.158	415,098
Immigrant Education	84.162	1,671,981
Magnet Schools Assistance (See Note 3)	84.165	38,704
Independent Living - State Grants	84.169	314,630
Rehabilitation Services - Independent Living Services for Older Individuals who are Blind	84.177	268,721
Special Education - Grants for Infants and Families with Disabilities	84.181	1,535,410
Byrd Honors Scholarships	84.185	173,991
Safe and Drug-Free Schools and Communities - State Grants	84.186	2,163,369
Supported Employment Services for Individuals with Severe Disabilities	84.187	373,658

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
Education for Homeless Children and Youth	84.196	99,568
School, College and University Partnership (See Note 3)	84.204	9,117
Even Start - State Educational Agencies	84.213	524,182
Fund for the Improvement of Education	84.215	37,235
Capital Expenses	84.216	68,120
Assistive Technology	84.224	428,455
Tech-Prep Education	84.243	501,748
National Institute for Literacy (See Note 3)	84.257	59,121
Goals 2000 - State and Local Education Systematic Improvement Grants	84.276	2,339,180
School-to-Career Academy (See Note 3)	84.278	18,486
Eisenhower Professional Development State Grants	84.281	1,553,844
Charter Schools	84.282	339,439
Twenty-First Century Community Learning Centers (See Note 3)	84.287	29,327
Innovative Education Program Strategies	84.298	1,709,461
Technology Innovation Challenge Grants (See Note 3)	84.303	595,331
Goals 2000: Parental Information Resource Centers (See Note 3)	84.310	15,100
Technology Literacy Challenge Fund Grants	84.318	2,377,153
Special Education-Research and Innovation to Improve Services and Results for Children with Disabilities	84.324	131,717
Advanced Placement Incentive Program	84.330	2,679
Comprehensive School Reform	84.332	409,184
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334	640,230
Teacher Quality Enhancement Grants for States and Partnerships	84.336	296,754
Class Size Reduction	84.340	2,905,626
National Writing Project (See Note 3)	84.928	21,002
National Writing Project (See Note 3)	84.994	11,890
School-to-Work Opportunities Act of 1994	None	2,352,483
Total U.S. Department of Education		\$ 183,793,990
U.S. Department of Health and Human Services		
State and Territorial and Technical Assistance Capacity Development Minority HIV/AIDS Demonstration Program	93.006	\$ 5,347
Special Programs for the Aging - Title VII, Chapter 3 - Programs for the Prevention of Elder Abuse, Neglect, and Exploitation	93.041	23,660
Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	93.042	37,245
Aging Cluster:		
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Citizens	93.044	2,169,095
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	2,012,402
Special Programs for the Aging - Title IV- Training, Research, and Discretionary Projects and Programs	93.048	9,166
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	2,730,592

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
Maternal and Child Health Federal Consolidated Programs	93.110	195,958
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	482,749
Acquired Immunodeficiency Syndrome (AIDS) Activity	93.118	395,221
Emergency Medical Services for Children	93.127	71,651
Primary Care Services-Resource Coordination	93.130	149,094
Injury Prevention and Control Research and State and Community Based Programs	93.136	522,592
Projects for Assistance in Transition from Homelessness (PATH)	93.150	298,115
Health Program for Toxic Substances and Disease Registry	93.161	66,506
Grants for State Loan Repayment	93.165	78,126
Research Related to Deafness and Communication Disorders	93.173	12,924
Disabilities Prevention	93.184	454,512
Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197	854,083
Family Planning - Services	93.217	552,904
Consolidated Knowledge Development and Application Program	93.230	364,561
Traumatic Brain Injury - State Demonstration Grant Program	93.234	14,226
Abstinence Education	93.235	109,525
Cooperative Agreements for State Treatment Outcomes and Performance Pilot Studies Enhancement	93.238	179,190
Policy Research and Evaluation Grants	93.239	59,793
Mental Health Research Grants	93.242	81,880
Innovative Food Safety Projects	93.245	14,900
Immunization Grants	93.268	986,138
Drug Abuse National Research Service Awards for Research Training	93.278	9,228
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	1,662,251
Student Financial Assistance Cluster: (See Note 6) Health Professions Student Loans, Including Primary Care Loans/ Loans for Disadvantaged Students (See Note 2)	93.342	1,513,246
Nursing Student Loans (See Note 2)	93.364	1,021,325
Cancer Detection and Diagnosis Research	93.394	81,375
Cancer Control	93.399	369,566
Promoting Safe and Stable Families	93.556	754,860
Temporary Assistance for Needy Families	93.558	87,149,291
Family Support Payments to States - Assistance Payments	93.560	11,482
Child Support Enforcement	93.563	7,763,078
Refugee and Entrant Assistance - State Administered Programs	93.566	411,218
Low-Income Home Energy Assistance	93.568	12,121,764
Community Services Block Grant	93.569	2,885,262
Child Care Cluster: Child Care and Development Block Grant	93.575	18,017,485
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	10,343,046
Empowerment Zones Program	93.585	200,716
State Court Improvement Program	93.586	78,598
Grants to States for Access and Visitation Programs	93.597	80,479
Head Start	93.600	150,496

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
Developmental Disabilities Basic Support and Advocacy Grants	93.630	436,352
Developmental Disabilities University Affiliated Programs	93.632	289,936
Children's Justice Grants to States	93.643	71,440
Child Welfare Services - State Grants	93.645	1,280,649
Social Services Research and Demonstration	93.647	1,269
Adoption Opportunities	93.652	249,437
Foster Care - Title IV-E	93.658	12,527,825
Adoption Assistance	93.659	4,787,384
Social Services Block Grant	93.667	7,832,225
Child Abuse and Neglect State Grants	93.669	101,353
Family Violence Prevention and Services / Grants for Battered Women's Shelters / Grants to States and Indian Tribes	93.671	254,271
Independent Living	93.674	304,993
State Children's Insurance Program	93.767	5,223,252
Medicaid Cluster:		
State Medicaid Fraud Control Units	93.775	599,694
State Survey and Certification of Health Care Providers and Suppliers	93.777	2,080,443
Medical Assistance Program (See Notes 1 and 4)	93.778	610,406,760
Health Care Financing Research, Demonstrations and Evaluations	93.779	204,675
Grants to States for Operation of Offices of Rural Health	93.913	48,763
HIV Care Formula Grants	93.917	2,353,878
Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	1,122,301
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	93.938	600,664
HIV Prevention Activities - Health Department Based	93.940	1,388,201
Block Grants for Community Mental Health Services	93.958	1,033,132
Block Grants for Prevention and Treatment of Substance Abuse	93.959	4,963,068
Preventive Health Services - Sexually Transmitted Diseases Control Grants	93.977	349,679
Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	93.988	677,342
Preventive Health and Health Services Block Grant	93.991	884,921
Maternal and Child Health Services Block Grant to the States	93.994	1,705,355
		\$ 819,336,183
Corporation for National and Community Service		
Learn and Serve America - School and Community Based Programs	94.004	\$ 35,648
Learn and Serve America - Higher Education (See Note 3)	94.005	82,119
AmeriCorps (See Note 3)	94.006	361,564
Volunteers in Service to America	94.013	131,722
Foster Grandparent/Senior Companion Cluster:		
Senior Companion Program	94.016	261,577
		\$ 872,630

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
Social Security Administration		
Disability Insurance/SSI Cluster:		
Social Security - Disability Insurance	96.001	\$ 5,767,513
Total Social Security Administration (See Note 1)		\$ 5,767,513
Research and Development Cluster:		
U.S. Department of Agriculture:		
Agricultural Research - Basic and Applied Research	10.001	\$ 75,845
Plant and Animal Disease, Pest Control, and Animal Care	10.025	4,081
Grants for Agricultural Research, Special Research Grants	10.200	117,783
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203	2,702,244
Grants for Agricultural Research - Competitive Research Grants	10.206	480,588
Sustainable Agriculture Research and Education	10.215	11,167
Higher Education Challenge Grant	10.217	8,075
Buildings and Facilities Program	10.218	4,595,490
Fund For Rural American - Research, Education, and Extension Activities	10.224	239,570
Cooperative Extension Service	10.500	287,038
Forestry Research	10.652	9,176
Soil and Water Conservation	10.902	31,241
Scientific and Technical Cooperation	10.963	4,838
Other Research and Development	N/A	33,630
U.S. Department of Commerce:		
Census Intergovernmental Services	11.004	5,623
Economic Development - Public Works Impact Program	11.304	322,055
Sea Grant Support	11.417	2,436,336
Coastal Zone Management Administration Awards	11.419	200,555
Coastal Zone Management Estuarine Research Reserves	11.420	12,734
Fisheries Development and Utilization Research and Development Grants		
Cooperative Agreements Program	11.427	7,636
Undersea Research	11.430	11,340
Climate and Atmospheric Research	11.431	73,751
Marine Fisheries Initiative	11.433	18,279
Cooperative Science and Education Program	11.455	581,282
Unallied Science Center	11.472	142,842
Coastal Services Center	11.473	294,764
Atlantic Coastal Fisheries Cooperative Management Act	11.474	3,638
Coastal Ocean Program	11.478	119,279
Other Research and Development	N/A	6,134
U.S. Department of Defense:		
State Memorandum of Agreement Program for the Reimbursement of		
Technical Services	12.113	6,846
Collaborative Research and Development	12.114	1,319
Basic and Applied Scientific Research	12.300	3,677,245
Basic Scientific Research	12.431	63,680

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
Air Force Defense Research Sciences Program	12.800	173,008
Other Research and Development	N/A	23,348
U.S. Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants	14.218	28,387
Community Outreach Partnership Center Program	14.511	144,260
U.S. Department of Interior:		
Fish and Wildlife Management Assistance	15.608	47,627
Assistance to State Water Resources Research Institutes	15.805	70,087
Earthquake Hazards Reduction Program	15.807	21,232
U.S. Geological Survey - Research and Data Acquisition	15.808	125,963
Outdoor Recreation - Acquisition, Development and Planning	15.916	1,377
Other Research and Development	N/A	426,991
U.S. Department of Justice:		
Violent Offender Incarceration and Truth in Sentencing Incentive Grants	16.586	2,216
Drug-Free Communities Support Program Grants	16.729	5,669
U.S. Department of Labor:		
Welfare and Pension Plan Reports	17.150	3,897
U.S. Department of State:		
Program for Study of Eastern Europe and the Independent States of the Former Soviet Union	19.300	8,452
Other Research and Development	N/A	3,423,493
U.S. Department of Transportation:		
State Access to the Oil Spill Liability Trust Fund	20.006	8,395
Aviation Research Grants	20.108	75,625
Highway Planning and Construction	20.205	95,593
University Transportation Centers Program	20.701	662,021
National Aeronautics and Space Administration:		
Aerospace Education Services Program	43.001	985,321
Technology Transfer	43.002	902,447
National Credit Union Administration:		
Credit Union Charter, Examination, Supervision and Insurance	44.001	92,575
National Foundation on the Arts and the Humanities:		
Promotion of the Humanities - Federal/State Partnership	45.129	12,000
National Science Foundation:		
Engineering Grants	47.041	597,064
Mathematical and Physical Sciences and Engineering	47.049	667,772
Geosciences	47.050	6,550,195
Computer and Information Science and Engineering	47.070	387,648
Biological Science	47.074	108,601
Social, Behavioral, and Economic Sciences	47.075	6,549
Education and Human Resources	47.076	119,291
Other Research and Development	N/A	235,024
U.S. Department of Veterans Affairs:		
Other Research and Development	N/A	23,738
Environmental Protection Agency:		

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2000

Federal Grantor Program Title	CFDA Number	Total Expenditures
Wetlands Protection - Development Grants	66.461	117,064
Environmental Protection - Consolidated Research	66.500	83,216
Surveys, Studies, Investigations and Special Purpose Grants	66.606	19,194
Training and Fellowships for the Environmental Protection Agency	66.607	115,577
Pollution Prevention Grants Program	66.708	40,684
Other Research and Development	N/A	63,707
U.S. Department of Energy:		
Office of Science Financial Assistance Program	81.049	15,869
U.S. Information Agency:		
Education Exchange - Graduate Students	82.001	54,773
U.S. Department of Health and Human Services:		
Biological Response to Environmental	93.113	157,553
Grants to Increase Organ Donations	93.134	81,188
Mental Health Research Grants	93.242	22,433
Alcohol Research Programs	93.273	350,578
Drug Abuse Research Program	93.279	10,425
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	354,546
Nurse Practitioner and Nurse-Midwifery Education Programs	93.298	461,554
Professional Nurse Traineeships	93.358	66,903
Nursing Research	93.361	182,737
Cancer Cause and Prevention Research	93.393	1,519,907
Cancer Treatment Research	93.395	115,895
Cancer Control	93.399	370,524
Head Start	93.600	20,927
Cell Biology and Biophysics Research	93.821	14,755
Heart and Vascular Diseases Research	93.837	37,133
Lung Disease Research	93.838	5,029
Allergy, Immunology and Transplantation Research	93.855	32,461
Microbiology and Infectious Disease Research	93.856	299,255
Pharmacology, Physiology, and Biological Chemistry Research	93.859	153,076
Population Research	93.864	104,643
Aging Research	93.866	573,302
Rural Health Medical Education Demonstration Projects	93.906	46,771
Grants for Geriatric Education Centers	93.969	242,082
Other Research and Development	N/A	259,436
Total Research and Development Cluster (See Note 1)		\$ 38,615,167
Other Expenditures of Federal Awards	N/A	\$ 2,966,498
Total Expenditures of Federal Awards (See Notes 1 and 2)		\$ 1,752,840,129

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of the State of Rhode Island and Providence Plantations (the State). The reporting entity is defined in the Notes to the General-Purpose Financial Statements which are presented in section A of this report (see Note 1 to the general-purpose financial statements – Summary of Significant Accounting Policies – B. Reporting Entity).

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule differ from amounts presented in, or used in the preparation of, the general-purpose financial statements.

Programs are generally listed in CFDA number order by federal funding agency. When no CFDA number has been assigned by the federal government, “None” is indicated in the schedule. When the CFDA number is not available from the State or component unit’s accounting records then N/A for not available is indicated in the schedule. 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.

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 general-purpose financial statements (see Note 1 to the general purpose financial statements – Summary of Significant Accounting Policies – D. Basis of Accounting). Medical Assistance Program expenditures are reported net of the applicable federal share of rebates collected during fiscal year 2000 (see Note 4).

Non-cash expenditures of federal awards are presented as follows:

- Food Distribution (CFDA 10.550) – reported at the fair market value of food distributed.
- The following guaranteed/insured mortgage loan programs are reported at the value of loans disbursed during the fiscal year: Very Low to Moderate Income Housing Loans (CFDA 10.410); Mortgage Insurance-Homes (Section 203 B) (CFDA 14.117); Property Improvement Loan Insurance for Improving All Existing Structures and Building of New Non-Residential Structures (CFDA 14.142); and Veterans Housing - Guaranteed and Insured Loans (CFDA 64.114).

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2000

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation (continued)

- Home Equity Conversion Mortgages (CFDA 14.183) – reported at the balance of loans outstanding at June 30, 2000.
- Donation of Federal Surplus Personal Property (CFDA 39.003) – reported at the fair market value of the donated property at the time of receipt.
- Federal Family Education Loans (CFDA 84.032) - reported at the value of loans made during the fiscal year.
- Federal Perkins Loan Program (CFDA 84. 038), Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (CFDA 93.342) and Nursing Student Loans (CFDA 93.364) - reported at the balance of loans outstanding at June 30, 2000.

NOTE 2. NON-CASH ASSISTANCE

<u>CFDA Number</u>	<u>Loan, Loan Guarantee and Insurance Programs</u>	<u>Expenditures of Federal Awards - Year Ended June 30, 2000</u>	<u>Insurance, Loans and Loan Guarantees Outstanding - June 30, 2000</u>
10.410	Very Low to Moderate Income - Housing Loans	\$ 2,503,583	\$ 26,820,689
14.117	Mortgage Insurance – Homes (Section 203 B)	59,226,239	306,651,538
14.142	Property Improvement Loan Insurance for Improving All Existing Structures and Building of New Non-Residential Structures	540,023	2,790,067
14.183	Home Equity Conversion Mortgages	22,101,215	22,101,215
64.114	Veterans Housing – Guaranteed and Insured Loans	5,087,186	38,458,532
84.032	Federal Family Education Loans	61,456,913	(a)
84.038	Federal Perkins Loan Program – Federal Capital Contribution	13,209,604	13,209,604
93.342	Health Professions Student Loans, Including Primary Care Loans/ Loans for Disadvantaged Students	1,513,246	1,513,246
93.364	Nursing Student Loans	1,021,325	1,021,325
	<u>Other Non-Cash Assistance</u>		
10.550	Food Distribution	2,716,493	-
39.003	Donation of Federal Surplus Personal Property	562,455	-
	Total Non-Cash Assistance	<u>\$ 169,938,282</u>	

(a) Loan guarantees outstanding for the FFEL program (CFDA 84.032) at the guaranty agency total \$926,563,301 at June 30, 2000.

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2000

NOTE 3. FEDERAL AWARDS RECEIVED FROM PASS-THROUGH ENTITIES

<u>Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>	
		<u>Of Federal Awards</u>	<u>Pass-through Entity</u>
Employment Service	17.207	\$ 7,563	Georgia State University and Providence – Cranston Private Industry Council
Trade Adjustment Assistance - Worker	17.245	7,236	Greater Rhode Island Workforce Development Corporation and Massachusetts JTPA
Employment and Training Assistance - Dislocated Workers	17.246	94,849	Greater Rhode Island Workforce Development Corporation and Massachusetts JTPA
Job Training Partnership Act	17.250	134,525	Greater Rhode Island Workforce Development Corporation; Massachusetts JTPA and Providence – Cranston Private Industry Council
I Read	N/A	21,657	Northern RI Collaborative
Technology Transfer	43.002	18,165	University of Toledo
Mathematical and Physical Sciences	47.049	2,308	Institute for Advanced Math
Magnet Schools Assistance	84.165	38,704	Not identified
School, College and University Partnership	84.204	9,117	Not identified
National Institute for Literacy	84.257	59,121	Not identified
School-to-Career Academy	84.278	18,486	Human Resource Investment Council
Twenty First Century Community Learning Centers	84.287	27,780	Not identified
Technology Innovation Challenge Grants	84.303	595,331	Not identified
Goals 2000 – Parental Information Resource Centers	84.310	15,100	Not identified
National Writing Project	84.928	21,002	Not identified
National Writing Project	84.994	11,890	Not identified
Various Education Programs	N/A	129,959	Not identified
Learn and Serve America - Higher Education	94.005	82,119	Federal Campus Compact Center For Community College; Private American Association of Community Colleges; and State of RI Commission for National and Community Service
AmeriCorps	94.006	361,564	Commission for National

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2000

<u>Program</u>	<u>CFDA Number</u>	<u>Expenditures Of Federal Awards</u>	<u>And Community Service Pass-through Entity</u>
Private National Youth Sports Program	N/A	78,306	National Collegiate Athletic Association
Small Business Development Center	N/A	101,805	Small Business Administration
Research and Development Cluster	Various	<u>2,162,202</u>	Not identified
Total Expenditures of Federal Awards Received from Pass-through Entities		<u>\$3,998,789</u>	

NOTE 4. REBATES OF PROGRAM EXPENDITURES

The State received the following program expenditure rebates during fiscal 2000:

<u>Program</u>	<u>CFDA Number</u>	<u>Rebate Amount</u>
Medical Assistance Program	93.778	\$ 16,654,345
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557	\$ 4,763,231

Manufacturers of infant formula (WIC) and prescription drugs (Medical Assistance) which had been purchased by program participants made the rebates. The Medical Assistance Program rebates reduced previously- incurred program expenditures.

NOTE 5. UNEMPLOYMENT INSURANCE EXPENDITURES

Expenditures of federal awards for Unemployment Insurance (CFDA Number 17.225) represent \$143,504,852 funded from the State's account in the federal Unemployment Trust Fund and \$15,637,901 funded by federal grants.

NOTE 6. 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 \$ 92,678,115.

Auditor's Reports



Auditor's Reports

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STATE OF RHODE ISLAND and PROVIDENCE PLANTATIONS

GENERAL ASSEMBLY

OFFICE of the AUDITOR GENERAL

- ◆ INTEGRITY
- ◆ RELIABILITY
- ◆ INDEPENDENCE
- ◆ ACCOUNTABILITY

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 and Providence Plantations:

We have audited the general-purpose financial statements of the State of Rhode Island and Providence Plantations (the State) as of and for the year ended June 30, 2000, and have issued our report thereon dated January 22, 2001. Our report was qualified because of the omission of the general fixed assets account group which should be included in order to conform with generally accepted accounting principles. Our opinion expressed therein, insofar as it relates to component units whose financial statements were audited by other auditors, was based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement.

Compliance

As part of obtaining reasonable assurance about whether the State's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The reports of other auditors who audited the component units' compliance with laws, regulations, contracts and grants in accordance with *Government Auditing Standards* were furnished to us and this report, insofar as it relates to these component units, was based solely on the reports of the other auditors.

The results of our tests and the reports of the other auditors disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance, which we will report to management of the State in a separate communication. Other auditors also noted certain immaterial instances of noncompliance that they have communicated to management of the component units.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. The reports of the other auditors on the internal control over financial reporting of component units in accordance with *Government Auditing Standards* were furnished to us and this report, insofar as it relates to these component units, was based solely on the reports of the other auditors.

We noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 2000-1, 2000-2, 2000-3, 2000-4, 2000-5, 2000-6, 2000-7, and 2000-8.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting and the reports of the other auditors would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider Findings 2000-1, 2000-2, 2000-6, and 2000-7 to be material weaknesses.

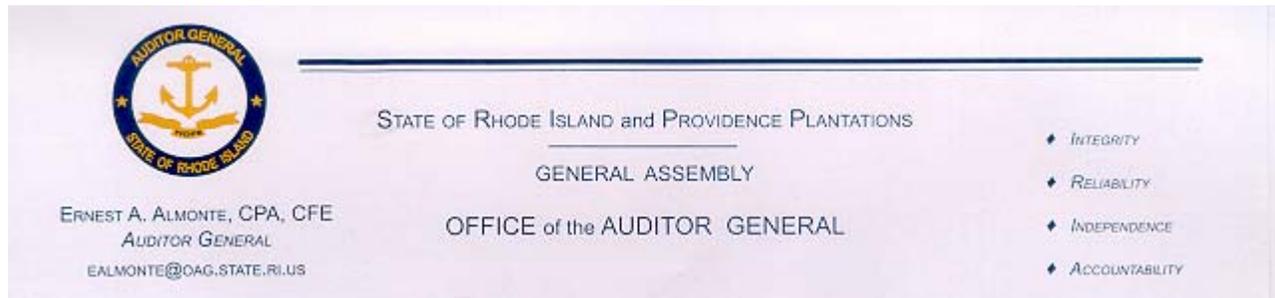
We also noted other matters involving the internal control over financial reporting that we will report to management of the State in a separate communication. Other auditors also noted other matters involving the internal control over financial reporting that they have communicated to management of the component units.

This report is intended solely for the information and use of the Finance Committee of the House of Representatives, the Joint Committee on Legislative Services, the Governor and management of the State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ernest A. Almonte, CPA, CFE
Auditor General

January 22, 2001



INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited, except as described in the next three sentences, the compliance of the State of Rhode Island and Providence Plantations (the State) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. We did not audit the compliance of component units administering major federal programs with the requirements described in the preceding sentence. These major federal programs had combined expenditures of federal awards representing 20% of the reporting entity’s total major federal program expenditures of federal awards in fiscal year 2000. Those audits were performed by other auditors whose reports on compliance with requirements applicable to the major federal programs administered by these component units were furnished to us, and this report insofar as it relates to the component units that were audited by other auditors, is based solely on the reports of the other auditors. The State’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State’s management. Our responsibility is to express an opinion on the State’s compliance based on our audit.

Except as discussed in the following paragraph, we conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors

provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the State's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of the State with the Food Stamp Cluster, Employment Services Cluster, Unemployment Insurance, Trade Adjustment Assistance-Workers, JTPA Cluster, Rehabilitation Services – Vocational Rehabilitation Grants to States, Child Support Enforcement, and the Disability Insurance/SSI Cluster regarding the equipment and real property management requirement, nor were we able to satisfy ourselves as to the State's compliance with this requirement by other auditing procedures.

As described in Findings 2000-14 and 2000-25 in the accompanying schedule of findings and questioned costs, the State did not comply with the requirement regarding subrecipient monitoring that is applicable to its Child Nutrition Cluster, Title I Grants to Local Educational Agencies, and Special Education Cluster. Compliance with this requirement is necessary, in our opinion, for the State to comply with the requirements applicable to those programs.

In our opinion, based on the results of our audit and the reports of the other auditors, and except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the State's compliance with the Food Stamp Cluster, Employment Services Cluster, Unemployment Insurance, Trade Adjustment Assistance-Workers, JTPA Cluster, Rehabilitation Services – Vocational Rehabilitation Grants to States, Child Support Enforcement, and the Disability Insurance/SSI Cluster programs regarding the equipment and real property management requirement, and except for the noncompliance described in the preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2000. The results of our auditing procedures and the reports of the other auditors also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2000-15, 2000-17, 2000-21, 2000-22, 2000-23, 2000-26, 2000-27, 2000-30, 2000-36, 2000-37, 2000-38, 2000-40, 2000-50, 2000-54, 2000-56, 2000-57, 2000-58, and 2000-59.

Internal Control Over Compliance

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133. Other auditors have audited certain major federal programs administered by component units which had combined expenditures of federal awards representing 20% of the reporting entity's total major federal program expenditures of federal awards in fiscal year 2000. The other auditors have furnished us their reports on their consideration and testing of

the component units' internal control over compliance with requirements that could have a direct and material effect on a major federal program.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. The other auditors also noted certain matters involving the component units' internal control over compliance and its operation that they consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the State's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings 2000-9, 2000-10, 2000-11, 2000-12, 2000-13, 2000-14, 2000-16, 2000-18, 2000-19, 2000-20, 2000-24, 2000-25, 2000-28, 2000-29, 2000-31, 2000-32, 2000-33, 2000-34, 2000-35, 2000-39, 2000-41, 2000-42, 2000-43, 2000-44, 2000-45, 2000-46, 2000-47, 2000-48, 2000-49, 2000-51, 2000-52, 2000-53, 2000-55 and 2000-60.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration, and the other auditors' consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider, based on our auditing procedures and the reports of other auditors, Findings 2000-9, 2000-14, 2000-25, and 2000-47 to be material weaknesses.

This report is intended solely for the information and use of the Finance Committee of the House of Representatives, the Joint Committee on Legislative Services, the Governor and management of the State, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Ernest A. Almonte, CPA, CFE
Auditor General

March 16, 2001

**Schedule of Findings
And Questioned Costs**



Schedule of Findings and
Questioned Costs

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Schedule of Findings
and Questioned Costs



Section I

Summary of
Auditor's Results

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor’s Results

General-Purpose Financial Statements

- 1) The independent auditor’s report on the general-purpose financial statements expressed a qualified opinion.
- 2) The audit of the general-purpose financial statements disclosed reportable conditions and material weaknesses in internal control over financial reporting.
- 3) The audit disclosed no instances of noncompliance which are material to the general-purpose financial statements.

Federal Awards

- 4) The audit disclosed reportable conditions 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 an unqualified opinion for all major programs except for the following programs in which it expressed a qualified opinion:

<u>Program</u>	<u>CFDA #</u>
Food Stamp Cluster:	
Food Stamps	10.551
State Administrative Matching Grants for Food Stamp Program	10.561
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Employment Services Cluster:	
Employment Services	17.207
Disabled Veterans’ Outreach Program	17.801
Unemployment Insurance	17.225
Trade Adjustment Assistance – Workers	17.245
JTPA Cluster:	
Employment Training and Assistance – Dislocated Workers	17.246
Job Training Partnership Act	17.250
Title I Grants to Local Educational Agencies	84.010
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Child Support Enforcement	93.563
Disability Insurance/SSI Cluster:	
Social Security – Disability Insurance	96.001

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section I – Summary of Auditor’s Results

- 6) The audit disclosed findings that must be reported under OMB Circular A-133 provisions.
- 7) Major programs are listed beginning on the next page.
- 8) The dollar threshold used to distinguish between Type A and Type B programs was \$5,258,520.
- 9) The State did not qualify as a low-risk auditee as defined by OMB Circular A-133.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section I – Summary of Auditor’s Results

Major Programs

<u>Program Title</u>	<u>CFDA Number</u>
Very Low to Moderate Income Housing Loans	10.410
Food Stamp Cluster:	
Food Stamps	10.551
State Administrative Matching Grants for Food Stamp Program	10.561
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Special Milk Program for Children	10.556
Summer Food Service Program for Children	10.559
Special Supplemental Nutrition Program for Women, Infants and Children	10.557
Mortgage Insurance – Homes (Section 203B)	14.117
Section 8 Project Based Cluster:	
Section 8 New Construction and Substantial Rehabilitation	14.182
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856
Home Equity Conversion Mortgages	14.183
Community Development Block Grants / State’s Program	14.228
Employment Services Cluster:	
Employment Service	17.207
Disabled Veterans’ Outreach Program (DVOP)	17.801
Unemployment Insurance	17.225
Trade Adjustment Assistance – Workers	17.245
JTPA Cluster:	
Employment and Training Assistance – Dislocated Workers	17.246
Job Training Partnership Act	17.250
Airport Improvement Program	20.106
Highway Planning and Construction Cluster:	
Highway Planning and Construction	20.205
Federal Transit Cluster:	
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507
Freight Rail Improvement Project	None
Veterans Housing – Guaranteed and Insured Loans	64.114

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section I – Summary of Auditor’s Results

Major Programs (cont’d)

<u>Program Title</u>	<u>CFDA Number</u>
Capitalization Grants for State Revolving Funds	66.458
Student Financial Assistance Cluster:	
Federal Supplemental Educational Opportunity Grants	84.007
Federal Family Education Loans	84.032
Federal Work-Study Program	84.033
Federal Perkins Loan Program – Federal Capital Contributions	84.038
Federal Pell Grant Program	84.063
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342
Nursing Student Loans	93.364
Title I Grants to Local Educational Agencies	84.010
Special Education Cluster:	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173
Federal Family Education Loans (Guaranty Agency)	84.032
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126
Temporary Assistance for Needy Families	93.558
Child Support Enforcement	93.563
Low-Income Home Energy Assistance	93.568
Child Care Cluster:	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596
Foster Care – Title IV-E	93.658
Social Services Block Grant	93.667
Medicaid Cluster:	
State Medicaid Fraud Control Units	93.775
State Survey and Certification of Health Care Providers and Suppliers	93.777
Medical Assistance Program	93.778
Disability Insurance/SSI Cluster:	
Social Security – Disability Insurance	96.001
Research and Development Cluster	Various

Schedule of Findings
and Questioned Costs



Section II

Financial Statement
Findings

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings

Finding 2000-1

GENERAL FIXED ASSETS ACCOUNT GROUP

The State has not accumulated historical information concerning the cost and classification of its investment in fixed assets. This information is required by generally accepted accounting principles to be presented in the General-Purpose Financial Statements by inclusion of a General Fixed Assets Account Group. Due to the omission of the General Fixed Assets Account Group, we qualified our opinion on the State's general-purpose financial statements.

A statewide fixed asset inventory system is also needed to provide adequate controls over the State's substantial investment in fixed assets and to prepare financial statements in conformance with generally accepted accounting principles. Further, Office of Management and Budget (OMB) Circular A-102 requires States to use, manage, and dispose of equipment acquired with federal funds in accordance with state laws and procedures. The State's lack of adequate fixed asset inventory records impacted its ability to identify equipment purchased with federal funds and to ensure compliance with its own procedures regarding the use, management and disposition of all equipment.

Policies and procedures have been developed to inventory and accumulate fixed asset information and the process has commenced. The State should continue its efforts to accumulate and record the cost of all new fixed assets purchased and inventory and assign a value to all other assets.

RECOMMENDATION

- 00-1 Continue to implement systems and procedures necessary to accumulate and record the information needed to include the General Fixed Assets Account Group in the State's general-purpose financial statements.

Finding 2000-2

CONTROL OVER LONG TERM OBLIGATIONS

The State lacks adequate accounting controls to accumulate all long-term obligations for inclusion in the General Long Term Debt Account Group within the general-purpose financial statements. Controls are also inadequate to ensure all required payments are made when due.

The State's debt service accounting system includes only information for certain general obligation bonds (current-interest bonds), representing approximately one-half of the total obligations reported in the General Long-Term Debt Account Group. Obligations not recorded in the debt service accounting system include capital appreciation bonds, multi-modal rate bonds,

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings

lease obligations, certificates of participation, compensated absences, and arbitrage rebate liabilities. The debt service accounting system is incapable of accepting data for certain categories of long-term obligations and consequently these obligations are recorded on a variety of independent subsystems without centralized control.

A new accounting system is required to capture all categories of long-term obligations, detail all debt service requirements to maturity and prompt payments on the required dates. This will provide information necessary for financial reporting purposes, and generally improve control over the State's long-term obligations.

RECOMMENDATION

- 00-2 Acquire a new accounting system that will accumulate all long-term general obligations of the State to improve controls over financial reporting and debt service payments.

Finding 2000-3

PASSWORD ACCESS CONTROLS OVER THE STATE ACCOUNTING SYSTEM

The Government On-Line Data Entry Network (GOLDEN) component of the State accounting system is used to process disbursements to vendors and record receipts. The GOLDEN system allows data entry of vendor payment information at the agency level rather than at the Office of Accounts and Control.

We found the GOLDEN system lacks adequate controls to ensure that user access is necessary, appropriate to their duties, and sufficiently restricted. These controls are important to maintaining adequate security of any computer system application. We found the following instances of individuals with inappropriate system access.

- Certain computer programmers in the Office of Library and Information Services have access to the GOLDEN system which provides them with the ability to prepare and approve disbursements as well as prepare and approve receipt vouchers. Programmers should not have continued access to the system once it is placed in production but instead should only have access to a test system where system modifications are designed and tested before production.
- Certain accounting personnel in the Office of Accounts and Control have access allowing them to both initiate and approve vouchers for payment.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings

Segregation of duties is maintained in the State accounting system by requiring agencies to prepare vouchers on-line but submit a signed and authorized hard-copy voucher, along with supporting documentation, to the pre-audit section within the Office of Accounts and Control. The pre-audit section reviews the voucher and supporting documentation, checks for appropriate authorized signature and approves vouchers for payment. Segregating voucher preparation from the pre-audit approval function is a key internal control in the State accounting system. No individual should have the ability to both initiate and approve the same transactions within the accounting system.

During fiscal 2000, the Office of Accounts and Control requested and reviewed a report which listed transactions initiated and approved by the same individual within the Office of Accounts and Control. This was performed as a compensating control procedure since access was not restricted; however, this procedure was not routinely performed during fiscal 2000.

New control procedures will be operational with the implementation of new statewide accounting system which is planned for implementation on July 1, 2001.

RECOMMENDATIONS

00-3a Restrict access to the GOLDEN system so that no individual has the capability to both initiate and approve transactions.

00-3b Remove programmer access to the GOLDEN system.

Finding 2000-4

PASSWORD ACCESS CONTROLS OVER THE PAYROLL ACCOUNTING SYSTEM

Payroll data for the majority of State employees is entered on-line to the payroll accounting system at the department or agency level.

We reviewed the controls over data entry for the State payroll accounting system and found that established procedures do not mandate the assignment of unique passwords for each user to control and restrict access to the system. Computer work stations used to enter payroll data at some larger State agencies were not in secure locations. Further, the existing password control system does not record password information within the data files to identify individuals making specific file changes thereby providing a clear audit trail.

System access controls need to be improved by requiring each user to have a unique password and by utilizing the password to track all transactions initiated by an individual user.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings

RECOMMENDATIONS

- 00-4a Require that each individual have a unique password to appropriately restrict access to the system.

- 00-4b Capture and maintain the employee's unique password within the transaction file to specifically identify transactions by individual user.

Finding 2000-5

DISASTER RECOVERY PLAN

The Office of Library and Information Services (OLIS) does not have a formal written disaster recovery/business resumption plan for all computer applications utilizing the State Data Center located in Johnston, as well as its operations located at One Capitol Hill in Providence. Key computer applications utilizing the State Data Center include the State's centralized accounting, tax collection, employee payroll, and pension payroll systems. Such a plan should be designed to allow the continuation of essential data processing and support functions in the event existing data processing facilities are destroyed, impaired or unavailable. Without a formal plan, the State's ability to re-establish key computer applications in a timely manner may be compromised.

RECOMMENDATION

- 00-5 Develop a formal written disaster recovery/business resumption plan for the State Data Center and operations at One Capitol Hill.

Finding 2000-6

FINANCIAL REPORTING – INTERMODAL SURFACE TRANSPORTATION EFFICIENCY ACT (ISTEA) FUND

Controls are not adequate to ensure that Intermodal Surface Transportation Efficiency Act (ISTEA) Fund revenues and other financing sources are accurately and consistently identified and recorded to allow preparation of financial statements in accordance with generally accepted accounting principles. Further, the amount of expenditures by funding source, which is needed to prepare comparison of budget to actual results and the Schedule of Expenditures of Federal Awards is not identified. As a result, amounts reported in the financial statements could be materially misstated and the misstatement may not be detected.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II – Financial Statement Findings

The ISTE A Fund has been established as a special revenue fund to account for federal/state highway projects. Federal revenues, bond proceeds for highway projects, and amounts collected from the state gas tax are recorded in the fund.

RIDOT's internal project accounting and billing system reports the federal and state share of project expenditures for each federal aid project number. However, the system is primarily used for billing purposes to obtain federal reimbursement for the federal share of project costs and was not designed to report the *total* share by source for all projects. This billing system is independent of the State's accounting system which is used to prepare financial statements for the ISTE A Fund.

Highway project expenditures are recorded in the State accounting system but the amount to be funded by source is not identified. Consequently, the State Controller and RIDOT have estimated an 80% federal share and 20% state share of expenditures in past years to prepare financial statements. However, this procedure is no longer appropriate because federal regulations allow matching expenditures from outside the ISTE A Fund; contributions of the state match at a subsequent date; and differing matching shares for the same type of federal funds. Further during fiscal 2000, more projects continued to be approved with 90%/10% federal/state financing, and fewer projects were approved with an 80%/20% split. RIDOT has not identified the number of projects and the total dollars affected by this change.

To improve controls over financial reporting, the state controller should establish three accounts to recognize the federal, state and local shares of project expenditures, respectively. RIDOT would then identify on each disbursement voucher the appropriate federal and state share based on the applicable project match rate. Implementing this process would identify the federal and state matching shares for financial reporting purposes, eliminate most of the outdated accounts currently used, reduce the need for adjustments now required to transfer amounts among the multiplicity of appropriation accounts in use, and simplify the reconciliation of expenditures between the State Controller's accounting system and the RIDOT subsidiary system.

Controls over amounts due from the federal government should also be improved. Amounts due from the federal government represent the federal share of program expenditures incurred pending federal reimbursement. These amounts include not only current projects but substantial amounts relating to prior projects. Amounts due for prior projects are principally categorized by RIDOT as "earned but unbilled". This means that a valid receivable exists but funds have not been drawn either because project modifications are pending federal approval or because RIDOT has chosen to use its allocation of federal funds for new projects instead. The balance of "earned but unbilled" that remains uncollected rolls forward from one fiscal year to another. Based on previous history, these amounts will not be collected in total within the next fiscal year. Therefore, an allowance must be established for financial reporting purposes to estimate the amount that is unavailable (the amount that will not be collected within one fiscal year after the balance sheet date.)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings

“Earned but unbilled” amounts which totaled \$12.9 million at June 30, 2000 are not controlled within the state accounting system but instead are reported at fiscal year end by RIDOT to the Office of Accounts and Control. Analysis is required each year to estimate the amount likely to be collected within the next year and the amount to be reflected as current year revenue.

The existence of substantial “earned but unbilled” amounts and the current process to account for these amounts weakens overall control over financial reporting for the ISTE A Fund. Federal funds should be drawn for all amounts due from the federal government as soon as all federal requirements have been met (e.g. federal project approval). Failure to collect these amounts due from the federal government for extended periods of time puts the State at a substantial disadvantage.

RECOMMENDATIONS

- 00-6a Modify the State accounting system to account for the federal, state and local shares of project expenditures in three accounts, respectively. Identify on each disbursement voucher the appropriate shares to be charged to the federal and state accounts. Close out unnecessary accounts within the ISTE A Fund.

- 00-6b Collect all amounts due from the federal government in reimbursement of highway project expenditures as soon as all federal requirements have been met. Eliminate the substantial balance of “earned but unbilled” amounts pending reimbursement.

Finding 2000-7

FISCAL AGENT OVERSIGHT – MEDICAL ASSISTANCE PROGRAM

As described in Finding 2000-47 (Section III – Federal Award Findings and Questioned Costs), the Department of Human Services’ oversight of its fiscal agent designated to pay Medical Assistance program claims was not adequate to assure the reliability of data reported by the Medicaid Management Information System (MMIS). Financial monitoring is necessary to ensure that effective controls are in place over program disbursements, and that financial data is being accurately reported for presentation in the State’s financial statements and federal reports. Financial monitoring procedures have not been fully developed, and responsibility for financial monitoring has not been centralized or well coordinated.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section II – Financial Statement Findings

Finding 2000-8

CONTROLS OVER MEDICAL ASSISTANCE PROGRAM EXPENDITURES

As described in Finding 2000–51 (Section III – Federal Award Findings and Questioned Costs), approximately \$90 million of Medicaid program expenditures were processed independently of the Medicaid Management Information System (MMIS). Other independent accounting systems have not been designed to contain all the control procedures of the MMIS. Further, the potential for duplicate payment exists – a claim could be submitted and paid from both the MMIS and the independent accounting systems. Processing all program expenditures through a unified system would enhance controls over Medicaid program expenditures.

Schedule of Findings
and Questioned Costs



Section III

Federal Award Findings
and
Questioned Costs

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III – Federal Award Findings and Questioned Costs

TABLE OF FINDINGS BY FEDERAL PROGRAM

Program Title	CFDA Number	Applicable Findings
Very Low to Moderate Income Housing Loans	10.410	None Reported
Food Distribution	10.550	00-11
Food Stamp Cluster:		
Food Stamps	10.551	00-12, 00-13, 00-60
State Administrative Matching Grants for Food Stamp Program	10.561	00-9, 00-10, 00-12, 00-13, 00-40
Child Nutrition Cluster:		
School Breakfast Program	10.553	00-10, 00-11, 00-14
National School Lunch Program	10.555	00-10, 00-11, 00-14
Special Milk Program for Children	10.556	00-10, 00-11, 00-14
Summer Food Service Program for Children	10.559	00-10, 00-11, 00-14
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	00-10
Mortgage Insurance – Homes (Section 203B)	14.117	None Reported
Section 8 Project Based Cluster:		
Section 8 New Construction and Substantial Rehabilitation	14.182	00-15
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856	None Reported
Home Equity Conversion Mortgages	14.183	None Reported
Community Development Block Grants / State's Program	14.228	00-10, 00-16, 00-17
Employment Services Cluster:		
Employment Service	17.207	00-9, 00-10
Disabled Veterans' Outreach Program (DVOP)	17.801	00-9, 00-10
Unemployment Insurance	17.225	00-9, 00-10
Trade Adjustment Assistance – Workers	17.245	00-9, 00-10, 00-20
JTPA Cluster:		
Employment and Training Assistance – Dislocated Workers	17.246	00-9, 00-10, 00-18, 00-19
Job Training Partnership Act	17.250	00-9, 00-10, 00-18, 00-19
Airport Improvement Program	20.106	None Reported
Highway Planning and Construction Cluster:		
Highway Planning and Construction	20.205	00-10, 00-21
Federal Transit Cluster:		
Federal Transit - Capital Investment Grants	20.500	00-10, 00-22, 00-23
Federal Transit - Formula Grants	20.507	00-10, 00-22, 00-23
Freight Rail Improvement Project	None	00-10
Veterans Housing – Guaranteed and Insured Loans	64.114	None Reported
Capitalization Grants for State Revolving Funds	66.458	None Reported

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III – Federal Award Findings and Questioned Costs

TABLE OF FINDINGS BY FEDERAL PROGRAM

Program Title	CFDA Number	Applicable Findings
Student Financial Assistance Cluster:		
Federal Supplemental Educational Opportunity Grants	84.007	None Reported
Federal Family Education Loans	84.032	00-27
Federal Work-Study Program	84.033	None Reported
Federal Perkins Loan Program – Federal Capital Contributions	84.038	None Reported
Federal Pell Grant Program	84.063	None Reported
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	None Reported
Nursing Student Loans	93.364	None Reported
Title I Grants to Local Educational Agencies	84.010	00-10, 00-24, 00-25
Special Education Cluster:		
Special Education – Grants to States	84.027	00-10, 00-14, 00-24, 00-26
Special Education – Preschool Grants	84.173	00-10, 00-14, 00-24, 00-26
Federal Family Education Loans (Guaranty Agency)	84.032	None Reported
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	00-9, 00-10, 00-28, 00-29, 00-30, 00-31, 00-40
Temporary Assistance for Needy Families	93.558	00-10, 00-32, 00-33, 00-40, 00-60
Child Support Enforcement	93.563	00-9, 00-10, 00-34, 00-35, 00-36, 00-37, 00-38
Low-Income Home Energy Assistance	93.568	00-10, 00-39
Child Care Cluster:		
Child Care and Development Block Grant	93.575	00-10, 00-40
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	00-10
Foster Care – Title IV-E	93.658	00-10, 00-41
Social Services Block Grant	93.667	00-10, 00-42, 00-43
Medicaid Cluster:		
State Medicaid Fraud Control Units	93.775	00-10
State Survey and Certification of Health Care Providers and Suppliers	93.777	00-10
Medical Assistance Program	93.778	00-10, 00-40, 00-41, 00-42, 00-44, 00-45, 00-46, 00-47, 00-48, 00-49, 00-50, 00-51, 00-52, 00-53, 00-54, 00-55, 00-56
Disability Insurance/SSI Cluster:		
Social Security – Disability Insurance	96.001	00-9, 00-10, 00-40
Research and Development Cluster	Various	00-57, 00-58, 00-59

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Finding 2000-9

VARIOUS PROGRAMS – refer to TABLE OF FINDINGS BY FEDERAL PROGRAM

MANAGEMENT OF EQUIPMENT ACQUIRED WITH FEDERAL FUNDS

As described in Finding 2000–1 (Section II – Financial Statement Findings), the State lacked statewide systems and procedures to adequately control its substantial investment in fixed assets and to prepare its financial statements in conformance with generally accepted accounting principles. This impacted its ability to identify equipment purchased with federal funds and to ensure compliance with its own procedures regarding the use, management and disposition of all equipment.

Because of the lack of a statewide inventory system and related controls over fixed assets, we were unable to test the State’s compliance with the equipment management requirement. In most instances, individual departments or agencies vested with responsibility for administering federal programs also lacked controls to ensure compliance with these requirements.

Questioned Costs: None

Finding 2000-10

VARIOUS PROGRAMS – refer to TABLE OF FINDINGS BY FEDERAL PROGRAM

CASH MANAGEMENT

The State did not have adequate controls to ensure compliance with federal cash management requirements in drawing cash for federal programs.

The State is required to draw cash for federal programs in accordance with the federal Cash Management Improvement Act (Act) and related regulations at 31 CFR Part 205. For most larger federal programs, the State is required to follow the specific provisions of an agreement entered into by the State and the US Treasury pursuant to the Act and related regulations. In the event the State does not comply with the provisions of the Treasury/State agreement in drawing cash for federal programs, it must pay interest for the period the funds were on hand prior to disbursement. For federal programs not included in the agreement, the State is required to minimize the time elapsing between the transfer of funds from the US Treasury and their disbursement, generally considered to be no more than a three-day supply of cash on hand.

The State developed the Cash Management System (CMS) as part of the State accounting system to provide information enabling its departments and agencies to draw federal funds in

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compliance with the Treasury/State agreement. Of the programs we tested as major programs that are subject to the Treasury/State agreement, only 8 consistently utilized the information provided by the CMS to draw federal cash while 14 programs did not. In most instances funds were drawn later than permitted; in other instances funds were drawn more quickly than permitted.

Each department is responsible for drawing federal funds for the programs it manages. The State does not have procedures to centrally administer or monitor compliance with federal cash management requirements.

We believe responsibility for drawing federal funds should be vested in the Office of the General Treasurer where compliance with cash management for federal programs should be integrated with other cash management objectives. In instances where funds are now drawn less frequently than permitted, compliance with the agreement will enhance the State's cash management. Further, overall compliance with the agreement will minimize or eliminate any State interest liability payable to the federal government.

Questioned Costs: None

RECOMMENDATIONS

- 00-10a Comply with cash management requirements when drawing funds for federal programs.
- 00-10b Implement a centralized monitoring system to ensure compliance with cash management requirements. Vest responsibility for cash management of federal programs with the Office of the General Treasurer.

Finding 2000-11

FOOD DISTRIBUTION – CFDA 10.550

Administered by: Department of Corrections – State Warehouse

CHILD NUTRITION CLUSTER:

School Breakfast Program – CFDA 10.553

National School Lunch Program – CFDA 10.555

Special Milk Program for Children – CFDA 10.556

Summer Food Service Program for Children – CFDA 10.559

Administered by: Rhode Island Department of Education (RIDE)

INVENTORY OF DONATED FOOD COMMODITIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Under the Food Distribution grant (CFDA# 10.550), the USDA makes agricultural commodities available for use in the operation of all child nutrition programs except the Special Milk Program for Children. The State's Warehouse operated by the Department of Corrections is responsible for receiving, storing, and distributing these commodities. We found that inventory record keeping and controls over the receipt and distribution of food commodities should be improved.

Warehouse personnel maintain perpetual inventory records based upon goods received, shipped, or damaged. The inventory records listed 71 items that were eligible for use by the Child Nutrition Cluster of federal programs (CFDA# 10.553, 10.555 and 10.559). At June 30, 2000, the inventory balances of thirty-nine items were adjusted to agree with the physical inventory counts. The adjustments ranged from 1 case to 173 cases. In four instances, the recorded balances were decreased by more than 90 cases. In contrast, the balances of seven inventory items were increased to agree to the physical counts; one item was increased by as much as 85 cases. During the fiscal year, one inventory item carried a negative balance, which was adjusted to zero before the physical inventory count and then to 37 cases after the actual count.

On February 28, 2001, we counted the quantity on hand for eight of the items. In one instance, we counted 172 fewer cases than what was recorded in the inventory records. In two other instances, the inventory records reported 12 cases for each item, but we found none. Conversely, we counted 65 more cases of one item than was reported in the inventory records.

Questioned Costs: None

RECOMMENDATION

00-11 Improve controls over the receipt and distribution of donated food commodities by ensuring that all required forms are completed and recorded in the inventory records when goods are received, shipped, or damaged.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III – Federal Award Findings and Questioned Costs

Finding 2000-12

FOOD STAMP CLUSTER:

Food Stamps - CFDA 10.551

State Administrative Matching Grants for Food Stamp Program – CFDA 10.561

Administered by: Department of Human Services (DHS)

ELECTRONIC BENEFIT TRANSFER RECONCILIATION

Federal regulation 7 CFR 274.12(j)(1) requires that states using Electronic Benefit Transfer (EBT) must have systems in place to reconcile all funds entering into, exiting from and remaining in the EBT system each day with the State's benefit account with the Treasury and the EBT contractor's records.

DHS management informed us that the EBT system operating during state fiscal year 2000 did not provide sufficient information to allow this reconciliation to be performed and consequently the Department did not perform this reconciliation for the year ended June 30, 2000.

Questioned Costs: None

RECOMMENDATION

00-12 Implement procedures to reconcile total funds entering into, exiting from and remaining in the EBT system each day.

Finding 2000-13

FOOD STAMP CLUSTER:

Food Stamps - CFDA 10.551

State Administrative Matching Grants for Food Stamp Program – CFDA 10.561

Administered by: Department of Human Services (DHS)

SPECIAL REPORTING – STATUS OF CLAIMS AGAINST HOUSEHOLDS

Federal regulations require that if a household receives more food stamp benefits than it is entitled to receive, the state must establish a claim against that household and demand repayment. The State is permitted to retain a portion of the collected repayments and must remit to the Division of Food and Consumer Service (FCS) - Department of Agriculture the federal share of these repayments.

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Section III – Federal Award Findings and Questioned Costs

The State completes a quarterly FNS-209 *Status of Claims Against Households* detailing the state's activities relating to recipient claims during the quarter and the status of claims from previous reports. The FNS-209 report ultimately serves as the basis for computing the federal share of reimbursements due the FCS.

We noted the following control weaknesses relating to processing and accounting for collection transactions, and preparing the FNS-209 report:

- ❑ Reconciliations between postings to recipient accounts in the department's eligibility system, the cash receipts journal and the State accounting system have not conducted since September 1999.
- ❑ FNS-209 attachments detailing the types and amounts of tax intercepts (i.e., payments against established claims) did not agree to the department's eligibility system collection reports or tax intercept "cycle reports" provided by FCS.
- ❑ Wire transfers representing the State's share of tax intercept collections were not recorded as receipts in the State accounting system.
- ❑ Tax intercepts retained by the Federal government were not correctly reflected in the FNS-209 reports resulting in an overstatement of amounts due, and subsequently paid to the FCS.

Questioned Costs: None

RECOMMENDATIONS

- 00-13a Strengthen internal procedures to ensure the timely reconciliation of systems and documentation supporting the FNS-209 report.
- 00-13b Adjust previously transmitted FNS-209 reports to properly reflect tax intercept amounts and request reimbursement for related overpayments.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III – Federal Award Findings and Questioned Costs

Finding 2000-14

CHILD NUTRITION CLUSTER:

School Breakfast Program – CFDA 10.553

National School Lunch Program – CFDA 10.555

Special Milk Program for Children – CFDA 10.556

Summer Food Service Program for Children – CFDA 10.559

SPECIAL EDUCATION CLUSTER

Special Education – Grants to States – CFDA 84.027

Special Education – Preschool Grants – CFDA 84.173

Administered by: Rhode Island Department of Education (RIDE)

SUBRECIPIENT AUDIT REPORTS

Pass-through entities are required to monitor subrecipients to (1) provide reasonable assurance that the recipient administers federal awards in compliance with applicable laws and regulations, (2) ensure required audits are performed, (3) ensure appropriate corrective action is taken on findings, and (4) evaluate the impact of subrecipient activities on the pass-through entity {34 CFR Part 80.26 and 7 CFR Parts 210.18, 215.11 and 225.7}.

RIDE did not have a system in place during fiscal 2000 to monitor the receipt of subrecipient audit reports and to review the reports to determine whether there were instances of non-compliance with federal laws and regulations. As a result, it did not have reasonable assurance that the subrecipients (1) spent federal funds in accordance with applicable laws and regulations, and (2) took prompt and appropriate corrective action on reported findings.

Subsequent to June 30, 2000, RIDE has implemented a process to monitor the receipt and review of subrecipient audit reports.

Questioned Costs: None

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Finding 2000-15

SECTION 8 NEW CONSTRUCTION/SUBSTANTIAL REHABILITATION – CFDA 14.182
Administered by: Rhode Island Housing and Mortgage Finance Corporation

DEPOSIT OF YEAR-END SURPLUS

The Corporation is required to deposit the year-end surplus into a “residual receipts” account within 60 days after year-end. We noted the average deposit made by the Corporation is in excess of 110 days.

Questioned Costs: None

RECOMMENDATION

00-15 The Corporation should tighten controls to ensure that the required deposits are made on a timely basis.

Finding 2000-16

COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE’S PROGRAM –
CFDA 14.228
Administered by: Rhode Island Department of Administration

MATCHING

The Department did not monitor its compliance with the matching requirements of the Community Development Block Grant Program (CDBG). The Department may use up to \$100,000 of the federal grant for state administrative purposes. An additional two percent of the grant may be expended for administrative costs, provided such funds are matched from State resources on a one-to-one basis. In fiscal 2000, the Department expended \$264,422 for administrative costs.

Federal awards from several fiscal years were still available in fiscal 2000. The fiscal year grant award to which the administrative expenditures are charged ultimately affects the amount of required state matching expenditures. This amount was determined to be \$158,259 for fiscal 2000. The Department indicated that allowable State matching expenditures were made; however, no documentation was maintained to support the amount or nature of the expenditures used to match CDBG funds. Control procedures should be implemented to require

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calculation and documentation of eligible matching expenditures to ensure compliance with this requirement.

Questioned Costs: None

RECOMMENDATION

- 00-16 Maintain documentation to support required State matching expenditures for administrative costs that exceed \$100,000.

Finding 2000-17

COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM –
CFDA 14.228

Administered by: Rhode Island Department of Administration

QUESTIONED COST - PAYROLL COSTS

OMB Circular A-87 requires that the distribution of salary and fringe benefit costs to a program or activity be supported by personnel activity reports or equivalent documentation when employees work on multiple activities or cost objectives.

We question certain salary and fringe benefit cost charged to the CDBG program as follows:

- Salary and fringe benefit costs for one employee totaling \$44,888 were charged entirely to the CDBG program; however, weekly time sheets were prepared by the employee which indicated the time spent on the CDBG program as well as other activities. We tested time sheets prepared for three months – November 1999, March 2000 and June 2000 and found that the amount of time spent on the CDBG program (as indicated on the time sheets) was 33%, 61%, and 77% respectively. Based on the three months tested, \$4,825 is questioned.
- A second employee worked on multiple activities but did not prepare time sheets to indicate how many hours were actually spent on each activity. Although no time sheets were completed to support the hours spent on each activity, 55 percent of the salary and fringe benefits, or \$31,166 was charged to the CDBG program. This amount is questioned since it is unsupported.

Questioned Costs: \$35,991

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RECOMMENDATION

- 00-17 Allocate employees' salaries and fringe benefits to the appropriate activities based on completed weekly time sheets.

Finding 2000-18

JTPA CLUSTER:

Employment And Training Assistance Dislocated Workers – CFDA 17.246

Job Training Partnership Act – CFDA 17.250

Administered by: Department of Labor and Training (DLT)

FEDERAL FINANCIAL REPORTING

Expenditures incurred by the Department of Labor and Training (DLT) are processed through the State's accounting system. The Department also maintains an internal accounting system, the Financial Accounting and Reporting System (FARS), in order to classify and allocate program costs among the appropriate federal grants and state programs.

States are required to report Job Training Partnership Act (JTPA) expenditures to the United States Department of Labor on a quarterly basis for each JTPA program. The Job Training Partnership Office (JTPO), within DLT, prepares the federal reports. The JTPO accumulates data from each of its two service delivery areas as well as the Dislocated Worker Unit (also within DLT) and the Department of Elderly Affairs, and submits one report to the federal grantor for each JTPA program. Expenditures reported by the Greater Rhode Island (GRI) service delivery area and the Dislocated Worker Unit are derived from the FARS.

Reconciliations should be performed between data recorded in the State accounting system and the Department's FARS. These reconciliations have not been performed since September 1998. Such reconciliations ensure that data is recorded consistently in both systems and also ensures that federal reports are supported by the State's accounting records.

Questioned Costs: None

RECOMMENDATION

- 00-18 Prepare reconciliations of JTPA program expenditures recorded in the Department's accounting system (FARS) with program expenditures recorded in the State accounting system.

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Section III – Federal Award Findings and Questioned Costs

Finding 2000-19

JTPA CLUSTER:

Employment And Training Assistance Dislocated Workers – CFDA 17.246

Job Training Partnership Act – CFDA 17.250

Administered by: Department of Labor and Training (DLT)

GREATER RHODE ISLAND (GRI) SERVICE DELIVERY AREA - MONITORING AND OVERSIGHT

The Job Training Partnership Office (JTPO) could not demonstrate that it adequately conducted program monitoring and oversight of the GRI during Fiscal 2000 as required by federal regulation 20 CFR 627.475. Although it appears that some procedures were performed, the JTPO could not provide monitoring reports, documentation of procedures performed and corrective action plans for all programs administered by the GRI service delivery area.

Questioned Costs: None

RECOMMENDATION

- 00-19 Ensure sufficient documentation is maintained to demonstrate program monitoring and oversight of service delivery areas in accordance with federal regulations.

Finding 2000-20

TRADE ADJUSTMENT ASSISTANCE – WORKERS – CFDA 17.245

Administered by: Department of Labor and Training (DLT)

SPECIAL REPORTING

The Department of Labor and Training (DLT) lacks adequate internal control procedures to ensure the reliability of data reported on federal report form ETA 563 (*Quarterly Determinations, Allowance Activities and Reemployment Services Under the Trade Act – OMB No. 1205-0016*). This report is submitted on a quarterly basis to the U.S. Department of Labor and contains information regarding services provided by DLT through the Trade Adjustment Assistance – Workers Program. We found the Department does not maintain adequate detailed supporting documentation for all amounts included in the ETA 563 report as required by 20 CFR section 617.57. In addition, information included on the federal report was not reconciled to

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other sources to ensure its validity and completeness. Supervisory review and approval of the report needs to be enhanced.

Specifically, we found that original supporting lists are not maintained. Upon request, the Department reconstructed the detailed supporting lists, but we identified numerous discrepancies between amounts included in the reports and the reconstructed detailed information. In other cases, we found calculation errors, information included in the wrong sections of the report or not reported at all. We also noted that benefit and training payment data is being reported upon approval rather than when paid as required by report instructions.

The process used by the Department to accumulate report data is cumbersome. For example, some report information is initially accumulated on manually prepared logs and other information is entered directly into a database. Numerous computer queries must be run to extract the required data. This process is somewhat redundant because most of this information is already recorded in other automated systems (some additional programming may be necessary to obtain information in the manner required for the report).

We believe that many of these problems could be solved by implementing appropriate internal control procedures and by automating the accumulation of data through existing information systems to the extent possible. Further, to ensure the completeness and accuracy of report information, the department should require supervisory review and approval of the reports before submitting them to the federal government. In addition, information in the reports should be reconciled to the state accounting system and control totals should be developed to ensure the reliability of other statistical data not derived from the State's accounting system.

Questioned Costs: None

RECOMMENDATIONS

- 00-20a Develop internal control procedures to ensure the accuracy and completeness of ETA 563 report information. Report all information required by the instructions and in the manner specified.
- 00-20b Maintain adequate detailed supporting documentation for amounts reported.
- 00-20c Seek to automate the process using existing and more sophisticated systems.
- 00-20d Assess the accuracy of ETA 563 reports previously submitted during fiscal 2000 and submit revised reports as necessary.

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Finding 2000-21

HIGHWAY PLANNING AND CONSTRUCTION PROGRAM - CFDA 20.205

Administered by: Rhode Island Department of Transportation (RIDOT)

ACTIVITIES ALLOWED OR UNALLOWED

We found two instances where amounts were inappropriately claimed and reimbursed with federal Highway Planning and Construction Program funds:

- On June 12, 2000, a check for \$1,470,000 to purchase a right-of-way for a highway construction project was processed through the State accounting system. The check was processed in advance so that it would be available at the time the real estate transaction was expected to close. Subsequently, the project was delayed and a new appraisal value was determined. However, the check was not voided and federal funds totaling \$1,176,000 were drawn on June 28, 2000.
- RIDOT coded some progress payments under one contract as eligible for federal participation of 80% when in fact they should have been coded as ineligible. Federal funds totaling \$80,225 were erroneously drawn over the period of the contract.

These two instances resulted in federal funds of \$1,256,225 being inappropriately drawn. Audit adjustments were posted to correct program revenues and expenditures within the State accounting system as of June 30, 2000.

Questioned Costs: \$1,256,225

RECOMMENDATIONS

- 00-21a Adjust federal reports and future drawdowns of federal funds for the amounts inappropriately claimed and reimbursed.
- 00-21b Strengthen internal control procedures to ensure that federal funds are not overdrawn.

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Section III – Federal Award Findings and Questioned Costs

Finding 2000-22

FEDERAL TRANSIT CLUSTER:

Federal Transit – Capital Investment Grants – CFDA 20.500

Federal Transit – Formula Grants – CFDA 20.507

Administered by: Rhode Island Public Transit Authority

DISADVANTAGED BUSINESS ENTERPRISE AWARDS AND COMMITMENTS

The compliance requirements for special reporting require that the report of DBE (Disadvantaged Business Enterprise) Awards and Commitments be submitted semi-annually. The report for the period from April 1, 1999 through September 30, 1999 was due in March 2000. An extension to November 30, 2000 was requested on October 5, 2000.

Questioned Costs: None

Finding 2000-23

FEDERAL TRANSIT CLUSTER:

Federal Transit – Capital Investment Grants – CFDA 20.500

Federal Transit – Formula Grants – CFDA 20.507

Administered by: Rhode Island Public Transit Authority

PROCUREMENT – DBE

Compliance requirements require that each transit vehicle manufacturer, as a condition to bid on transit vehicle procurement in which FTA funds are involved, certify that it has an overall DBE goal approved by the FTA administrator, or that it has submitted an overall DBE goal and it has not been disapproved by the FTA administrator. There was one procurement bid for transit vehicles (99-20) which did not have a manufacturer's DBE goal.

Questioned Costs: None

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Finding 2000-24

TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES – CFDA 84.010

SPECIAL EDUCATION CLUSTER:

 Special Education – Grants to States – CFDA 84.027

 Special Education – Preschool Grants – CFDA 84.173

Administered by: Rhode Island Department of Education (RIDE)

SUBRECIPIENT CASH MANAGEMENT

RIDE does not have adequate procedures in place to ensure subrecipients do not have federal cash on hand in excess of their immediate needs. Cash requests by subrecipients are generally processed once a month and funds are generally advanced based on forecasts prepared by the subrecipient for the month.

The *Common Rule {34 CFR 80.21(c) and 80.37(a)(4)}* requires grantees (RIDE) to monitor drawdowns by their subrecipients to ensure that they conform substantially to the same standards of timing and amount as apply to the grantee. Those standards require minimizing the time elapsing between the transfer of funds from the U.S. Treasury and the disbursement by grantees and subrecipients.

For those subawards which are primarily used to reimburse personnel costs, we suggest that RIDE advance a prorated amount to the subrecipient on each payday similar to the procedures provided for in 31 CFR 205.10(a).

Questioned Costs: None

RECOMMENDATION

00-24 Monitor advances to subrecipients to ensure that they conform to standards required by 34 CFR 80.21(c), 80.37 (a) (4), and 31 CFR 205.10(a).

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2000-25

TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES – CFDA 84.010
Administered by: Rhode Island Department of Education (RIDE)

SUBRECIPIENT MONITORING

Pass-through entities are required to monitor subrecipients to (1) provide reasonable assurance that the recipient administers federal awards in compliance with applicable laws and regulations, (2) ensure required audits are performed, (3) ensure appropriate corrective action is taken on findings, and (4) evaluate the impact of subrecipient activities on the pass-through entity {34 CFR Part 80.26 and 7 CFR Parts 210.18, 215.11 and 225.7}.

Monitoring may be accomplished through various activities including on-site reviews, review of reports and other data submitted by the subrecipient and review of subrecipient audit reports. The specific monitoring procedures performed and to what extent is typically affected by the size of the awards, the complexity of the program and the percentage of program expenditures made to subrecipients.

RIDE did not have a system in place during fiscal 2000 to monitor the receipt of subrecipient audit reports and to review the reports to determine whether there were instances of non-compliance with federal laws and regulations. Further, no other monitoring procedures were performed. As a result, it did not have reasonable assurance that the subrecipients (1) spent federal funds in accordance with applicable laws and regulations, and (2) took prompt and appropriate corrective action on reported findings.

Subsequent to June 30, 2000, RIDE has implemented a process to monitor the receipt and review of subrecipient audit reports. However, RIDE should evaluate its overall subrecipient monitoring procedures for the Title I program to ensure that subrecipients are complying with program requirements. For example, one subrecipient which receives approximately one-half of all Title I funds was recently cited for noncompliance concerning the manner in which funds were allocated to individual schools within the district. The Title I program also has requirements concerning comparability of services that may warrant other monitoring procedures in addition to review of subrecipient audit reports.

Questioned costs: None

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RECOMMENDATION

- 00-25 Evaluate overall subrecipient monitoring procedures for the Title I program to ensure that, collectively, procedures are adequate to provide reasonable assurance that subrecipients administer federal awards in compliance with applicable laws and regulations.

Finding 2000-26

SPECIAL EDUCATION CLUSTER:

Special Education – Grants to States – CFDA 84.027

Special Education – Preschool Grants – CFDA 84.173

Administered by: Rhode Island Department of Education (RIDE)

PERSONNEL COSTS

RIDE has a number of employees who charge a portion of their time to the Special Education Cluster programs. RIDE allocated such costs based upon budget estimates determined at the beginning of the fiscal year. OMB Circular A-87 establishes acceptable methods to allocate personnel costs of employees working on multiple activities or cost objectives. The use of budget estimates, according to A-87 Attachment B, section 11(h), is acceptable for interim accounting purposes provided that at least quarterly, comparisons (and adjustments) of actual costs to budgeted distributions based on monthly activity reports are made.

RIDE used budgeted amounts to allocate personnel costs for employees working on multiple activities or cost objectives but did not make any comparisons to actual time distributions for these employees and therefore did not comply with OMB Circular A-87. In fiscal year 2000, RIDE charged approximately \$500,000 to the Special Education Cluster programs based upon these estimates. Since no comparison of budget estimates to actual amounts was made we could not determine the amount of questioned costs, if any.

Questioned Costs: None

RECOMMENDATION

- 00-26 Comply with OMB Circular A-87 requirements when using budget estimates for allocating personnel costs of employees working on multiple activities or cost objectives.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III – Federal Award Findings and Questioned Costs

Finding 2000-27

STUDENT FINANCIAL ASSISTANCE CLUSTER:

Federal Family Education Loans – CFDA 84.032
Administered by: University of Rhode Island

STUDENT STATUS

Under the Federal Family Education Loan and Direct Loan Programs, the institution is required to complete and return within 30 days of receipt student status confirmation reports sent by the National Student Loan Data System unless the institution expects to complete its next student status report within 60 days. Notification to the lender was not sent within the required timeframe for two of the 25 students selected for testwork.

Questioned Costs: None

RECOMMENDATION

00-27 University policies should be strengthened in order to ensure that lenders are notified of change in status within the required timeframe.

Finding 2000-28

REHABILITATION SERVICES – VOCATIONAL REHABILITATION

GRANTS TO STATES – CFDA 84.126

Administered by: Department of Human Services – Office of Rehabilitation Services (ORS)

REPORTING – CLIENT STATUS DATA

ORS utilizes a computer system to accumulate all Vocational Rehabilitation case data from client application for services to case closure. This system is used to generate data needed to complete the annual Vocational Rehabilitation Program/Cost Report (RSA-2). The information reported should be as of the end of the federal fiscal year.

We found that the computer system cannot capture client status data as of prior dates (i.e., the system can only generate information as of the date of inquiry). The computer report used to prepare the fiscal year 2000 RSA-2 was not generated on the last day of the federal fiscal year. As a result, the case status data reported on this RSA-2 did not reflect end of the year information, as required.

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ORS was unaware that the RSA-2 report did not reflect client status data as of the end of the fiscal year and therefore adequate controls were not in place to ensure the accuracy of data reported on the annual RSA-2. ORS should either ensure that system reports are generated on the last day of the fiscal year or modify its system to enable the retrieval of client status information as of a prior date.

Questioned Costs: none

RECOMMENDATION

- 00-28 Generate reports on the last day of the federal fiscal year to ensure the accuracy of client status data reported on the RSA-2, or modify the computer system to allow retrieval of client status as of a prior date.

Finding 2000-29

REHABILITATION SERVICES – VOCATIONAL REHABILITATION

GRANTS TO STATES – CFDA 84.126

Administered by: Department of Human Services – Office of Rehabilitation Services (ORS)

COMPARABLE SERVICES AND BENEFITS

Federal regulation 34 CFR 361.53 requires DHS to seek comparable services and benefits from other programs before providing most vocational rehabilitation services to eligible individuals. We found that twenty-one of twenty-five case files tested did not contain documentation indicating that ORS sought comparable services and benefits from other programs. While ORS advised us that comparable services and benefits are considered in developing the individualized written rehabilitation plan, control procedures should be strengthened to require documentation of this consideration thereby ensuring compliance with the program requirement.

Questioned Costs: None

RECOMMENDATION

- 00-29 Document comparable services and benefits sought before providing vocational rehabilitation services.

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Finding 2000-30

REHABILITATION SERVICES – VOCATIONAL REHABILITATION

GRANTS TO STATES – CFDA 84.126

Administered by: Department of Human Services – Office of Rehabilitation Services (ORS)

UNALLOWABLE COST

Office of Management and Budget Circular A-87, Attachment B, section 20, stipulates that fines, penalties, damages and other settlements resulting from violations (or alleged violations) of – or failure of the governmental entity to comply with laws and regulations are generally unallowable. We found that ORS charged the Vocational Rehabilitation program income account (which is 100% federally funded) \$44,913 in settlement of a case lodged against it by one of its clients. We advised ORS of this situation and it has since adjusted its accounts to reimburse the federal government for this charge.

Questioned Costs: \$44,913

Finding 2000-31

REHABILITATION SERVICES – VOCATIONAL REHABILITATION

GRANTS TO STATES – CFDA 84.126

Administered by: Department of Human Services – Office of Rehabilitation Services (ORS)

ELIGIBILITY

Federal regulation CFR 361.42 (a) (1) requires DHS to make an eligibility determination within 60 days after an individual submits an application, unless the individual agrees to an extension of time or an extended evaluation is necessary. We found that DHS did not meet this requirement in eight of the twenty-five cases tested. Control procedures should be enhanced to ensure that the 60-day eligibility time requirement is met.

Questioned Costs: None

RECOMMENDATION

00-31 Complete eligibility determination within 60 days after application, unless the individual agrees to an extension of time or an extended evaluation is necessary.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III – Federal Award Findings and Questioned Costs

Finding 2000-32

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES - CFDA 93.558

Administered by: Department of Human Services (DHS)

INCOME ELIGIBILITY AND VERIFICATION SYSTEM

The Department of Human Services participates in the Income Eligibility and Verification System (IEVS) as required by Section 1137 of the Social Security Act as amended. Through this system, DHS coordinates data exchanges with other Federally-assisted benefit programs and utilizes the income and benefit information to determine individuals' eligibility for assistance and the amount of assistance.

The Department of Human Services conducts data interfaces with the Internal Revenue Service, the Social Security Administration and the Department of Labor and Training (the State Wage Information Collection Agency) to verify information about recipients of Federally-assisted programs, including the Temporary Assistance for Needy Families (TANF) program. Federal regulation (45 CFR 205.56) requires that the State agency review and compare the information obtained from data exchanges against information contained in recipients' case records to determine whether it affects the recipients' eligibility or the amount of assistance. The Department's INRHODES computer system receives the information from the data exchanges and automatically includes the data in the applicable case record. Caseworkers are then electronically prompted about the receipt of new data and are required to investigate and resolve any discrepancies.

We tested a sample of 21 TANF cases to determine whether the information obtained from the IEVS data matching was properly considered in determining TANF eligibility and calculating TANF benefits. We found the following:

- ❑ Nine instances of discrepancies resulting from data matches were not investigated or resolved. Based on our evaluation of electronic case file data, four discrepancies could have been easily resolved by the caseworker and would not appear to impact eligibility and/or the household's benefit level. Five of the discrepancies appear to impact eligibility and the household's benefit level.
- ❑ Five instances of discrepancies were "cleared" by the caseworker by electronically entering an action code (e.g. no discrepancy exists), however, no documentation or comments to the electronic case file were present supporting this determination. Based on our evaluation these discrepancies appeared to impact the household's eligibility and/or benefit level. Since the wage data match was "cleared", no modifications to the household's case record were initiated.

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- Two instances were noted where data match discrepancies existed, however, there was no indication that the discrepancy had been cleared nor evidence that the department's eligibility system generated a caseworker warning message indicating the discrepancy existed.

Failure to promptly investigate and resolve IEVS interface data weakens the Department's controls over the determination of eligibility and benefit levels for the TANF program. Management acknowledged that, due to various factors, IEVS interface discrepancies are not always resolved promptly.

Questioned Costs: None

RECOMMENDATIONS

- 00-32a Strengthen control procedures to ensure that discrepancies resulting from data matches are promptly resolved and utilized to determine recipient eligibility and the amount of assistance.
- 00-32b Maintain documentation supporting the resolution of data match discrepancies. Initiate modifications when discrepancies impact eligibility and/or benefit levels.
- 00-32c Investigate the reasons why certain case records lack evidence of either (1) resolution of the IEVS discrepancy or (2) evidence that the case worker had received electronic notice that the discrepancy existed.

Finding 2000-33

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – CFDA 93.558
Administered by: Department of Human Services (DHS)

FEDERAL REPORTING - PMS-272 REPORTS

Federal regulations require DHS to prepare Federal Cash Transaction Reports each quarter to maintain accountability for federal funds awarded and expended. The *Federal Cash Transactions Report (PMS-272A)* indicates award authorizations and prior cumulative disbursements reported against individual awards. DHS is required to report current net disbursements by award.

Current net disbursements as reported by DHS for the quarter should be consistent with amounts reported on quarterly federal expenditure reports for each program. We were unable to

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agree the federal share of cumulative net disbursements that DHS entered on the *PMS-272A* to the total federal TANF expenditures reflected on the *ACF-196* financial report for the quarter ended March 31, 2000. We noted that disbursements recorded on the *PMS-272* report exceeded federal expenditures recorded on the *ACF-196* TANF financial report by approximately \$4.5 million. The overstatement of the federal share of cumulative net disbursements also results in the overstatement of reported cash on hand at the end of the quarter.

Questioned Costs: None

RECOMMENDATION

00-33 Prepare the *PMS-272* report using actual federal expenditures reported on the *ACF-196* financial report for the TANF program.

Finding 2000-34

CHILD SUPPORT ENFORCEMENT – CFDA 93.563

Administered by: Department of Administration -- Child Support Enforcement (CSE)

CHILD SUPPORT COLLECTIONS AND DISTRIBUTIONS

CSE does not reconcile child support collections and disbursements recorded in its computer system (INRHODES) with amounts recorded in the State accounting system. This is an important control over program receipts and disbursements which approximate \$62 million annually. Accountability for child support collections is also important because these collections affect awards from the federal government, which reduce the State share of program costs.

At June 30, 2000, the State accounting system reported approximately \$1.1 million more than the amounts reported by the CSE computer system as undistributed collections. All collections and distributions are processed through the CSE computer system; however, because federal CSE reporting guidelines do not require the reporting on non IV-D collections and distributions these amounts are excluded from reports generated by the CSE computer system. Reports are not available from the system that include all collections and distributions and routine reconciliations are not performed between the amounts reported by the two systems. The difference could not be explained at the time of our audit.

As previously reported in our audit reports for fiscal years 1992 through 1999, CSE should report all child support collections and distributions in its accounting system and reconcile these amounts with those recorded in the State accounting system. This would provide further assurances that these collections and distributions are properly controlled and reported.

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In order to perform these reconciliations, modifications are necessary to the reports provided by the Department's computer system. Certain changes in programming have been implemented during fiscal 2000 which have narrowed the differences between the two accounting systems. Further programming changes may be required to ensure all receipts and disbursements processed by the computer system are included on summary reports produced by the system. Any remaining differences between receipts, disbursements and undistributed balances reported by the two accounting systems should be investigated and resolved on a timely basis.

Additionally, once the programming modifications are made to reports generated by INRHODES, a new account should be established within the State accounting system for all new child support collections and distributions. This would facilitate reconciliations going forward and segregate past unreconciled differences for separate analysis.

Questioned Costs: None

RECOMMENDATIONS

- 00-34a Accumulate all child support collections and distributions in the department computer system and reconcile to the amounts recorded in the State accounting system.
- 00-34b Investigate and resolve the difference regarding child support collections pending distribution reported by the CSE and State accounting systems.

Finding 2000-35

CHILD SUPPORT ENFORCEMENT – CFDA 93.563

Administered by: Department of Administration -- Child Support Enforcement (CSE)

SECURING AND ENFORCING MEDICAL SUPPORT OBLIGATIONS

CSE is required by 45 CFR 303.31 to verify that the noncustodial parent has obtained health insurance coverage for minor children in response to a court order. If coverage is not obtained, CSE is required to enforce the medical support order, unless health insurance was not available to the noncustodial parent at a reasonable cost. CSE is also required to inform the state Medicaid agency whenever a new or modified medical support order is issued and medical coverage information is obtained. The state Medicaid agency receives notification of new or modified medical support orders only when such information is entered into the medical insurance panel.

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We tested a random sample of 50 cases in which medical support had been ordered by the court, and it had been determined that health insurance was available to the noncustodial parent at a reasonable cost. In 24 of the 50 cases tested, we found that no information had been entered into the medical insurance panel of the CSE computerized INRHODES system. Additionally, no documentation existed to demonstrate that action had been taken during fiscal 2000 to enforce these 24 medical support orders. Consequently, medical coverage for the children included in these cases was provided by Medicaid since no other medical coverage information was available to the State Medicaid agency.

Control procedures are not adequate to ensure that medical support, once ordered by the court, is enforced. Controls should be enhanced to ensure that appropriate follow-up action is initiated to obtain specific medical coverage information from the absent parent and that the information is recorded within the computer system. When necessary, appropriate action should be taken by CSE to enforce the medical support orders.

Questioned costs: None

RECOMMENDATIONS

- 00-35a Enhance control procedures to ensure that medical coverage information is recorded within the CSE INRHODES computer system on a timely basis when medical support is ordered by the court.

- 00-35b Initiate appropriate enforcement action for medical support orders.

Finding 2000-36

CHILD SUPPORT ENFORCEMENT – CFDA 93.563

Administered by: Department of Administration -- Child Support Enforcement (CSE)

FOLLOW-UP ON FEDERAL AUDIT REPORT

On July 12, 2000, the federal Department of Health and Human Services' Child Support Enforcement Office issued an audit report regarding its review of certain administrative costs related to the Rhode Island CSE Program. We assessed the status of the issues raised in the federal audit and considered whether these issues involved questioned costs in the current period.

First, federal auditors found that CSE had not reported as program income \$409,032 in outstanding uncashed checks written off between 1992 and 1998. This amount was subsequently reported as program income during fiscal 2000. However, we found that a total of \$99,917

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(federal share \$65,495) in outstanding uncashed checks written off in June 1999 for calendar 1998 was not reported as program income.

Second, the auditors reported a total of \$210,559 (federal share \$138,969) in over-claimed family court administrative costs. Also CSE should determine what portion of an additional \$36,745 should not have been claimed for federal reimbursement.

The federal report included recommendations that CSE (1) reimburse the federal government for its share of these court administrative costs and (2) develop and utilize a revised methodology for identifying unallowable cost related to non-IV-D cases. No reimbursement has been made and a revised methodology has not been developed.

Questioned Costs: \$241,209 (federal share)

RECOMMENDATIONS

- 00-36a Report outstanding uncashed checks written-off in June 1999 for calendar 1998 as program income.
- 00-36b Resolve the findings contained in the federal audit report concerning the non IV-D share of program administrative costs claimed by the courts.

Finding 2000-37

CHILD SUPPORT ENFORCEMENT – CFDA 93.563

Administered by: Department of Administration -- Child Support Enforcement (CSE)

PROGRAM INCOME

CSE is required to allocate interest income earned on child support collections deposited in the State's General Fund and credit the federal share of such interest income as a reduction of program expenses. No adjustment was made for fiscal 2000 interest earnings. The federal share of interest earnings on child support collections is estimated at \$80,719 for fiscal 2000.

Questioned Costs: \$80,719

RECOMMENDATION

- 00-37 Record program income for the amount of allocated interest earnings on child support collections deposited in the State's General Fund.

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Finding 2000-38

CHILD SUPPORT ENFORCEMENT – CFDA 93.563

Administered by: Department of Administration -- Child Support Enforcement (CSE)

INDIRECT COSTS

CSE did not have an approved Indirect Cost Rate Proposal in effect during fiscal year 2000. OMB Circular A-87, Attachment E requires organizations to obtain federal approval before recovering indirect costs. CSE claimed approximately \$237,848 for indirect costs on its quarterly federal financial reports using the methodology that had been approved for the three previous fiscal years. Even though the indirect costs were claimed on quarterly federal reports, such amounts were not recorded within the State's accounting system.

Questioned Costs: \$237,848

RECOMMENDATION

00-38 Obtain approval of the indirect cost rate proposal before charging indirect costs; seek federal approval for indirect costs charged during fiscal 2000.

Finding 2000-39

LOW-INCOME HOME ENERGY ASSISTANCE – CFDA 93.568

Administered by: Department of Administration – State Energy Office

SUBRECIPIENT MONITORING

Office of Management and Budget Circular A-133 requires pass-through entities to (1) monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, (2) ensure that subrecipients expending \$300,000 or more in federal awards have met applicable audit requirements, (3) ensure that appropriate corrective action is taken on findings, and (4) require that subrecipients permit the pass-through entity and auditors access to records and financial statements to ensure compliance with the Circular.

Approximately \$6 million of total Low-Income Home Energy Assistance Program (LIHEAP) expenditures (\$12,121,764) are made to subrecipients. We found various deficiencies in the procedures employed to monitor subrecipients as outlined below:

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- LIHEAP personnel review subrecipient audit reports but use a checklist which does not reflect current OMB Circular A-133 requirements. One subrecipient audit report did not meet current OMB A-133 reporting guidelines yet the reporting deficiencies were not noted during the review.
- Program personnel performing the audit report reviews may not have sufficient training in OMB A-133 Single Audit issues and consequently are less effective in performing the review of subrecipient audit reports. One subrecipient audit report noted control weaknesses over financial reporting that could also have affected the administration of federal programs; however, this was not noted during the review.
- Corrective action plans are reviewed as part of the review of audit reports however management decisions are not issued as required by OMB Circular A-133 (subpart D section .400).

LIHEAP needs to improve its subrecipient monitoring procedures to ensure it fully meets its responsibilities as a pass-through entity and also to ensure that subrecipients are complying with program requirements.

Questioned Costs: None

RECOMMENDATIONS

- 00-39a Implement a new audit report review checklist which reflects current OMB A-133 guidelines. Train personnel responsible for review of subrecipient audit reports on relevant Single Audit topics.
- 00-39b Issue management decisions within 6 months of receipts of the audit report on all findings (applicable to LIHEAP) contained in subrecipient audit reports.

Finding 2000-40

VARIOUS PROGRAMS – refer to TABLE OF FINDINGS BY FEDERAL PROGRAM
Administered by: Department of Human Services (DHS)

ALLOWABLE COSTS/COST PRINCIPLES

Allocation of Statewide Central Service Costs

Each year the State and the federal Department of Health and Human Services' Division of Cost Allocation (DCA) execute a statewide cost allocation agreement/plan (SWCAP) which

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quantifies and distributes the State’s central service costs applicable to each governmental unit deriving a benefit. These central service costs are approved by the DCA and may be included as part of the costs that each department allocates to federal grants, contracts and other agreements.

DHS allocates one-fourth of the annual central service cost during its quarterly cost allocation process. The Department’s cost allocation process then allocates these central service costs along with other direct and indirect department costs to various programs which the Department administers.

Since the SWCAP relating to each fiscal year is not always approved and available prior to or during the state fiscal year, DHS has estimated the amount of statewide central service costs applicable to the department. DHS estimated its share of statewide central service costs at \$2 million for State fiscal years 1998 and 1999. The amount of central service costs subsequently allocated to the Department per the approved cost allocation agreement were less for each of those years. Once the actual amounts for fiscal years 1998 and 1999 per the approved cost allocation agreement were available, the Department adjusted its current charges (fiscal 2000) to account for the overcharge in previous fiscal years

Once the SWCAPs were approved and available, DHS computed the amount over allocated and immediately began to adjust for the over allocation, starting in the quarter ended December 1999, by excluding eligible central service costs in their quarterly allocation process. The total unadjusted over allocation of central service costs at June 30, 2000, pending final approval of the fiscal 2000 SWCAP, was \$1,744,925.

Table I compares the estimated amounts allocated by DHS to the central service cost totals ultimately approved by the Division of Cost Allocation.

	<u>State Fiscal</u> <u>Year 1998</u>	<u>State Fiscal</u> <u>Year 1999</u>	<u>State Fiscal</u> <u>Year 2000</u>	<u>Cumulative</u> <u>Amounts</u>
Total Allocated based on estimate	\$2,000,000	\$2,000,000	\$500,000	\$4,500,000
Total per approved cost allocation agreement	<u>1,584,699</u>	<u>1,602</u>	<u>1,168,774</u>	<u>2,755,075</u>
Over (under) allocated	<u>\$ 415,301</u>	<u>\$1,998,398</u>	<u>(\$ 668,774)</u>	<u>(\$1,744,925)</u>

The Department plans to defer allocating statewide central service costs in the current fiscal year until overcharges in previous years have been offset. The Department should seek approval from the federal Division of Cost Allocation for its planned method of reimbursing the federal government for overcharges in prior years.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Unallowable Legal Costs

Office of Management and Budget Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* stipulates that fines, penalties, damages and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, Federal, State, or local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing such payments.

We noted that DHS, based on a court order, paid plaintiff attorney fees and costs totaling \$30,643. The department allocated this expenditure to its federal and state programs as an indirect cost.

The amount of questioned costs by federal program included in the Department's cost allocation plan has not been determined.

Questioned Costs: None

RECOMMENDATIONS

- 00-40a Seek concurrence from the federal Division of Cost Allocation (DHHS) for the method of reimbursing the federal government for central service cost overcharges in prior years.

- 00-40b Reimburse the federal government for questioned costs deemed unallowable.

Finding 2000-41

FOSTER CARE – TITLE IV-E – CFDA 93.658
MEDICAL ASSISTANCE PROGRAM – CFDA 93.778
Administered by: Department of Children, Youth, and Families (DCYF)

COST ALLOCATION

DCYF uses a cost allocation system, designed and operated by a consultant, to allocate its administrative costs to multiple federal programs including the Foster Care and Medical Assistance Programs. During fiscal year 2000, DCYF charged \$7,920,625 of costs to the Foster Care program and approximately \$1.9 million of administrative costs to the Medical Assistance Program based on data derived from the cost allocation plan.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III – Federal Award Findings and Questioned Costs

DCYF provides the consultant with expenditure data, detailed personnel costs, and child placement statistics for each quarter. The consultant inputs this data into its cost allocation system, which then allocates these costs, based on a pre-approved methodology. The consultant provides DCYF with the amount of costs to be charged to each federal program.

Our testing of the department's cost allocation system for fiscal year 2000 noted the following:

- Costs pertaining to DCYF's allocation of statewide indirect costs were overstated by \$62,786 in the cost allocation system for each quarter of fiscal year 2000.
- Personnel costs input into the cost allocation plan were overstated by \$112,166 and \$147,448 for the quarters ending September 30, 1999 and December 31, 1999, respectively.
- An error in the calculation of child placement statistics used in the cost allocation system was noted for the quarter ending March 31, 2000.
- In total, these errors resulted in an overstatement of administrative costs charged to the Foster Care program in the amount of \$33,345 (federal share - \$17,930). Additionally, these errors resulted in an overstatement of administrative costs charged to the Medical Assistance Program in the amount of \$30,865 (federal share \$16,596).

DCYF has no procedures in place to ensure the accuracy of administrative costs determined by the cost allocation system. The department does not obtain and review the supporting documentation of the cost allocation system generated by the consultant each quarter. The department should improve its oversight of the cost allocation system to ensure that all data given to the consultant is being utilized correctly and that department costs are being charged in accordance with the approved allocation methods.

Administrative costs accounted for approximately 64% of the total costs charged to the Foster Care program for fiscal year 2000. DCYF needs to improve its oversight of the cost allocation system operated by a third party to ensure that administrative costs charged to the program are accurate and allocated based on federally approved allocation methodology.

Questioned Costs: Foster Care - CFDA 93.658 - \$17,930
Medical Assistance Program - CFDA 93.778 - \$16,596

RECOMMENDATIONS

- 00-41a Adjust federal reports and claims for reimbursement for questioned costs relating to the overstatement of administrative expenditures for fiscal year 2000.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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- 00-41b Enhance controls over the cost allocation process by (1) implementing additional oversight of the cost allocation system operated by the consultant and (2) verifying input data which is critical to the operation of the plan.

Finding 2000-42

SOCIAL SERVICES BLOCK GRANT – CFDA 93.667
MEDICAL ASSISTANCE PROGRAM – CFDA 93.778
Administered by: Department of Human Services (DHS)

CONTROLS OVER HOMEMAKER SERVICES BILLINGS

Payments to homemaker service providers for fiscal 2000 were processed through the Medicaid Management Information System operated by the State's fiscal agent. Approximately \$1.1 million was charged to the Social Services Block Grant program and \$11.3 million (state and federal share) was charged to the Medicaid program. We found that controls over these expenditures could be improved to ensure that amounts billed do not exceed the level and duration of service authorized and that amounts are correctly allocated to the appropriate funding source based upon eligibility criteria for the respective programs.

Department personnel complete an HS-3 *Authorization of Homemaker / Home Health Aide Services Adult Day Care* for each client. The form indicates general client information, the funding source to be used when billing, as well as the authorization period and hours authorized. DHS forwards a copy of the HS-3 authorization form to the homemaker service providers, however, this form is not provided to the fiscal agent processing billings for payment. Consequently the fiscal agent cannot match the authorized amount or period of service to billed amounts. We found instances where providers billed and were paid for services that exceeded those authorized on the HS-3.

For certain individuals receiving homemaker services, an electronic case record has been established within the Department's INRHODES computer system which is used to administer various federal programs. The case records indicates funding source code, hours authorized and authorization period. Presently, this information is not communicated to and made a part of the MMIS which is used to process payments to the vendors. Further, case records only exist for individuals eligible for Medicaid. Case records have not been established for individuals receiving homemaker services under the SSBG program.

Vendors are responsible for billing under the proper funding code based upon information contained on the HS-3 *Authorization of Homemaker / Home Health Aide Services Adult Day Care*. Since information within the MMIS is incomplete regarding eligibility for all individuals receiving homemaker services, controls are not adequate to ensure that all payments

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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for homemaker services are charged to the appropriate funding source. During fiscal 2000, the department processed an expenditure adjustment transferring approximately \$415,000 from the SSBG to Title XIX (Medical Assistance) to correct erroneous funding source codes indicated by the homemaker service vendors.

Questioned Costs: None

RECOMMENDATION

- 00-42 Strengthen procedures to ensure that vendor billings for homemaker services are verified as to funding source, authorization period and authorized hours prior to payment.

Finding 2000-43

SOCIAL SERVICES BLOCK GRANT - CFDA 93.667
Administered by: Department of Human Services (DHS)

SUBRECIPIENT MONITORING

Office of Management and Budget Circular A-133 requires pass-through entities to (1) monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, (2) ensure that subrecipients expending \$300,000 or more in federal awards have met applicable audit requirements, (3) ensure that appropriate corrective action is taken on findings, and (4) require that subrecipients permit the pass-through entity and auditors access to records and financial statements to ensure compliance with the Circular.

The department utilizes multiple subrecipients to administer the Social Services Block Grant (SSBG) and provide domestic violence prevention and emergency shelter services funded by the SSBG. Awards range from under \$20,000 to in excess of \$500,000.

The department's current subrecipient monitoring procedures include review of audit reports for those subrecipients expending more than \$300,000 of federal awards (from all sources) and ensuring that appropriate corrective action is taken on applicable audit findings. We found that the Department's subrecipient monitoring procedures, particularly for entities expending less than \$300,000 in federal awards, may not be sufficiently comprehensive to ensure federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements. The department needs to strengthen its subrecipient monitoring procedures for the following reasons:

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section III – Federal Award Findings and Questioned Costs

- ❑ Entities not subject to the audit requirements of OMB Circular A-133 but awarded in excess of \$25,000 must submit an “acceptable audited financial statement prepared by an independent auditor”. This audit focuses only on the financial activity of the entity and provides no assurance on compliance with requirements applicable to federal programs. No other procedures are in place to ensure that federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of the grant agreement.
- ❑ An A-133 single audit report may be submitted for a subrecipient but a particular program (e.g. SSBG) may not have been tested as a major program as part of the audit. Consequently, the Department may not have any specific assurance that federal funds for a particular program were expended in compliance with federal requirements.
- ❑ Two of the department’s larger subrecipients have been chronically late in submitting the required A-133 audit reports. Accompanying “management letters” have documented the existence of various internal control deficiencies.

Review of A-133 audit reports should be merely one tool used by the department as part of its overall subrecipient monitoring process. The department’s current procedures could be enhanced by performing subrecipient site visits to review financial records such as, documentation supporting expenditure reports, employee timesheets as required by OMB’s *Cost Principles for Non-Profit Organizations*, and the allocation of grant personnel costs. Site visits would also provide the opportunity to observe the overall fiscal operations of the entity.

The Department believes that enhancing its subrecipient monitoring procedures will require adding one additional person to this function.

Questioned Costs: None

RECOMMENDATION

- 00-43 Strengthen subrecipient monitoring procedures to provide reasonable assurance that subrecipients are expending federal awards in compliance with laws, regulations and the provisions of the grant agreement.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III – Federal Award Findings and Questioned Costs

Finding 2000-44

MEDICAL ASSISTANCE PROGRAM – CFDA 93.778
Administered by: Department of Children, Youth and Families

ELIGIBILITY

The Department of Children, Youth and Families (DCYF) utilizes a departmental computer system (RICHIST) to process payments for children in foster care. Some of these payments are reimbursed through the Medical Assistance Program under a cooperative agreement with the Department of Human Services (DHS). During fiscal 2000, these payments were made independently of the State's Medicaid Management Information System (MMIS) which processes most payments for the Medicaid Program.

Eligibility for Medicaid is determined and recorded within the Department of Human Services' INRHODES computer system. DCYF accesses this eligibility information when determining which payments made through its RICHIST system are eligible for Medicaid reimbursement. Total amounts disbursed through the RICHIST system and reimbursed through Medicaid totaled approximately \$50 million in fiscal 2000.

We selected a sample of 25 payments made through the DCYF RICHIST system, which were reimbursed by Medicaid. The dollar value of claims in our sample was \$25,428. We found one payment where the child was not eligible for Medical Assistance at the time the service was provided. The total payment to the provider was \$131.22 of which \$115.47 was charged to Medicaid. The child had been eligible but coverage ceased for a period of time according to the DHS INRHODES computer system, which is the official record of Medicaid eligibility. DCYF's RICHIST computer system recognized only the starting date of coverage and not the end date. DCYF believes this was caused by a RICHIST programming flaw which it recognized and corrected in August 2000. DCYF indicated that it would attempt to quantify the amounts reimbursed through Medicaid for children who were ineligible.

Questioned Costs: \$115.47

RECOMMENDATION

00-44 Determine the amount of claims paid on behalf of children ineligible for Medicaid and make all necessary reimbursements to the federal government.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2000-45

MEDICAL ASSISTANCE PROGRAM - CFDA 93.778
Administered by: Department of Human Services (DHS)

INTERIM PAYMENTS

DHS began interim or target payments in January 1994 to temporarily pay providers until claims could be processed within a reasonable time period by its new Medicaid Management Information System (MMIS) and to ensure that medical services remained available to recipients. Target payments allowed the provider to receive a minimum payment regardless of the amount of claims submitted and cleared for payment. In these instances, the actual payment to the provider was the greater of the amount of claims processed or the target amount. Accounts receivable balances, which represent amounts paid to providers in excess of claims submitted and processed, accumulated for providers as a direct result of the target payments.

Resolution and reconciliation of interim payment balances continued during fiscal 2000 decreasing the balance of such payments from \$12.7 million at June 30, 1999 to \$8.0 million at June 30, 2000. The balance of outstanding interim payments has been reduced significantly from prior years through the submission of actual claims and the recoupment or repayment of identified overpayments. Although final reconciliation remains for some providers, the Department now considers the remaining balance of provider interim payment balances at June 30, 2000 (\$8 million) to be overpayments. The federal share of these provider overpayments is approximately \$4,320,000. The Department plans to credit the federal government for its share of these provider overpayments in federal reports to be submitted for the quarter ending June 30, 2001.

DHS continued interim payments or “target” payments to a limited number of providers during fiscal 2000. Subsequent to June 30, 2000, target payments were suspended for these remaining providers.

Private group homes constitute the majority of providers with interim payment balances outstanding (\$4.4 million at June 30, 2000). DHS must complete the reconciliation of private group home providers to fully reconcile the interim payment balances and collect any amounts overpaid.

Questioned Costs: \$4,320,000

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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RECOMMENDATION

- 00-45 Complete the resolution of all provider interim payment balances expeditiously. Aggressively recoup all excess interim payment balances. Refund the federal share of provider overpayments to the federal government within 60 days of identification.

Finding 2000-46

MEDICAL ASSISTANCE PROGRAM - CFDA 93.778
Administered by: Department of Human Services (DHS)

TIMELY IDENTIFICATION OF CLAIMS PAID ON BEHALF OF INELIGIBLE INDIVIDUALS

DHS utilizes an integrated computer system (INRHODES) as the official database used to determine and track eligibility for Medicaid. Transactions affecting eligibility are transmitted daily from INRHODES to update the MMIS recipient subsystem. As designed, Medicaid eligibility data from INRHODES should be replicated in the MMIS. In a limited number of instances, differences occur between the two databases. These differences can be summarized into three categories:

- Cases active in INRHODES, but inactive in the MMIS;
- Cases active in the MMIS, but closed in INRHODES; and
- Other differences, such as personal data, recipient income, category codes, etc.

A monthly variance report identifying the differences between the two systems is generated by the MMIS, and forwarded to DHS for review. DHS is responsible for making the appropriate corrections to ensure the accuracy and reliability of the two systems. Variances occur in about 700 cases each month. DHS is now researching and making corrections on a relatively timely basis. However, when investigation of the case indicates that a case should have been considered ineligible, DHS is not quantifying, on a timely basis, the amount of claims paid on behalf of the ineligible individual.

No identification of claims paid for ineligible individuals was made during fiscal 2000, however, DHS subsequently identified claims totaling \$36,770 (federal share \$19,771) for cases investigated and deemed ineligible during calendar 1999. Another 277 cases identified during calendar year 2000 are pending resolution by DHS.

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DHS believes that these eligibility variances will continue to occur due to the design of both INRHODES and the MMIS and further, any solution to completely eliminate these variances would require substantial and costly redesign of either or both systems. Accordingly, DHS's investigation of eligibility variances must be performed timely to minimize the likelihood and effect of payments made on behalf of ineligible individuals. Additionally, a complete resolution of eligibility variances must include determination of claims paid for ineligible individuals.

Questioned Costs: \$19,771

RECOMMENDATION

- 00-46 Determine, on a timely basis, the amount of claims paid on behalf of ineligible individuals and reimburse the federal government for its share.

Finding 2000-47

MEDICAL ASSISTANCE PROGRAM - CFDA 93.778
Administered by: Department of Human Services (DHS)

FISCAL AGENT OVERSIGHT

DHS is highly dependent on its fiscal agent's extensive and complex computer system (MMIS), which includes controls for processing payments on behalf of eligible Medicaid beneficiaries as well as controls over disbursing state and federal funds. Oversight of these operations by DHS is essential to ensure that the fiscal agent complies with program regulations, and controls are functioning as designed. This is critically important considering the authority delegated to and dollar value of disbursements processed by the fiscal agent.

We have recommended in prior audit reports that DHS improve its oversight by monitoring the internal control procedures and financial activities employed by the fiscal agent. Monitoring is necessary to ensure that effective controls are in place over program disbursements, and that financial data is being accurately reported for presentation in the State's financial statements and federal reports. Financial monitoring procedures have not been fully developed, and responsibility for financial monitoring has not been centralized or well coordinated. DHS may need additional resources to fully accomplish these objectives.

We noted the following matters:

- *DHS should ensure that the fiscal agent has adequate internal control policies and procedures in place to pay claims in accordance with program regulations and to*

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control cash disbursements made on behalf of the State. The internal control structure through which the fiscal agent processes Medicaid claims is totally separate and distinct from the State's accounting system and related control procedures used to disburse other state expenditures. We recommended previously that DHS or its fiscal agent obtain an annual examination of its internal control policies and procedures by independent certified public accountants attesting to the adequacy of the design and operation of key internal controls utilized by the fiscal agent. This type of examination is referred to as a "SAS 70" review. A "SAS 70" review of the MMIS is particularly important because (1) DHS has limited resources to perform effective monitoring of the fiscal agent, (2) a claims processing quality control function is not in place, and (3) claims processing errors were found in our testing of claims processed during our audits.

DHS unsuccessfully solicited bids twice during fiscal year 1999 for the performance of such a review and plans to incorporate this requirement in its procurement of the fiscal agent contract.

- *DHS has not developed procedures to effectively monitor the financial activities of the fiscal agent.* For example, DHS has not implemented sufficient procedures to verify MMIS financial data used to record program activity and prepare federal reports. Additionally, procedures are not in place to ensure all prescription drug rebates are billed and collected, provider accounts receivable balances are accurately reported, and third party liabilities have been identified and collected.

Questioned Costs: None

RECOMMENDATIONS

- 00-47a Obtain an annual examination ("SAS 70" review) performed by independent certified public accountants of the fiscal agent's internal control policies and procedures.
- 00-47b Improve financial oversight of the fiscal agent by enhancing procedures to (1) verify information from the MMIS used to record program activity and prepare federal reports, (2) monitor the billing and collection of drug rebates and (3) ensure third party liabilities are identified and collected.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2000-48

MEDICAL ASSISTANCE PROGRAM - CFDA 93.778
Administered by: Department of Human Services (DHS)

MMIS PASSWORD ACCESS CONTROLS

More than 500 users utilize various functions of the MMIS. Control of system access is maintained through user identifications and unique passwords, and by permitting some users to only view data while allowing others to enter or change system information.

Basic security measures in a computer system require that passwords be changed periodically for all users, as well as when employees transfer or terminate. If passwords are not changed by a preset expiration date, access should be denied. Audit findings in previous years disclosed that the MMIS does not require users to change their passwords on a scheduled basis. The fiscal agent has established procedures for some users to change passwords and the designated frequency. This should be expanded to encompass all users. We have previously recommended that consideration should be given to establishing system access controls within the MMIS similar to those within the INRHODES system, such as:

- all users are required to change their password every 90 days;
- access rights are terminated if passwords are not modified by the expiration date;
- users are assigned roles according to individual responsibilities and job descriptions;
- roles are represented in the system with unique menus associated with each role;
- each menu provides a means to access only the functions required by the role.

Subsequent to June 30, 2000, the fiscal agent attempted to establish these controls, however, the effort failed due to computer processing difficulties.

Questioned Costs: None

RECOMMENDATIONS

00-48a Develop procedures that require all MMIS users to change their passwords periodically. Terminate access if passwords are not modified.

00-48b Develop procedures to control access to MMIS functions by assigning “roles” to MMIS users according to individual responsibilities and job descriptions.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2000-49

MEDICAL ASSISTANCE PROGRAM - CFDA 93.778
Administered by: Department of Human Services (DHS)

THIRD PARTY LIABILITY IDENTIFICATION

Federal regulation (42 CFR 433.138) requires the State to maintain an action plan for pursuing third party liability (TPL) claims. States must develop procedures for determining the legal liability of third parties to pay for Medicaid services and integrate these procedures within the MMIS. Medicaid must exhaust third party resources prior to payment. When a third party liability is established after payment, reimbursement should be sought.

Although DHS performs certain TPL related functions, the fiscal agent is primarily responsible for the TPL process, including verifying recipients' TPL information, maintaining the systems used to identify TPL-related claims, and collecting from insurance carriers.

TPL information originates from the Department's INRHODES computer system and is then electronically communicated to the MMIS. The fiscal agent must verify this TPL data before it becomes effective. When the TPL information is verified, the MMIS generates a third party billing for claims paid during the time period when other third party insurance was effective. If the insurance is verified at the time the claim is submitted, the MMIS has a cost avoidance mechanism in place to deny payment of the claim.

During fiscal 2000, recovery from third party insurers was not attempted for claims totaling \$613,883 (federal share - \$330,085) because the time limit for submission of claims had expired. Claims totaling \$281,417 (federal share - \$151,318) were submitted for reimbursement but were subsequently denied mostly due to untimely filing.

DHS's inability to recover for TPL was caused mostly by failure to identify TPL information on a timely basis during fiscal 2000 and in prior years. The interim payment process also hindered the department's ability to assess claims for potential third party insurance (including Medicare) because, in most instances, actual claims submission and adjudication came much later than the normal lag between service date and billing. Consequently, the request for reimbursement often was initiated after the insurer's time limit for recovery had expired or in the case of Medicare, a patient's benefits had been exhausted by the time recovery was attempted.

Due to the amount of authority delegated to the fiscal agent with respect to TPL identification and collection, DHS should improve its monitoring of the fiscal agent's procedures, and all data (billings and collections) generated by those procedures. Furthermore, DHS should better coordinate the activities of its staff with that of the fiscal agent.

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Questioned Costs: \$481,403

RECOMMENDATIONS

- 00-49a Review existing procedures to ensure that third party liabilities are identified on a timely basis.
- 00-49b Reimburse the federal government for its share of uncollected third party liability recoveries.

Finding 2000-50

MEDICAL ASSISTANCE PROGRAM - CFDA 93.778
Administered by: Department of Human Services (DHS)

ACTIVITIES ALLOWED OR UNALLOWED

Disbursements totaling more than \$1 billion were made to Medicaid providers during fiscal 2000 based upon claims (and in some instances - target payments) processed by the fiscal agent through the Medicaid Management Information System (MMIS). This amount includes \$168 million for managed care premiums.

We selected a random sample of 150 fee-for-service claims processed through the MMIS with a total dollar value of \$290,391 and 60 managed care premium payments with a total dollar value of \$5,508. We examined each payment for certain attributes required by the federal grantor, including eligibility (as determined by the INRHODES System), allowability, appropriate fee paid, and payment to a licensed provider. Additionally, we verified that all fee-for-service claims paid for managed care enrollees (services not included under the managed care premium) were for allowable services.

We found the following exception resulting in an incorrect payment to a provider:

- The MMIS calculated an incorrect amount for an over-the-counter pharmaceutical claim. Over-the-counter pharmacy claims pay at the lower of (a) the allowable cost plus a 50% mark-up, but no less than a \$2.00 charge per item, (b) the allowable cost plus the appropriate dispensing fee, or (c) the Usual and Customary Rate (UCR). Based on this formula, the sampled claim should have paid the \$2.00 indicated in (a) above. However, the MMIS paid the \$3.00 amount billed by the provider (which was less than either (b) and (c) calculations above). This claim resulted in an overpayment of \$1.

Questioned Costs: \$0.54

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RECOMMENDATIONS

- 00-50 Instruct the fiscal agent to correct the MMIS programming for over-the-counter pharmaceutical claims. Determine the extent of overpayments caused by MMIS programming problems; adjust claims paid incorrectly to recoup overpayments from providers.

Finding 2000-51

MEDICAL ASSISTANCE PROGRAM - CFDA 93.778
Administered by: Department of Human Services (DHS)

CONTROLS OVER PROGRAM EXPENDITURES

Benefit Type Expenditures

Medical Assistance program expenditures, other than administrative costs, are primarily processed through the MMIS. The MMIS is designed to provide the basic controls over eligibility, types of services allowed and payment rates as well as enhanced controls to prevent duplicate payments, identify unusual patterns of utilization of services, and identify and collect third party liabilities.

During fiscal 2000, program expenditures in excess of \$90 million were processed by systems independent of the MMIS. The Department of Children, Youth and Families (DCYF) was responsible for nearly \$50 million of this amount, while the Department of Mental Health, Retardation and Hospitals was responsible for \$30 million and the Department of Human services for the remaining \$10 million.

Other independent systems have not been designed to contain all the control procedures of the MMIS. Further, the potential for duplicate payment of the same claim exists – a claim could be submitted and paid from both the MMIS and the independent accounting system. Processing all program expenditures through a unified system would substantially enhance controls over programs administered by agencies outside the Department of Human Services.

Subsequent to June 30, 2000, the Department of Children, Youth and Families began utilizing the MMIS in a limited manner to “process” claims. Disbursements to providers are still made independent of the MMIS. After payment, DCYF’s computer system sorts Medicaid eligible claims for transmission to the MMIS. The MMIS performs limited edits on the claims and records the claims information within its database. Because many of DCYF’s provider

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payments are allocated to multiple funding sources and other unique payment arrangements are utilized, the department believes it cannot use the MMIS to pay its providers.

When services are provided by State facilities, payments resulting from claims processed are suppressed and “payment” is accomplished by internal accounting transactions. We found that these amounts did not match the amount of claims adjudicated by the MMIS. Further, we found that each State agency that receives Medicaid funding in this manner initiates its own “payment” transaction without oversight or approval by the Department of Human Services (the Single State Medicaid Agency). Payment to all providers should be based on actual claims submitted and processed through the MMIS. Internal accounting transactions authorizing payment to State facilities should be approved by the Department of Human Services.

Administrative Expenditures

Six separate departments of the State administer elements of the Medicaid cluster of programs. We noted inadequate controls to ensure compliance with program requirements for administrative expenditures incurred by departments other than the Department of Human Services. This occurs because there are no centralized controls in place, across departmental lines, to ensure that administrative expenditures comply with program requirements. While all administrative expenditures are disbursed through the State’s centralized accounting system, controls to ensure compliance with federal program requirements are employed at the department level. Each department designs its own procedures and controls to meet federal program requirements. Expenditures charged to the Medicaid program by other departments are not reviewed or approved by DHS -- the single state Medicaid agency.

Questioned Costs: None

RECOMMENDATIONS

- 00-51a Improve controls by requiring all benefit-type program expenditures to be processed through the MMIS.
- 00-51b Ensure payments to state facilities are consistent with actual claims adjudicated by the MMIS. Review and approve all internal accounting transactions authorizing payment of Medicaid funds to State facilities.
- 00-51c Implement control procedures to ensure the allowability of administrative expenditures charged to the Medicaid program by other departments.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2000-52

MEDICAL ASSISTANCE PROGRAM - CFDA 93.778
Administered by: Department of Human Services (DHS)

HOSPITAL SETTLEMENTS

DHS requires inpatient hospital providers to file cost settlement reports within one year from the end of the hospital's fiscal year. Such settlements typically result in recovery of significant amounts to the Medicaid program. For the hospital's fiscal years ending in 1994 through 1997, annual recoveries have ranged from \$6.6 million to \$10.3 million.

We found that, as of June 30, 2000, the following settlement reports had not been received.

Hospital fiscal year ending in:	Number of settlement reports not yet received
1994	1
1995	1
1996	9
1997	10
1998	all

Most hospitals claim that staffing limitations prevent them from filing cost reports timely. The section of the General Laws requiring settlement reports provides no mechanism to enforce compliance.

Questioned Costs: None

RECOMMENDATION

00-52 Seek enforcement authority within the General laws to improve the timeliness of hospital settlements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2000-53

MEDICAL ASSISTANCE PROGRAM – CFDA 93.778
Administered by: Department of Human Services (DHS)

SUSPENSION AND DEBARMENT

DHS utilizes various service providers and contractors for the operation of the Medical Assistance Program. Federal regulations prohibit States from contracting with or making subawards under covered transactions to suspended or debarred parties. Covered transactions include procurement contracts for goods or services equal to or exceeding \$100,000 and all non-procurement transactions (e.g., subawards to subrecipients). Contractors receiving individual awards for \$100,000 or more and all subrecipients must certify that the organization and its principals are not suspended or debarred.

The department included provision for suspension and debarment certifications in its standard contracts effective in January 2000, however, most contracts will not be compliant with this provision until renewal.

During fiscal 2000, the department had not required providers of medical services to certify that the organization and its principals are not suspended or debarred from participating in the Medical Assistance Program. Revised provider agreements including the suspension and debarment certifications were mailed to all providers in November 2000.

DHS, as the State Medicaid agency, should require all other departments expending Medicaid funds to include suspension and debarment certifications in contracts with vendors and providers. We found one contract executed by the Department of Mental Health, Retardation and Hospitals that did not contain the required suspension and debarment certification.

Questioned Costs: None

RECOMMENDATION

00-53 Require all Departments expending Medicaid funding to include certifications that neither the entity nor its principals are suspended or debarred from participating in the Medical Assistance Program in all contracts.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2000-54

MEDICAL ASSISTANCE PROGRAM – CFDA 93.778
Administered by: Department of Human Services (DHS)

OUTSTANDING PAYMENTS TO PROVIDERS

Federal Regulations (42 CFR 433.40) requires the State to credit the Medical Assistance program for provider payment checks which remain outstanding more than 180 days after issuance. DHS had implemented procedures during fiscal year 1999 to identify checks outstanding more than 180 days and credit the federal government for its share, however, failed to continue the process for fiscal year 2000. At June 30, 2000, such checks amounted to \$60,979; the related federal share was \$32,801.

Questioned Costs: \$32,801

RECOMMENDATION

00-54 Identify checks outstanding for more than 180 days and reimburse the federal government for its share on a semi-annual basis.

Finding 2000-55

MEDICAL ASSISTANCE PROGRAM – CFDA 93.778
Administered by: Department of Human Services (DHS)

DRUG USE REVIEW PROGRAM

Federal regulation (42 CFR 456.712) requires the State to prepare and submit, on an annual basis, a report summarizing specific information regarding the agency's Drug Use Review Program. Examples of the types of information required include a description of the nature and scope of the prospective and retrospective drug review programs, a summary of the educational interventions used, and an outline of the objectives, scope, and goals of the drug use review and surveillance and utilization functions.

DHS has not submitted the required reports for fiscal years 1998 and 1999.

Questioned Costs: None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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RECOMMENDATION

00-55 Prepare and submit the required Medicaid Drug Use Review Agency Report annually.

Finding 2000-56

MEDICAL ASSISTANCE PROGRAM – CFDA 93.778
Administered by: Department of Human Services (DHS)

PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Federal regulation (HCFA Publication 45-2, Section 2560.2(B)) interprets federal funding limitations for adjustments made to prior year Medicaid expenditures claimed on Form HCFA-64. It states that expenditures made on or after October 1, 1979, must be claimed within 2 years after the calendar quarter in which the State agency made the expenditure unless they meet one of four exception criteria.

DHS adjusted expenditures on the HCFA-64 form for the quarter ending June 30, 2000 that were originally claimed during fiscal year 1998 (in excess of the two-year limit). The department adjusted administrative expenditures that were originally claimed at 50% to a 75% federal participation rate. The net effect of the adjustment resulted in an increase of \$20,369 in federal expenditures claimed. Federal regulations regarding Medicaid funding limitations only allow adjustments to be made in excess of the two-year limit if the initial claiming was based on an interim rate. The adjustment made by DHS did not relate to a claim that was originally based on an interim rate; therefore it does not comply with the availability of federal funds requirement for the Medical Assistance program.

Questioned Costs: \$20,369

RECOMMENDATION

00-56 Reimburse the federal government for questioned costs deemed unallowable.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Finding 2000-57

RESEARCH AND DEVELOPMENT CLUSTER:

Grants for Agricultural Research – Competitive Research Grants – CFDA 10.206

Environmental Protection – Consolidated Research – CFDA 66.500

Administered by: University of Rhode Island

SUBRECIPIENT MONITORING

A recipient that receives a federal award and provides \$300,000 or more of it during its fiscal year to a subrecipient shall do the following:

- Ensure that the non profit institution subrecipients that receive \$300,000 or more have met the audit requirements of OMB Circular A-133.
- Obtain a copy of the subrecipient A-133 report. The report is due within 30 days after the completion of the audit, but the audit should be completed and the report submitted no later than 13 months after the end of the subrecipient's fiscal year unless a longer period is agreed to by the cognizant agency.
- Ensure that appropriate corrective action is taken within six months after the receipt of the subrecipient's audit report where instances of noncompliance with federal laws and regulations are noted in the audit report.

During our review of subrecipient monitoring, we noted that one subrecipient had submitted an A-133 audit report that indicated questioned costs. The subrecipient's file indicated no documentation of follow-up action taken by the University on corrective action.

Questioned Costs: None

RECOMMENDATION

- 00-57 We recommend that the University strengthen its procedures over subrecipient monitoring to ensure that the required reports are received and appropriate follow-up procedures are performed.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Section III – Federal Award Findings and Questioned Costs

Finding 2000-58

RESEARCH AND DEVELOPMENT CLUSTER:

Sea Grant Support – CFDA 11.417

Coastal Services Center – CFDA 11.473

Community Outreach Partnership Center Program – CFDA 14.511

U.S. State Department - CFDA none

Administered by: University of Rhode Island

REPORTING

OMB Circular A-110 requires the timely submission of financial reports to federal awarding agencies. Six of the 20 financial reports selected for testwork were not submitted within the timeframes required by the granting agencies. In addition, the Coastal Services Center grant agreement requires submission of monthly Federal Cash Transaction Reports. During the audit period, only semi-annual reports were submitted for this grant.

Questioned Costs: None

RECOMMENDATION

00-58 Procedures should be reviewed to ensure that all federally required reports are filed within the required timeframes established by the granting agencies.

Finding 2000-59

RESEARCH AND DEVELOPMENT CLUSTER:

Cancer Control – CFDA 93.399

Administered by: University of Rhode Island

PERSONNEL ACTIVITY REPORTS

For each organizational unit of the University, the distribution of salaries and wages of professional staff is based on either a system of monitored workload or a system of personnel activity reports. Under the latter system, the distribution of salaries and wages will be supported by personnel activity reports.

For non-classified employees, an after-the-fact activity record is prepared twice a year covering the academic year pay for the periods of July 1 to December 31 and January 1 to June

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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30. Although University policy required these records to be submitted to payroll accounting by August 18, 2000, three of these records were completed and submitted on November 14, 2000.

Questioned Costs: None

RECOMMENDATION

00-59 Procedures should be reviewed to ensure that effort reporting is performed in a timely basis in order to appropriately capture all costs associated with federal grants.

Finding 2000-60

FOOD STAMPS - CFDA 10.551
TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – CFDA 93.558
Administered by: Department of Human Services (DHS)

CONTROLS OVER ELECTRONIC BENEFIT DELIVERY SYSTEM

Controls over the delivery of food stamps and Temporary Assistance to Needy Families (TANF) benefits are weakened because some individuals have access both to the Department's INRHODES eligibility system and Deluxe Data's EBT card personal identification number authorization system. Certain local office supervisory personnel can create cases and/or modify case information within the INRHODES system. These same individuals can generate an EBT card and establish a personal identification number. Neither the Department of Human Services nor its contractor Deluxe Data has a complete list of individuals with access to the EBT card personal identification number system.

DHS personnel both generate the EBT card and assist the recipient to establish a personal identification number using an on-line (Deluxe Data) system terminal and encoding machine. In order for recipients to establish their personal identification number, clerical or certain supervisory personnel from each local office log on to the Deluxe system by entering a two-digit user identification number and a four-digit confidential password. We were informed that to ensure security control over card issuances, only clerical personnel with limited access to the Department's INRHODES eligibility system have access to this function of the Deluxe system.

We requested a listing of the individuals with access to the Deluxe system from the Department's Operations Management section, the Field Services section and the EBT subcontractor. We were informed that neither DHS nor Deluxe maintains a complete listing of personnel authorized to access the Deluxe system and the personal identification number encoding equipment.

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Department personnel have indicated that the responsibility for managing access to the Deluxe terminals and encoding equipment was assigned to local office supervisors, and that the Department has begun compiling a list of those individuals with access to the Deluxe system.

System access controls should include maintaining a current listing of authorized users and periodically analyzing the responsibilities of authorized users to ensure proper segregation of duties. System access controls are critically important in the EBT function since other controls to detect unauthorized and inappropriate access to the system are limited.

Questioned Costs: None

RECOMMENDATIONS

- 00-60a Segregate responsibilities such that no individual has access to both initiate or modify case data within the Department's INRHODES system and the ability to generate EBT cards and establish personal identification numbers.

- 00-60b Determine and document all individuals with access to the Deluxe Data EBT card authorization system.

Corrective Action Plan



Corrective Action Plan -
Findings Included in 2000 Single Audit Report

Finding 2000-1

Corrective Action:

The Division of Accounts and Control has issued statewide policies and procedures to record all new fixed asset acquisitions since July 1, 1998. Two staff people have completed physical inventories of existing fixed assets (excluding infrastructure) and the inventory of state owned land and buildings. The state automobile fleet has been brought into the fixed asset reporting system. The accumulation of fixed asset data is planned to be completed in phases: land and buildings; all other fixed assets; infrastructure assets. This effort will be completed by December 31, 2001.

Contact person: Lawrence Franklin, Jr., State Controller
Telephone: 401-222-6731; Fax: 401-222-6437;
e-mail: lfrankli@doa.state.ri.us

Finding 2000-2

Corrective Action:

The Department of Administration has acquired new integrated, accounting software. The software we acquired does not have a module for debt and debt service accounting. We will be researching the functionality of other commercial, off-the-shelf software for this purpose to integrate with our general accounting software. Presently, the implementation of the general accounting software is underway and is planned to be implemented statewide at July 1, 2001. During this implementation, the Division of Accounts and Control will research debt accounting software, prepare a budget request to acquire it, and plan its implementation.

Contact person: Lawrence Franklin, Jr., State Controller
Telephone: 401-222-6731; Fax: 401-222-6437;
e-mail: lfrankli@doa.state.ri.us

Finding 2000-3

Corrective Action:

No corrective action is planned since a new statewide accounting system will be implemented at July 1, 2001.

Contact person: Lawrence Franklin, Jr., State Controller
Telephone: 401-222-6731; Fax: 401-222-6437;
e-mail: lfrankli@doa.state.ri.us

Corrective Action Plan -
Findings Included in 2000 Single Audit Report

Finding 2000-4

Corrective Action:

2000-4a

The State Controller has requested the Office of Library and Information Services (OLIS) to assign unique passwords to users of the on-line payroll accounting system. Action has begun but completion is not expected until June 2001 or later.

2000-4b

This recommendation cannot be completed until #2000-4a is completed. See action plan for #2000-4a.

Contact person: Lawrence Franklin, Jr., State Controller
 Telephone: 401-222-6731; Fax: 401-222-6437;
 e-mail:lfrankli@doa.state.ri.us

Finding 2000-5

Corrective Action:

The Office of Library and Information Services (OLIS) has established a committee to prepare and write a disaster recovery/business resumption plan for all computer applications that utilize the State Operations Center in Johnston. The committee is still working on its report and a plan will be formulated from the committee's report following integration of the report of the consultant to the evaluation of the Information Technology Operations Center (ITOC). OLIS has taken delivery of a Preliminary Facility Study which is the culmination of phase one of an evaluation in progress by a consultant. The Preliminary Facility Study posits a draft program for the ITOC including the computer center, the central mail facility and the network operations center, identifies the major risks existing in the ITOC facility and makes preliminary recommendations for both short and long term remedial strategies including disaster prevention/business recovery. Part two of the study, expected to be completed at the end of April 2001 will add detail to programmatic, engineering, architectural and technology strategies, including a workshop on disaster prevention/business recovery. The Governor's FY2002 budget includes \$200,000 for design work to begin implementation of the outcome of the evaluation study.

Corrective Action Plan -
Findings Included in 2000 Single Audit Report

Contact person: Howard Boksenbaum, Information Technology Officer
Office of Library and Information Services
Department of Administration
tel. (401) 222-5708

Finding 2000-6

Corrective Action:

Recommendation 00-6a

The Department concurs with this recommendation. The Department, in conjunction with the State Controller, instituted a complete reorganization of the Highway Fund account structure effective January 1, 2001. Highlights of the new system are:

- Thirty-nine accounts were consolidated into one.
- A single federal account number for each CFDA.
- Separate accounts for state match, non-participating and third party reimbursement.
- Vouchers split by funding source and matching source
- Ability to track federal expenditures/reimbursements without reliance on a subledger.

Additionally, the Department will be “cutting over” to a new financial tracking system before the end of Fiscal 2001. This new system, which is based on a state of the art relational database management system, will be of great assistance for both the CAFR and the Single Audit.

Recommendation 00-6b

The Department concurs in part with this recommendation. Over the past several fiscal years a concerted effort has been made to lower the “earned but unbilled” amount. The fiscal year ending balance of \$12.9 million represents a significant reduction from the average ending balance of \$16.95 million over the past five fiscal years.

A number of systemic changes have been put into place which should have a significant impact on the amount of “earned but unbilled” carried on the Department’s ledger. Most significant of these changes are:

Hired a Supervising Accountant to institute an aggressive effort to final voucher and close dormant highway projects and apply federal funding where necessary. Project closeouts have gone from as few as 25 per year to an estimated 150 during the current fiscal year.

Corrective Action Plan -
Findings Included in 2000 Single Audit Report

In conjunction with the Federal Highway Administration, instituted a "Quality Financial Management Initiative", the results of which has greatly reduced the time it takes RIDOT and Federal Highway to process and approve Modified Project Agreements, the first step necessary to take a project out of "earned but unbilled" status.

Hired an accountant to primarily monitor and prevent future "earned but unbilled".

Despite these efforts, "earned but unbilled" is a necessary component of the implementation of a federally funded highway program. All efforts possible are being made to reduce the amount of "structural" earned but unbilled and reduce its effect on the Department's cash flow.

Contact person: Brian Peterson, Associate Director for Financial Management
tel. (401) 222-6590 ext. 4634

Finding 2000-7

Corrective Action:

See Corrective Action for Finding 2000-47.

Finding 2000-8

Corrective Action:

See Corrective Action for Finding 2000-51.

Finding 2000-9

Corrective Action:

See Corrective Action for Finding 2000-1.

Finding 2000-10

Corrective Action:

2000-10a

The Department of Administration thinks that compliance with cash management requirements will improve for those departments that draw federal funds more quickly than permitted. They will have to use their state-funded program funds to pay any state interest liability under CMIA.

Corrective Action Plan - Findings Included in 2000 Single Audit Report

The Office of Accounts and Control will begin monitoring the cash position of federal program accounts on a daily basis to prevent federal funds from being drawn later than permitted. The Office of Accounts and Control will also work with the agencies to modify draw techniques where necessary to ensure that the State's Treasury/State agreement is reflective of current payment patterns.

A task force was formed during fiscal 2000 with representatives of the Office of Accounts and Control, Treasury and various agencies with the goal of improving CMIA compliance. Treasury will implement quarterly reviews of accounting system data to monitor compliance with cash management requirements.

Contact person: Lawrence Franklin, Jr., State Controller
Telephone: 401-222-6731; Fax: 401-222-6437;
e-mail: lfrankli@doa.state.ri.us

2000-10b

The Department of Administration will continue to explore with the General Treasurer the possibility of vesting responsibility for federal cash management within the Office of the General Treasurer.

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e-mail: lfrankli@doa.state.ri.us

Finding 2000-11

Corrective Action:

1. The CDC staff will immediately implement a process of monthly physical inventory taken for all USDA commodities. Any discrepancies found in each monthly inventory process will be researched and will be reconciled.
2. A change in packaging by the USDA will necessitate a change in internal warehouse procedures. Beginning in April of 2001, all USDA commodities will be labeled at the warehouse by the commodity code assigned by the USDA. The labels will be placed on each pallet and warehouse workers will be given the commodity code as the item to pick as opposed to the commodity name. This should help to eliminate errors in picking similar buy not the same product (such as selecting diced peaches rather than sliced, or 30 ounce chicken portions vs. 4 ounce portions).

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3. The Department recognizes that its current inventory management system is outdated. New software and hardware is required to have a system that reduced the potential for errors. The Department's Administrator of Physical Resources will explore the potential for USDA funding of a new inventory program. Simultaneously, the Department is working to make the entire CDC operation more cost efficient. Cost efficiencies will eventually create a sufficient enough surplus to purchase and install a new system. Our target is to have a new system in place by no later than June 30, 2002.

Contact person: Terrence McNamara (401) 462-4023
Acting Administrator of Physical Resources
Central Distribution Center
144 Power Road
Cranston, RI 02920
E-mail: tmcnamara@doc.state.ri.us

Finding 2000-12

Corrective Action:

On a daily basis DHS Office of Financial Management personnel track and reconcile Deluxe financial reports and monitor federal food stamp benefit funding on the AMA/ASAP system. Authorizations are derived from the Deluxe report entitled "Daily Statistical Report." Daily Deluxe clearing statements are matched against the federal food stamp cash drawdowns on the AMA/ASAP system. A daily federal food stamp running balance (authorizations versus clearings) maintained on an Excel spreadsheet is reconciled daily with the ASAP Account Statement Inquiry screen. All financial activity is ultimately reconciled to the Rhode Island State Controller's Statements. The 4900 accounts are reconciled to the running balances on a monthly basis.

In an effort to reinforce the reconciliation process DHS implemented an additional procedure starting November 1, 2000 whereby the ASPSFS4 report was reconciled to the ASAP issuance on a monthly basis. Prior to the beginning of the month the food stamp payroll is "warehoused" or issued pending availability on the ASAP/AMA system. The warehoused amount can be found on the AMA system on the ISSUANCE/RETURNED BENEFITS/REVERSALS INQUIRY screen. The warehoused payroll amount is added to the daily authorizations for the month and must equal the amount reported on the ASPSFS4 report. The reconciliation is filed in the DHS Office of Financial Management.

Commencing January 2, 2001 the federal government initiated an approval process for non-batch issuances on the AMA/ASAP system. With this added step the warehoused amount described above will be identified beforehand by DHS. In order to do this the monthly "FS Regular Payroll Select Totals" report is being modified to break down federal and state dollars. The modification date is March 1, 2001.

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As of November 1, 2000 DHS is in complete compliance with the recommendation.

Contact person: Kevin McCarthy
(401) 462-6871

Finding 2000-13

Corrective Action:

2000-13a

During fiscal year 2000 a transfer of fiscal duties was completed which involved the transfer of fiscal duties from the DHS Collections Office to the Office of Financial Management. A high rate of personnel turnover in the Collection Office resulted in a delay of postings and reconciliation's. The Office of Financial Management has made progress in timely postings and reconciliations.

All postings and reconciliations will be completed by June 30, 2001.

Contact person: Ronald H. Gaskin
(401) 462-6856

2000-13b

The DHS Office of Financial Management is currently reviewing all tax intercept amounts with the Federal Government and the State Treasurer's Office.

The FNS-209 reports will be corrected seeking federal reimbursement for tax intercept state share on the completed FNS-209 report for the quarter ending March 31, 2001.

Contact person: Ronald H. Gaskin
(401) 462-6856

Finding 2000-14

Corrective Action:

Accepted and Implemented.

Effective January 1, RIDE has put in place a process and implementation plan for the review and follow-up of subrecipient audit reports. All procedures are outlined in a procedural manual also newly developed. All the FY 2000 audits due December 31, 2000, have been reviewed; follow-

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up letters have been sent when necessary. RIDE is now in full compliance with regards to audit procedures.

Contact persons: Adelita Orefice
 (401) 222-4600 Ext. 2402

 Loreto Gandara
 (401)222-4600 Ext. 2410

Finding 2000-15

Corrective Action:

The corporation acknowledges that the remittances from the sites are generally late. This delay is usually associated with the additional time needed by the sites to complete their annual audits (in conjunction with their external accounting firms). The Corporation has no specific regulatory capacity to enforce timely submissions by owners of the sites. The Corporation does notify site owners in writing when they have failed to comply with the applicable submission deadline. The Department of Housing and Urban Development (“HUD”) has been aware of this timing difficulty. In the future, RI Housing will expand its advisory procedures by notifying, in writing, commencing on the 60th day and each 30-day period thereafter, those site owners who have not remitted their residual receipt deposits, until the remittances have been received by the Corporation.

Contact person: John Gordon
 (401) 457-1223

Finding 2000-16

Corrective Action:

Municipal Affairs was transferred to the auspices of the Budget Office from the Office of Library and Information Services. Since an employee of OLIS, Division of Planning was assigned to track staff time allocation and match, Municipal Affairs was left, at the time of transfer, with no employee assigned to this responsibility.

Within one month of the date of this notice, be advised Municipal Affairs will work with the Central Business Office to assure that an appropriate individual is assigned these duties and trained, as necessary, to track matching costs and time allocation. Recurrence of this situation is not anticipated. This office is confident that sufficient match was provided during the audit period.

Contact persons: Jeffrey A. Gofton, Municipal Affairs

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Finding 2000-18

Corrective Action:

All receipts and disbursements entered into the DLT accounting system are reconciled to the state appropriation accounts on a monthly basis. While these reconciliations ensure that all expenditures are recorded in both accounting systems, we concur with the finding and recommendation of your office.

We have refined the process previously used to reconcile program expenditures, and we have begun to perform these reconciliations. We will maintain an increased staff commitment to this task until the reconciliations are completed. All reconciliations will be completed within 90 days. We will also complete the reconciliation of program expenditures for the current program year as soon as practicable following the receipt of the state's year-end statements.

Contact person: Edward Hill, Supervising DLT Business Officer
(401) 462-8147
E-mail: ehill@dlt.state.ri.us

Finding 2000-19

Corrective Action:

The Job Training Partnership Office (JTPO) conducted program monitoring and oversight of the GRI Service Delivery Area as required by federal regulation 20 CFR 627.475. As corrective action, all programmatic monitoring reports and supportive documentation will be filed in a central file located in the State Workforce Investment Office. The reports and supportive documentation will remain in this central file until audited.

Contact person: Richard Beneduce, Chief, Employment & Training Programs
(401) 462-8781
E-mail: rbeneduce@dlt.state.ri.us

Finding 2000-20

Corrective Action:

The Adult and Dislocated Worker Unit (ADWU) and the Unemployment Insurance Unit are undertaking the following steps to increase internal control procedures and ensure the reliability of data reported on the quarterly ETA 563 report document.

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An ADWU supervisor will review and approve all ETA 563 reports prior to the required electronic submittal. Additionally, information will be retrieved from existing Department systems wherever possible to increase the accuracy of information provided in the report and limit the likelihood of data entry errors. In addition, all queries initiated to provide data for specific report items will be maintained, either electronically or in paper files to verify the compilation of reporting statistics. This corrective action will begin immediately.

The ADWU will also reconcile the supporting documents for report data elements prior to submittal of ETA 563 report and maintain the supporting documents by report period. This corrective action will also begin immediately.

The above mentioned units have participated in meetings with the Information Services Division to establish automated procedures for provision of data required in the ETA 563 report from existing Department databases, where possible. Additionally, initial discussions have taken place with the Business Affairs unit regarding the provision of Training Related Costs, Job Search Allowances and Relocation Allowances data. The ADWU will work with Business Affairs to develop a system to provide this quarterly expenditure data by petition number. We anticipate corrective action to be completed within 90 days.

The ADWU will also review the accuracy of all ETA 563 reports submitted during fiscal 2000 and submit revised reports as necessary. We anticipate this portion of our corrective action plan will require six (6) months to complete.

Contact persons: Sandra Powell, Employment and Training Coordinator
 (401) 462-8803
 E-mail: spowell@dlt.state.ri.us

 Bill Brock, Unemployment Insurance Coordinator
 (401) 462-8405
 E-mail: bbrock@dlt.state.ri.us

Anticipated completion date: 90 days for recommendations 20a, 20b and 20c.
Six months for recommendation 20d.

Finding 2000-21

Corrective Action:

A check was issued for \$1,470,000 on June 12, 2000 in anticipation of a closing on a piece of commercial property for the Route 403 project in late June or early July. It was planned that the property would be acquired through a negotiated settlement. The owner rejected the offer at the last minute and requested that further appraisals be done.

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Because the current system in place processes draws after three days of the issuance of the check by the State Treasurer, this transaction was included in the next June billing. According to procedures adopted as a result of last year's Single Audit, the check should have been returned and the Federal Programs Section notified so no draw would be processed. There was a breakdown in the procedures and Federal Programs was never notified. The staff has been further instructed as to the proper notifications.

In November of 2000, a decision was made to take the property through condemnation. A new check was issued for \$1,880,000 on November 24, 2000. At this time, the Department—prior to the Single Audit—discovered that the original amount had already been billed. A project credit in the amount of \$1,176,000 (the federal share of the \$1,470,000) was issued in the “next current bill” for the original amount.

The Department has made a number of procedural changes to coordinate the drawing of federal funds for large land transactions with the actual property closing. Additionally, the new financial management system will issue right-of-way checks as an “advance” and the payments will only be available for federal reimbursement after a physical change of the payment status is entered. It is anticipated that the Real Estate Section will change the status of the payment after the payment has been made.

One of the issues that have challenged the Real Estate unit over the years is the length of time that it takes to process checks through the state system. Often checks were requested well in advance of the anticipated closing solely for the purpose of insuring that a check would be ready. Because of the unpredictability of the system, this was the method used to insure that a check would be ready for the property acquisition. This fiscal year, the Department, in conjunction with the Budget Office and the State Controller has put procedures in place to reduce the time it takes to issue a right-of-way or relocation payment.

Under the new system, the Real Estate Unit hand-walks the vouchers in a specially colored folder to the Budget Office on Mondays and Wednesdays. When the new folder is dropped off, the vouchers from the previous day are picked up. The vouchers are then hand-walked to Accounts and Control where they receive special processing. A check is available at the General Treasurer's Office within three business days of submitting the approved vouchers to Accounts and Control.

The procedures outlined above should significantly reduce the amount of time between the request of a right-of-way check and the actual closing.

The \$80,225 represents the federal share of \$100,281 that was incorrectly coded in the Construction Record Keeper. A portion of the work done on the Mineral Spring Avenue Bridge was correctly labeled as Amtrak, but was coded as 80/20 rather than as “nonparticipating”. This normally would have been corrected at final voucher.

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Recommendation 00-21a

The federal draw relating to the \$1,176,00 was reversed in December of 2000.

The federal draw relating to the \$80,225 will be adjusted in the first April 2001 billing.

Recommendation 00-21b

Procedural and systems changes are being implemented to time the drawing of federal funds to the actual property closing—rather than the issuance of the check.

Contact person: Brian Peterson, Associate Director for Financial Management
tel. (401) 222-6590 ext. 4634

Finding 2000-22

Corrective Action:

On October 5, 2000, the Authority requested an extension due to tight time constraints. An extension to November 30, 2000 was granted by the FTA. As of November 2000 all past due DBE reports have been submitted. RIPTA procurement staff will monitor its reporting requirements more closely to ensure the timely submission of reports in the future.

Contact person: Maureen Neira
(401) 784-9500

Finding 2000-23

Corrective Action:

The manufacturer in question provided 2001 DBE goals when requested by the Purchasing Manager at the time of the audit. The Procurement Department has developed a checklist to ensure the timely and accurate return of required bid documents.

Contact person: Maureen Neira
(401) 784-9500

Finding 2000-24

Corrective Action:

Partially accepted and will implement.

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RIDE has instituted several corrective actions with regard to this recommendation. These include ceasing automatic advance start-up payments: in FY 97, allowing only monthly cash advance requests, and in FY 98 sending letters to sub-grantees who return significant amounts of cash or maintain excess cash on hand. The above listed procedures have resulted in some minor improvement; however the issue is part of a larger cash management state issue. Any other procedural changes by RIDE are pending until the final recommendation from the U.S. Department of Education through the Cooperative Audit Resolution and Oversight Initiative (CAROI).

Contact persons: Adelita Orefice
 (401) 222-4600 Ext. 2402

 Loreto Gandara
 (401) 222-4600 Ext. 2410

Finding 2000-25

Corrective Action:

Accepted and partially implemented.

RIDE has instituted policies and procedures to review and follow-up on subrecipient audits. (See response under finding #1). In addition, there are procedures in place for review and follow-up of comparability requirements. RIDE is also revising the annual application in an effort to have more information that can inform local implementation.

RIDE, through the leadership of the Title I office will review current policies and procedures to strengthen program oversight and implementation.

Contact persons: Diane DiSanto
 (401) 222-4600 Ext. 2160

 Janet Carroll
 (401) 222-4600 Ext. 2182

Finding 2000-26

Corrective Action:

Accepted and will implement.

RIDE is instituting a new time and effort system effective FY 2001. With this new system, the reconciliation of budget amounts for personnel costs to actual costs will occur three times a year.

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Finding 2000-29

Corrective Action:

The Department of Human Services, Office of Rehabilitation Services, has revised its procedures that will accommodate this finding.

DHS/ORS staff will complete a comparable services and benefits checklist which will be incorporated into the case record when the Individualized Plan for Employment is developed and approved by the Qualified Vocational Rehabilitation Counselor.

Contact person: Susan Olson, Office of Rehabilitation Services
(401) 421-7005 ext. 310

Anticipated completion date: April 1, 2001

Finding 2000-30

Corrective Action:

ORS has adjusted its accounts to reimburse the federal government for the unallowable cost.

Contact person: Stephanie A. DeBonis, Office of Rehabilitation Services
(401) 421-7005 ext. 313

Finding 2000-31

Corrective Action:

DHS/ORS staff have been retrained on eligibility determination time limits, and field management staff will institute quality assurance practices to ensure that this requirement is met.

DHS/ORS Field Services staff received training related to eligibility determination time requirements. Field Services Supervisors will initiate quality assurance measures through case reviews to ensure compliance.

Contact person: Susan Olson, Office of Rehabilitation Services
(401) 421-7005 ext. 310

Anticipated completion date: Continuous

Corrective Action Plan -
Findings Included in 2000 Single Audit Report

Finding 2000-32

Corrective Action:

2000-32a

The Department concurs with the Auditor General's findings that some discrepancies, which resulted from the IEVS matches, were not resolved in a timely fashion. An enhancement made in InRhodes during 1999 corrected a number of systems issues. Staff has been made aware of the need to review IEVS matches and to take appropriate action in a timely fashion.

1) An operational memorandum will be developed to delineate the required actions staff should take when reviewing IEVS matches. This memorandum will be distributed to all staff with responsibility for this function. This corrective action will be completed by May 1, 2001. 2) Remedial training will be developed by the Regional Managers in cooperation with Staff Development. Attendance at this training will be required for all staff determined by their supervisors to be deficient in this area.

Contact person: Edward P. Sneesby
(401) 462-2424

Anticipated completion date: May 1, 2001

2000-32b

The Department concurs with the findings of the Auditor General that in some case files the documentation used to resolve the discrepancy was not properly retained in the case file.

The operational memorandum being developed in response to the above recommendation will also delineate as part of the procedures the maintenance of proper documentation in the case file and annotating the Case Chronology. This memorandum will be complete by May 1, 2001.

Contact person: Edward P. Sneesby
(401) 462-2424

Anticipated completion date: May 1, 2001

2000-32c

The Department will conduct a review of the records identified by the Auditor-General as lacking evidence of the resolution of the IEVS discrepancy.

This review will be conducted immediately and a report of the findings completed by April 15, 2001.

Corrective Action Plan -
Findings Included in 2000 Single Audit Report

Contact person: Edward P. Sneesby
(401) 462-2424

Anticipated completion date: April 15, 2001

Finding 2000-33

Corrective Action:

The PMS-272 report is as a rule prepared using actual federal expenditures reported on the ACF-196 financial report for the TANF program. For the quarter ending March 31, 2000 final data for the 196 report was not received until very late Monday, May 15, 2000 and the amount used for the PMS-272 was estimated. A worksheet delineating the variance is attached. The largest component is an estimate for DCYF, which did not materialize as the claim was not received on time and was reported as zero on the ACF-196. The June 30, 2000 and all subsequent PMS-272 reports use actual federal expenditures reported on the ACF-196 report.

Contact person: Kevin McCarthy
(401) 462-6871

Finding 2000-34

Corrective Action:

This agency continues to make progress towards correcting the deficiencies cited within this report and in previous reports relative to the reconciliation of child support collections and distributions that are reported by the State's INRHODES automated Child Support Enforcement System and those reported by the State Accounting System. The prime reason that the two systems were not reconcilable is that Non-IVD (non-program) child support collections and distributions were included in the state accounting system's reports while being excluded from the federal report of collections and distributions of the IVD program (OCSE 34A) because they were considered non program income and disbursements.

INRHODES system programming changes were made in late 1999 and early 2000 calendar years to assist in implementing this audit recommendation. The changes were implemented on July 5, 2000, after the period of this audit review. "Unidentified" collections received and posted to INRHODES by the RI Family Court and those collections that were not "disbursed" by the INRHODES system to payees because their addresses were verified as bad are now being reported on the INRHODES system and the program's federal reports. Both of these undistributed collection categories were represented in the balances of the state accounting system, but were previously not counted in the INRHODES system reports.

Corrective Action Plan - Findings Included in 2000 Single Audit Report

This agency continues to examine the remaining differences between the balances of the two systems. This Agency has reached tentative agreement with the State Treasurer's Office to close the child support receipt and expenditure account and remove it from the state accounting system in order to meet the federal mandates of distribution within two days of receipt. Plans are being made to open a distinct CSE checking account to be implemented by June 30, 2001. The agency plans to finalize their reconciliation attempts between the two systems by June 30, 2001 and make final recommendation or accounting adjustments in order to close out this finding.

Contact persons: Edward Keenaghan, CSE Systems
 Jeanne Buckner, CSE Accounting
 (401) 222-2847

Finding 2000-35

Corrective Action:

The agency has taken several steps since the audit period of review to strengthen the procedures and controls that ensure that medical support is enforced. In November 2000, letters were sent to every obligor that had an INRHODES order panel indicating that medical coverage was previously ordered by the court to be maintained and the insurance company information was lacking. Obligor's were instructed to file motions for relief with the court if they could not provide the insurance as ordered by the court.

New INRHODES system enhancements are currently in testing that will automatically produce automated motions for medical enforcement without the need for caseworker intervention. The Agency plans to implement this enhancement by June 30, 2001.

The Agency is currently reviewing the procedures to ascertain the insurance information from the obligor in a timelier and more complete manner, with the goal of implementing stricter controls for obtaining the information through follow up with the obligors or employers. This review is expected to be completed with recommendations implemented by June 30, 2001.

The Agency's Legal Office is also scheduled to meet with the Family Court Administrator to determine the impact of automated medical enforcement motions on the court and their capacities to handle the increased volumes anticipated from this system enhancement being implemented. Additionally, medical information coming to the Agency from New Hire Reports filed by the state's employer community will be assigned to workers to verify before uploading this information to the INRHODES insurance panel (INSU). These referrals will commence immediately.

For those obligors that had been ordered to provide insurance for their children if the coverage was available at "reasonable cost", the Agency has amended its automated notice to employers to enroll the obligors children in the company insurance plan only if it is available at "no cost" to the employee until a "reasonable cost" can be officially determined. To that end, the Agency has

Corrective Action Plan -
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requested, in a letter addressed to the Chief Judge of the Family Court dated February 7, 2001, that the Child Support Guideline Task Force consider the federal guideline policies and procedures for medical support and recommend a standard of “reasonableness” in its next update to the State’s Child Support Guidelines for Child Support Obligations. Responsibility to update the guidelines for child support orders in RI lies with the RI Family Court. The next update to the guidelines is due during the 2000 calendar year.

Contact persons: Edward Keenaghan, CSE Systems
Sharon Santilli, CSE Legal
(401) 222-2847

Finding 2000-36

Corrective Action:

Outstanding uncashed checks written-off in June 1999 for calendar 1998 as program income will be reported on the Federal 396A report for the quarter ending 3/31/01.

CSE Accounting Office and Family Court have developed a revised methodology for identifying unallowable costs related to non IV-D cases. CSE has obtained stats from the INRHODES system support vendor on these activities going back to the beginning of the audit period. Family Court has reviewed the recording of case counts and/or hours for all divisions of Family Court including the Counties. Family Court has used this new methodology for the first two quarters of SFY 2001. Family Court and the CSE Agency will meet on 3/27/01 to prepare for the final meeting with the OCSE Federal Auditors to present this methodology and to make arrangements to reimburse the federal government for retroactive periods of inappropriate charges.

Contact persons: Edward Keenaghan, CSE Systems
Sharon Santilli, CSE Legal
Jeanne Buckner, CSE Accounting
(401) 222-2847

Finding 2000-37

Corrective Action:

An adjustment voucher for Interest earnings for Fiscal Year 2000 has been submitted on March 12, 2001. The first two quarters of Fiscal Year 2001 have also been included in this adjustment voucher. Subsequent interest income will be reported in the future on a quarterly basis.

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Contact persons: Edward Keenaghan, CSE Systems
Sharon Santilli, CSE Legal
Jeanne Buckner, CSE Accounting
(401) 222-2847

Finding 2000-38

Corrective Action:

On August 2, 2000, CSE submitted a request for approval of Indirect Cost Rates with the Federal Division of Cost Allocation, in New York. CSE obtained a "State and Local Rate Agreement" dated 12/21/00 which has been signed by Vincent J Bamundo, Division of Cost Allocation. This agreement was subsequently signed by R. Gary Clark, Executive Director/Revenue Services on 2/28/01. This agreement approves the indirect cost rates for SFYs 98, 99, 00 and 01. CSE will process adjustments to these rates on the Federal 396A for the quarter ending 3/31/01. These adjustments will then be recorded in the State's accounting system.

Contact persons: Edward Keenaghan, CSE Systems
Sharon Santilli, CSE Legal
Jeanne Buckner, CSE Accounting
(401) 222-2847

Finding 2000-39

Corrective Action:

The State Energy Office's corrective action plan includes:

- The design and implementation of a new audit report review checklist, which will reflect current OMB A-133 guidelines.
- Train personnel responsible for review of subrecipient audit reports on relevant Single Audit topics.
- Issue management decisions within six months of receipt of the audit report on all LIHEAP findings contained in the subrecipient audit report.

Contact persons: Matteo Guglielmetti, LIHEAP Program Manager
(401) 222-6920

Manuel DelSanto, Central Business Office
(401) 222-4210

Corrective Action Plan -
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Finding 2000-40

Corrective Action:

2000-40a

As this is not the first instance that statewide central service cost has been overestimated, it is DHS's position that this overcharge has become a statewide issue. DHS uses statewide central service cost provided by the Office of Accounts and Control as a basis to determine estimated annual statewide cost. Late submittal of SWAP costs resulted in this overclaim. The federal Division of Cost Allocation is aware of this, as they are the federal agency which approves Rhode Island's statewide plan. Also, Division of Cost Allocation has at present and in the past been contacted regarding DHS resolution to this issue, and it is our position that they have acquiesced to our method of reimbursement.

The overcharge is being adjusted by excluding quarterly Statewide Central Service Costs until all costs have been recouped.

Overage will be recouped and statewide central service cost will resume being claimed in the June, 2001 quarter.

Contact person: Ronald H. Gaskin
(401) 462-6856

2000-40b

DHS agrees to reimburse the federal government for said costs in the March, 2001 quarter.

The federal share of the unallowable costs of \$5,985.00 (Medical Assistance \$3,934; Foodstamp Program \$1,769; Childcare \$196; Refugee Program \$86) will be credited against indirect cost claimed in the March, 2001 quarter.

Contact person: Ronald H. Gaskin
(401) 462-6856

Finding 2000-41

Corrective Action:

We are currently developing a method to calculate the amount of claims made on behalf of children who were ineligible for Medicaid before the system was modified to prevent such claims. When the amount is determined we will reimburse the Medicaid program.

Corrective Action Plan -
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Contact person: Leo DuCharme
(401) 528-6360

Anticipated completion date: June 30, 2001

Finding 2000-42

Corrective Action:

The Department is aware of the need to improve verification of homemaker services prior to payment. The authorizations are currently entered on the InRhodes system; the MMIS system will be modified to capture authorizations and create an edit to only allow payment for authorized services by the appropriate funding source for the individual.

The Department is aware of the need to improve verification of homemaker services prior to payment. The authorizations are currently entered on the InRhodes system; the MMIS system will be modified to capture authorizations and create an edit to only allow payment for authorized services by the appropriate funding source for the individual.

Contact person: Dianne Kayala
(401) 462-6303

Anticipated completion date: December 31, 2001

Finding 2000-43

Corrective Action:

The Department requires several documents to ensure that subrecipients are expending federal awards in compliance with laws and regulations. All subrecipients are required to submit a narrative proposal and budget, which is reviewed by a contract manager to insure that program, and fiscal activities are in compliance with federal requirements. Upon completion of review a contract is developed. The terms and conditions of all contracts require that subrecipients expending \$300,000 or more in federal awards must have an audit performed in accordance with OMB Circular A-133 and submit it to the Department. In the case where the subrecipient is expending more than \$25,000 an audited financial statement by an independent auditor must be submitted to the Department. All subrecipients, regardless of amount of contract are required to submit, at a minimum quarterly financial and program reports to monitor expenditures and program activities to insure compliance with contract terms. In the case of the SSBG an annual report of services is required. In addition to the development of a contract and submission of reporting forms, monitoring of many federal programs include at a minimum annual site visits.

Corrective Action Plan -
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Other types of monitoring tools used by the Department include reviewing agency board minutes, attending agency program events, sponsoring training sessions for subrecipient staff, and attending agency association meetings. In most cases the Departments subrecipients are also receiving federal and state funds from several other state departments, therefore a statewide approach to onsite monitoring may be a more effective way to ensure that subrecipients are expending federal awards in compliance with laws and regulations.

The Department does employ several tools to monitor its subrecipients in order to insure compliance. Site visits will continue to be used as a monitoring tool, within current staffing constraints.

Contact person: Ronald H. Gaskin
(401) 462-6856

Anticipated completion date: Continuous

Finding 2000-44

Corrective Action:

We will adjust applicable federal reports and claims to correct for the errors note above. We are currently developing a quality assurance process that will focus on review of input and output data relating to the cost allocation process to ensure the plan results are accurate.

Contact persons: Leo DuCharme
(401) 528-6360

Peter Keenan
(401) 528-3632

Anticipated completion date: June 30, 2001

Finding 2000-45

Corrective Action:

The Department continues to work toward finalization of this reconciliation process. We process recoupments on every financial cycle thus reducing the outstanding balance. The receivable balance as of June 30, 2000 was \$8.0 million, down from \$12.7 million the previous year; as of January 31, 2001 the balance is \$4.9 million. The Department anticipates that active recoupment against all outstanding balances will be commenced as of April 1, 2001. The Federal share of the remaining balance at June 30, 2001 will be refunded within the 60-day timeframe.

Corrective Action Plan -
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Contact person: John Young
(401) 462-3575

Anticipated completion date: June 30, 2001

Finding 2000-46

Corrective Action:

DHS has aggressively worked to improve this system, thus reducing the liability for such variances in the eligibility files. The Department recognizes the errors identified and will reimburse the Federal share on the March quarterly report.

Contact person: Frank Spinelli
(401) 462-1892

Anticipated completion date: March 31, 2001

Finding 2000-47

Corrective Action:

2000-47a

The division of HCQFP will continue to pursue a SAS 70 review. It is our intention to incorporate this as a requirement of the Fiscal agent RFP process. However, this is not scheduled until FY 2002. As the State will be implementing a new financial system this July, this is a reasonable timeframe for the SAS 70.

Contact person: Jim FitzGerald
(401) 462-1879

Anticipated completion date: FY 2003

2000-47b

The department is aware of the need for financial controls and during the past year several improvements have been implemented and we will continue to do so as the system develops.

Contact person: Jim FitzGerald
(401) 462-1879

Corrective Action Plan -
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Anticipated completion date: Continuous

Finding 2000-48

Corrective Action:

2000-48a

This requires changes to the software programs utilized in the MMIS, which we did attempt to implement this past year. During the introduction of these software changes, we encountered system problems, which required us to remove the changes. The department and our fiscal agent will continue to work on resolution and implementation of improving system security.

Contact person: Lynne Harrington
(401) 462-1877

Anticipated completion date: June 30, 2001

2000-48b

The department recognizes the importance of this recommendation and has completed this assignment. This was accomplished in FY 01. This is a continuous process as individuals change within the use of the MMIS.

Contact person: Lynne Harrington
(401) 462-1877

Anticipated completion date: Continuous

Finding 2000-49

Corrective Action:

2000-49a

The department will review current TPL procedures and implement changes as necessary. Our TPL unit has maintained a high rate of recovery and relationship with the major insurers. When reimbursement of the federal share is justified, payment is made within the required 60 days.

Contact person: Jim FitzGerald
(401) 462-1879

Anticipated completion date: Continuous

Corrective Action Plan -
Findings Included in 2000 Single Audit Report

2000-49b

When reimbursement of the federal share is justified it is processed within the required 60 days. DHS will review this recommendation and if appropriate credit the federal share by March 31, 2001.

Contact person: Jim FitzGerald
(401) 462-1879

Anticipated completion date: March 31, 2001

Finding 2000-50

Corrective Action:

The department has initiated corrective action for this recommendation. We will confirm the impact of any overpayment and determine the appropriate resolution.

Contact person: Paula Avarista
(401) 462-6390

Anticipated completion date: June 30, 2001

Finding 2000-51

Corrective Action:

2000-51a

The department continues to work with the other state agencies to have all benefit programs processed through the MMIS.

Contact person: John Young
(401) 462-3575

Anticipated completion date: Continuous

2000-51b

This recommendation is dependent upon the previous one; we have to process the claim through the MMIS, determine and verify the appropriate pricing edits and audits to be able to ensure that the proper accounting controls have been implemented.

Corrective Action Plan -
Findings Included in 2000 Single Audit Report

Contact person: John Young
(401) 462-3575

Anticipated completion date: Continuous

2000-51c

The department controls administrative expenditures through interagency agreements and approved cost allocation plans.

Contact person: John Young
(401) 462-3575

Finding 2000-52

Corrective Action:

The department and the voluntary hospitals have developed a schedule for submission and processing of their year-end settlements. We will review the appropriateness of legislative changes.

Contact person: Jim FitzGerald
(401) 462-1879

Anticipated completion date: June 30, 2001

Finding 2000-53

Corrective Action:

The department will review the interagency agreements and incorporate this recommendation through that process. All DHS agreements currently comply with this requirement.

Contact person: John Young
(401) 462-3575

Anticipated completion date: June 30, 2001

Corrective Action Plan -
Findings Included in 2000 Single Audit Report

Finding 2000-54

Corrective Action:

The department will review this recommendation and implement procedures to correct. The federal share will be credited by March 31, 2001.

Contact person: Ronald H. Gaskin
(401) 462-6856

Anticipated completion date: March 31, 2001

Finding 2000-55

Corrective Action:

The department will prepare and submit the required report.

Contact person: Paula Avarista
(401) 462-6390

Anticipated completion date: June 30, 2001

Finding 2000-56

Corrective Action:

The department's claim for the expenditures in question were based on information received from the Regional office. It is our opinion that these were appropriate and that there is no liability. HCFA has clarified the process for claim in these situations; however, the effective date of the new policy is for expenditures on or after January 1, 2001.

Contact person: Ronald H. Gaskin
(401) 462-6856

Corrective Action Plan -
Findings Included in 2000 Single Audit Report

Finding 2000-57

Corrective Action:

The University concurs with the auditors' recommendation. Existing policies and procedures over subrecipient monitoring are in the process of being reviewed to ensure that monitoring procedures are being conducted and documented.

Contact person: Fred M. Dolor, Office of the Controller
(401) 874-2378

Finding 2000-58

Corrective Action:

The University concurs with the auditors' recommendation. The late submission dates of the majority of questioned reports resulted from the federal agencies' request to revise such reports. The University has implemented a new procedure to document all requests for financial report revisions along with retaining a voided copy of the initial report in the file.

Contact person: Fred M. Dolor, Office of the Controller
(401) 874-2378

Finding 2000-59

Corrective Action:

The University agrees with the auditors' suggestion. The University is in the process of revising the appropriate policy to ensure the timely receipt of effort certifications.

Contact person: Fred M. Dolor, Office of the Controller
(401) 874-2378

Corrective Action Plan -
Findings Included in 2000 Single Audit Report

Finding 2000-60

Corrective Action:

2000-60a

DHS agrees with this recommendation and has started a process to review all authorized personnel issuing Personal Identification Numbers.

On March 19, 2001, Deluxe Data generated a report listing identification numbers of all E.B.T. terminals and personal identification numbers assigned to each terminal. DHS management will establish a process to verify each employee assigned to establish Personal Identification Numbers (P.I.N.). Employees who have access to INRHODES to initiate benefits and also the ability to generate E.B.T. cards and P.I.N. will be identified. DHS management will review each district office operation and staffing and establish internal controls.

2000-60b

The DHS Office of Financial Management will be the Central Control Office to document all individuals with access to the Deluxe Data E.B.T. Card Authorization System.

DHS Financial Management will use the listing of all personnel authorized to use the EBT System to develop a starting point. Financial Management will maintain this list adding and deleting personnel as needed.

Contact person: Ronald H. Gaskin
 (401) 462-6856

Anticipated completion date: May 1, 2001

Summary Schedule
Of Prior Audit Findings



**Summary Schedule of Prior Audit Findings
Table of Prior Findings by Federal Program**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Findings included in the Fiscal 1997, 1998 and 1999 Single Audit Reports</u>	<u>Findings from years prior to 1997</u>
Food Stamp Cluster:			
Food Stamps	10.551	99-11, 99-12	
State Administrative Matching Grants for Food Stamp Program	10.561	97-10, 97-11, 97-30, 98-7, 98-8, 98-10, 98-32, 99-9, 99-10, 99-15	
Nutrition Cluster:			
School Breakfast Program	10.553	97-11, 97-26, 98-8, 98-11, 98-12, 98-13, 99-10, 99-13, 99-14	
National School Lunch Program	10.555	97-11, 97-26, 98-8, 98-11, 98-12, 98-13, 99-10, 99-13, 99-14	
Special Milk Program for Children	10.556	97-11, 97-26, 98-8, 98-11, 98-12, 98-13, 99-10, 99-13, 99-14	
Summer Food Service Food Program for Children	10.559	97-11, 97-26, 98-8, 98-11, 98-12, 98-13, 99-10, 99-13, 99-14	
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	97-11, 98-8, 99-10	
Child and Adult Care Food Program	10.558	97-11, 97-26	
Community Development Block Grants/ States Program	14.228	99-10, 99-16, 99-17	
Sport Fish Restoration	15.605	97-10, 97-11	
Employment Services Cluster:			
Employment Service	17.207	97-11, 98-8, 99-10	
Disabled Veterans' Outreach Program	17.801	98-8, 99-10	
Unemployment Insurance	17.225	97-11, 97-18, 98-8, 98-10, 98-15, 99-10, 99-18	
Trade Adjustment Assistance – Workers	17.245	97-11, 98-8, 99-10	
JTPA Cluster:			
Employment and Training Assistance - Dislocated Workers	17.246	98-8, 98-16, 99-10, 99-19, 99-20, 99-21	
Job Training Partnership Act	17.250	98-8, 98-16, 99-10, 99-19, 99-20, 99-21	
Airport Improvement Program	20.106	98-18, 99-22	
Highway Planning and Construction	20.205	97-11, 97-20, 98-8, 98-20, 99-10, 99-23	
Transit Capital Grants Cluster:			

**Summary Schedule of Prior Audit Findings
Table of Prior Findings by Federal Program**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Findings included in the Fiscal 1997, 1998 and 1999 Single Audit Reports</u>	<u>Findings from years prior to 1997</u>
Federal Transit Capital Improvement Grants	20.500	97-11, 98-8, 99-10	
Federal Transit Capital Operating Assistance Formula Grants	20.507	97-11, 98-8, 99-10	
Capitalization Grants for State Revolving Funds	66.458	99-24	
Student Financial Assistance Cluster:			
Federal Family Education Loans	84.032	98-25, 98-26, 99-25, 99-26, 99-27	
Federal Perkins Loan Program	84.038	98-25	
Federal Pell Grant Program	84.063	99-28	
Title I Grants to Local Educational Agencies	84.010	97-11, 97-25, 97-26, 98-8, 98-12, 98-13, 98-23, 98-24, 99-10, 99-13, 99-14, 99-29, 99-30	
Special Education Cluster:			
Special Education – Grants to States	84.027	97-27, 98-23, 99-10, 99-13, 99-14, 99-29	
Vocational Education – Basic Grants to States	84.048	97-11, 97-25, 97-26, 97-27, 97-28, 98-8, 98-13, 98-23, 98-24	Page F-1
Rehabilitation Services – Vocational Rehabilitation Grants to States	84.126	97-10, 97-11, 97-30, 98-7, 98-8, 98-10, 99-9, 99-10	
Safe and Drug-Free Schools and Communities	84.186	97-27	
Tech-Prep Education	84.243	98-23	
National Early Intervention Scholarship and Partnership	84.272	98-30	
Goals 2000 – State and Local Education Systemic Improvement Grants	84.276	97-27, 98-23	
Temporary Assistance for Needy Families	93.558	97-11, 97-30, 98-8, 98-10, 98-32, 98-35, 98-36, 99-10, 99-31, 99-32, 99-33	
Family Support Payments to States – Assistance Payments	93.560	97-10, 97-11, 97-30	
Child Support Enforcement	93.563	97-10, 97-11, 97-35, 98-7, 98-8, 98-10, 98-37, 99-9, 99-10, 99-	

**Summary Schedule of Prior Audit Findings
Table of Prior Findings by Federal Program**

<u>Program Title</u>	<u>CFDA Number</u>	<u>Findings included in the Fiscal 1997, 1998 and 1999 Single Audit Reports</u>	<u>Findings from years prior to 1997</u>
		34, 99-35	
Low-Income Home Energy Assistance	93.568	97-11, 98-8, 99-10	
Community Services Block Grant	93.569	98-8, 98-32, 98-38, 98-39, 98-40	
Child Care Cluster:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	97-11, 98-8, 98-32, 98-41, 99-10, 99-15, 99-36	
Foster Care – Title IV-E	93.658	97-11, 98-8, 98-42, 99-10, 99-37, 99-38, 99-39	
Adoption Assistance	93.659	97-11	
Social Services Block Grant	93.667	97-11, 97-30, 98-8, 98-10, 98-32, 99-10, 99-40	
Medicaid Cluster:			
State Medicaid Fraud Control Units	93.775	97-11, 98-8, 99-10	
State Survey and Certification of Health Care Suppliers and Providers	93.777	97-11, 98-8, 99-10	
Medical Assistance Program	93.778	97-11, 97-30, 97-41 to 97-48, 97-50, 97-52, 98-8, 98-10, 98-43 to 98-49, 98-51, 98-53, 98-54, 99-10, 99-41 to 99-51	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	97-11, 98-8	
Social Security – Disability Insurance	96.001	99-9, 99-10	Page F-1
Research and Development Cluster:			
Buildings and Facilities Program	10.218	99-52	

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
FY96	p.E82	84.048	Errors were made in determining the amount of indirect costs allocated to the federal program.	1994				
			Adjust indirect costs as soon as the indirect rate is known.		X			This finding is pending resolution through the federal Department of Education's CAROI process.
FY96	p.E149	96.001	Overtime compensation costs were charged to the federal program even though they did not conform with the requirements of state law. The department discontinued this practice at the end of fiscal year 1996. We did not quantify the amount of unallowable overtime costs claimed during fiscal year 1996.	1994			X	DHS has indicated that the audit finding does not warrant further action since i) two years have passed since the finding was submitted to the clearinghouse, ii) the Federal agency is not currently following up on the finding, and iii) a management decision has not been issued.
97-10	various		The State did not comply with regulations governing the use, management and disposition of equipment purchased with federal funds.	1997				see status for finding 99-9
97-11	various		The State did not comply with the provisions of the Cash Management Improvement Act in drawing federal funds in reimbursement for most major programs. It also did not have sufficient monitoring procedures in place to ensure federal funds were drawn in compliance with requirements.					
	97-11a		Comply with cash management requirements when drawing funds for federal programs.	1995				see status for finding 99-10
	97-11b		Implement a centralized monitoring system to ensure compliance with cash management requirements. Vest responsibility for cash management of federal programs with the Office of the General Treasurer.	1995				see status for finding 99-10
97-18		17.225	Many individuals receiving unemployment insurance benefits have not registered with the Department of Labor's Job Services Division as required by state law.					
	97-18		Improve controls to ensure all claimants receiving Unemployment Insurance benefits demonstrate their availability for work by registering with the Job Services Division.	1997	X			

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
97-20	20.205	The Department of Transportation does not have an inventory of its real property and therefore cannot ensure compliance with regulations governing management and disposition of real property acquired with federal funds.						
	97-20	Create and maintain an inventory listing of real property.	1997	X				
97-25	84.010 84.048	The department did not have adequate procedures in place to ensure subrecipients did not have federal cash on hand in excess of their immediate needs.						
	97-25	Monitor advances to subrecipients to ensure that they conform to standards required by 34 CFR 80.21(c), 80.37 (a) (4), and 31 CFR 205.10(a).	1995					See status for finding 99-29; pending resolution through the federal Department of Education's CAROI process.
97-26	10.553 10.555 10.556	Monitoring of subrecipient audit reports needs to be improved.						
	10.558 10.559 84.010 84.048							
	97-26a	Monitor the receipt of all required subrecipient audit reports and review such audit reports to determine if subrecipients complied with applicable program requirements.	1997					See status of finding 99-14; pending resolution through the federal Department of Education's CAROI process.
	97-26b	Ensure that appropriate corrective action is taken for all reported findings contained in subrecipient audit reports.	1997					See status of finding 99-14; pending resolution through the federal Department of Education's CAROI process.
97-27	84.048 84.027 84.186 84.276	No documentation exists to support the allocation of certain costs.						
	97-27	Document the methodology for allocating costs to multiple federal programs	1997			X		See status of finding 98-23; pending resolution through the federal Department of Education's

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
								CAROI process.
97-28	84.048	The Vocational Education Program was charged for the full cost of computers provided to employees who are assigned part-time to the program.						
97-28		Adjust federal reports for the identified questioned costs.	1997			X		Pending resolution through the federal Department of Education's CAROI process.
97-30	10.561 84.126 93.558 93.560 93.667 93.778	The Department's cost allocation plan needs to be improved.						
97-30b		Allocate expenditures for unused employee leave as departmental indirect costs.	1997				X	Beginning in fiscal 2001 the State has revised its accounting policy for various employee benefit type expenses including unused leave at termination. These costs will be allocated statewide to all programs and activities equally as a percentage of payroll costs.
97-30c		Recover capital expenditures affecting multiple federal awards through use or depreciation allowances as required by federal regulations.	1997				X	The audit finding does not warrant further action since 1) two years have passed since the finding was submitted to the clearinghouse, 2) the Federal agency is not currently following up on the finding, and 3) a management decision has not been issued.
97-30d		Adjust federal reports accordingly for amounts over- and under-charged to federal programs.	1997				X	The audit finding does not warrant further action since 1) two years have passed since the finding was submitted to the clearinghouse, 2) the Federal agency is not currently following up on the finding, and 3) a management decision has not been issued.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
97-35	93.563	The department did not reconcile child support collections and disbursements recorded in its computer system with amounts recorded in the State's accounting system.						
	97-35	Accumulate all child support collections and distributions in the department computer system and reconcile to the amounts recorded in the State accounting system.	1992			X		see status of finding 99-34
97-41	93.778	Control over payments to Medical Assistance Program providers was inadequate. The Department of Human Services did not have sufficient information to monitor the status of provider account balances and recoup interim payments. Additionally, the Department did not always have sufficient documentation of claims received and pending payment to support interim payments made.						
	97-41a	Eliminate routine target payments to providers.	1994					see status of finding 99-41
	97-41b	Maintain adequate documentation demonstrating that a program liability has been incurred for interim payments made.	1994					see status of finding 99-41
	97-41c	Complete the resolution of all provider interim payment balances expeditiously. Aggressively recoup all excess interim payment balances.	1997					see status of finding 99-41
	97-41d	Implement additional controls to improve the reliability of provider balance data.	1997					see status of finding 99-41
97-42	93.778	Adequate controls were not in place to ensure that claims were paid only for individuals eligible under the Medical Assistance Program.						
	97-42a	Document the investigation of eligibility variances between the MMIS and INRHODES computer systems and determine the amount of claims paid on behalf of ineligible individuals. Reimburse the federal government for its share.	1997					see status of finding 99-42
	97-42b	Improve control procedures to ensure that INRHODES eligibility data is accurately replicated in the MMIS.	1994					see status of finding 99-42

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
97-43	93.778	The department's oversight of its fiscal agent designated to pay Medical Assistance Program claims was not adequate to ensure the reliability of data reported by the Medical Management Information System and to ensure claims were processed in accordance with the Department's instructions and federal requirements.						
97-43a		Improve financial oversight of the fiscal agent, including verification of information from the MMIS used to prepare financial statements and federal reports.	1994					see status of finding 99-43
97-43b		Obtain an annual examination performed by independent certified public accountants of the fiscal agent's internal control policies and procedures.	1994					see status of finding 99-43
97-44	93.778	The department has not established required system security measures for the Medicaid Management Information System (MMIS).						
97-44a		Establish a security plan for the MMIS which reflects appropriate system security requirements.	1997					see status of finding 99-44
97-45	93.778	The department's plan and procedures to identify and collect third party liabilities were not fully operational in fiscal 1997 which prevented denial of certain claims when third party resources existed and limited actual reimbursement. The department also did not adequately monitor the activities of its fiscal agent with respect to third party identification and collection.						
97-45		Improve monitoring of the fiscal agent's TPL identification and collection procedures.	1997					see status of finding 99-46
97-46	93.778	Questioned costs totaling \$275,324 were identified during the fiscal 1997 audit.						
97-46c		Implement control procedures to ensure the allowability of expenditures charged to the Medicaid program by other departments.	1997					see status of finding 99-49
97-47	93.778	The MMIS disaster recovery plan did not contain documentation to support that the fiscal agent performed required quarterly reviews and updates of the plan.						
97-47		Ensure the fiscal agent performs the quarterly updates to the disaster recovery plan and tests the plan at least annually.	1994	X				

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
97-48	93.778	The MMIS does not require all system users to change passwords on a scheduled basis. System access controls should be improved by creating "roles" which more clearly define and restrict system access.						
97-48a		Develop procedures that require all MMIS users to change their passwords periodically. Terminate access if passwords are not modified.	1994					See status of finding 99-45
97-48b		Develop procedures to control access to MMIS functions by assigning "roles" to MMIS users according to individual responsibilities and job descriptions.	1994					see status of finding 99-45
97-50	93.778	The department does not monitor outstanding prescription drug rebates and does not confirm the amount of rebates received with the fiscal agent's records. The department made substantial manual adjustments to drug rebate billings generated by the MMIS.						
97-50a		Monitor drug rebates collected by the fiscal agent as well as amounts due from drug manufacturers.	1995					see status of finding 99-48
97-50b		Improve controls within the MMIS to reject drug claims with obvious unit errors and reduce the need for manual adjustments to drug rebate billings.	1997					see status of finding 99-48
97-52	93.778	Approximately \$78 million of Medicaid program expenditures were processed independently of the MMIS. These other accounting systems have not been designed to contain all the control procedures of the MMIS.						
97-52		Improve controls by requiring all benefit-type program expenditures to be processed through the MMIS.	1997					see status of finding 99-49
98-7	various	The State did not comply with regulations governing the use, management and disposition of equipment purchased with federal funds.	1997					see status of finding 99-9
98-8	various	The State did not have adequate controls to ensure compliance with federal cash management requirements in drawing cash for federal programs.						

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
98-8a		Comply with cash management requirements when drawing funds for federal programs.	1995					see status of finding 99-10
		Implement a centralized monitoring system to ensure compliance with cash management requirements. Vest responsibility for cash management of federal programs with the Office of the General Treasurer.	1995					See status of finding 99-10
98-10	10.561	The State's procedures for allocating certain personnel costs to programs and activities were not in compliance with OMB Circular A-87. Questioned costs were identified for various programs.						
	17.225							
	84.126							
	93.558							
	93.563							
	93.667							
93.778								
98-10		Implement revised policies and procedures to allocate certain personnel costs to programs and activities that comply with federal cost principles (OMB Circular A-87)	1998		X			The State's procedures were revised in fiscal 2000 to allocate workers compensation costs on a statewide basis as a percentage of payroll. This recommendation will be fully implemented in fiscal 2001 when other personnel costs (e.g. unemployment compensation and accumulated leave at termination) are also allocated statewide as a percentage of payroll.
98-11	10.553	The Department of Education did not perform all required reviews of sponsors, sites and school food authorities participating in Child Nutrition Programs.						
	10.555							
	10.556							
	10.559							
98-11		Perform administrative reviews of all Child Nutrition Programs on a timely basis as required by federal regulations.	1998	X				
98-12	10.553	RIDE does not have procedures in place to ensure that subrecipients of the Child Nutrition Programs and Title I program are not suspended or debarred from receiving federal assistance.						
	10.555							
	10.556							
	10.559							
	84.010							

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
98-12		Implement procedures to ensure that subgrantees are not suspended or debarred from receiving federal assistance.	1998					See status of finding 99-13
98-13	10.553 10.555 10.556 10.559 84.010 84.048	RIDE did not have a system in place to monitor the receipt of subrecipient audit reports and to review the reports to determine whether there were instances of noncompliance with federal laws and regulations.						
98-13a		Monitor the receipt of all required subrecipient audit reports and review such audit reports to determine if subrecipients complied with applicable program requirements.	1997					See status of finding 99-14; pending resolution through the federal Department of Education's CAROI process.
98-13b		Ensure that appropriate corrective action is taken for all reported findings contained in the subrecipient audit reports.	1997					See status of finding 99-14; pending resolution through the federal Department of Education's CAROI process.
98-15	17.225	Material noncompliance with the eligibility requirement for Unemployment Insurance benefits existed because not all claimants were registered with DLT's Job Services Division.						
98-15		Continue to improve controls to ensure all claimants receiving Unemployment Insurance benefits demonstrate their availability for work by registering with the Job Services Division.	1997	X				
98-16	17.246 17.250	Weaknesses in the controls over federal reporting for the JTPA program were found.						
98-16a		Maintain reconciliations between amounts reported to the federal grantor and amounts derived from the FARS. (GRI and DWU)	1998					See status of finding 99-19
98-16b		Submit reconciliations along with the federal report to the JTPO. (GRI and DWU)	1998					See status of finding 99-19
98-16c		Review reconciliations between amounts reported and amounts derived from the FARS.	1998					See status of finding 99-19

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
98-18	20.106	Rhode Island Airport Corporation equipment records were incomplete and a physical inventory was not performed.						
98-18		We recommend that RIAC modify its property records to include the required information and utilize these records to perform the required physical inventory. In addition, we recommend that titles to the equipment be retained in a locked file cabinet in the administrative offices rather than at the place where the equipment is physically located.	1998					See status of finding 99-22
98-20	20.205	RIDOT does not have a system to identify and control parcels of real property acquired by the State using federal and state matching funds						
98-20		Create and maintain an inventory listing of real property.	1997	X				
98-23	84.010 84.048 84.027 84.243 84.276	No documentation exists to support the allocation of certain costs.						
98-23		Document the methodology for allocating costs to multiple federal programs.	1997			X		This finding is pending resolution through the federal Department of Education's CAROI process.
98-24	84.010 84.048	The department did not have adequate procedures in place to ensure subrecipients did not have federal cash on hand in excess of their immediate needs.						
98-24		Monitor advances to subrecipients to ensure that they conform to standards required by 34 CFR 80.219(c), 80.37 (a) (4), and 31 CFR 205.10 (a).	1995					See status of finding 99-29; pending resolution through the federal Department of Education's CAROI process.
98-25	84.032 84.038	Documentation of entrance and exit interviews was not contained in certain loan files reviewed during the audit. (Rhode Island College)						

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
	98-25	We recommend that the College require that entrance and exit interviews be conducted in a timely manner and in accordance with federal regulations. This procedure will document whether the College is in compliance with the required timeframe for completion of such interviews.	1998	X				
98-26	84.032	Documentation of entrance and exit interviews was not contained in certain loan files reviewed during the audit. (University of Rhode Island)						
	98-26	FFEL entrance and exit interviews should be performed for all students. Documentation of entrance and exit interview should be maintained.	1998	X				
98-30	84.272	Documentation of certain eligibility requirements was inadequate.						
	98-30	The Rhode Island Children's Crusade for Higher Education should verify the eligibility of student's who receive assistance.	1998		X			Management intends to redesign the application form and develop a plan to ensure that all children currently enrolled in the program are eligible.
98-32	10.561 93.558 93.569 93.596 93.667	The department did not require either contractors or subrecipients to certify that the organization and its principals are not suspended or debarred.						
	98-32	Require applicable contractors and subrecipients to certify annually that neither the entity nor its principals are suspended or debarred from participating in federally assisted programs.	1998	X				
98-35	93.558	State policy and procedures did not fully comply with the provisions of PRWORA.						
	98-35	Modify State policy to incorporate Federal TANF eligibility requirements	1998					See status of finding 99-32
98-36	93.558	TANF eligibility discrepancies resulting from IEVS data matches were not investigated and resolved in a timely manner.						

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
	98-36	Strengthen control procedures to ensure that discrepancies resulting from data matches are promptly resolved and utilized to determine recipient eligibility and the amount of assistance.	1998					See status of finding 99-33
98-37	93.563	The department did not reconcile child support collections and distributions recorded in its computer system with amounts recorded in the State's accounting system.						
	98-37a	Accumulate all child support collections and distributions in the department computer system and reconcile to the amounts recorded in the State accounting system.	1992					See status of finding 99-34
	98-37b	Investigate and resolve the difference regarding child support collections pending distribution reported by the RICSS and State accounting systems.	1998					See status of finding 99-34
98-38	93.569	Personnel costs charged to the grant were unsupported.						
	98-38	Require personnel activity reports or equivalent documentation supporting the distribution of salaries when employees work on multiple activities.	1998	X				
98-39	93.569	Controls are not adequate to ensure that subrecipient cash balances are limited to their immediate needs.						
	98-39	Strengthen subrecipient cash management procedures to ensure that subrecipient cash balances are limited to their immediate needs.	1998	X				
98-40	93.569	Subrecipient monitoring procedures need strengthening.						
	98-40	Strengthen subrecipient monitoring procedures to (1) ensure timely receipt of subrecipient audit reports and management letters, (2) ensure the timely review of audit reports and required corrective action plans, and (3) require alternative monitoring procedures when audit reports do not provide timely and reasonable assurance of a subrecipient's compliance with program requirements.	1998		X			See Corrective Action Plan for Finding 2000-43.
98-41	93.596	The Department did not include required Pro Children Act language in its provider contracts and require certification of compliance.						

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
98-41		Modify child care provider contracts to include the required Pro Children Act language and require that providers certify compliance with the provision	1998	X				
98-42	93.658	Eligibility was not determined using the appropriate AFDC guidelines in effect as of July 16, 1996. Duplicate claims were generated by the Department's computer system used to accumulate maintenance costs for the program. Other costs allocated to the program based on the number of IV-E children may have been impacted by the use of inappropriate eligibility criteria.						
98-42a		Determine eligibility for the foster Care program using AFDC program guidelines in effect as of July 16, 1996. Recalculate eligibility for those cases where TANF guidelines were used.	1998		X			The Department in January of 1999 stopped using TANF guidelines, and all subsequent eligibility determinations were done using the July 16, 1996 AFDC income guidelines. During the last year, the Department reviewed the eligibility of all children that had been made eligible using the TANF income guidelines. The result was that 25 children were determined to be ineligible for various lengths of time. The Department's reimbursement system is unable to go back and unclaim the direct claims for the twenty-five children in an automated manner. A manual list of claims has been developed and will be processed as a manual negative adjustment.
98-42b		Complete the investigation of duplicate claims processed through the departmental computer system. Reimburse the federal government for any amounts over-claimed.	1998	X				
98-42c		Determine the effect on the amount of department administrative costs allocated to the program as a result of utilizing inappropriate eligibility guidelines.	1998	X				
98-43	93.778	Control over payments to Medical Assistance Program providers was inadequate. The Department of Human Services did not have sufficient information to monitor the status of provider account balances and recoup interim payments. Additionally, the Department did not always have sufficient documentation of claims received and pending payment to support interim payments made.						
98-43a		Eliminate routine target payments to providers.	1994					See status of finding 99-41
98-43b		Maintain adequate documentation demonstrating that a program liability has been incurred for interim payments made.	1994					See status of finding 99-41

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
98-43	c	Complete the resolution of all provider interim payment balances expeditiously. Aggressively recoup all excess interim payment balances. Refund the federal share of provider overpayments to the federal government with 60 days of identification.	1997					See status of finding 99-41
	d	Implement additional controls to improve the reliability of provider balance data.	1997					See status of finding 99-41
98-44	93.778	Adequate controls were not in place to ensure that claims were paid only for individuals eligible under the Medical Assistance Program.						
98-44a		Improve control procedures to ensure that INRHODES eligibility data is accurately replicated in the MMIS by documenting the timely investigation of eligibility variances between the MMIS and INRHODES computer systems.	1997					See status of finding 99-42
98-44b		Determine the amount of claims paid on behalf of ineligible individuals and reimburse the federal government for its share.	1998					See status of finding 99-42
98-45	93.778	The department's oversight of its fiscal agent designated to pay Medical Assistance Program claims was not adequate to ensure the reliability of data reported by the Medical Management Information System and to ensure claims were processed in accordance with the Department's instructions and federal requirements.						
98-45a		Improve financial oversight of the fiscal agent, including verification of information from the MMIS used to prepare financial statements and federal reports.	1994					See status of finding 99-43
98-45b		Obtain an annual examination performed by independent certified public accountants of the fiscal agent's internal control policies and procedures.	1994					See status of finding 99-43
98-46	93.778	A system security plan for the MMIS was under development but was not complete during fiscal 1998. System access controls should be improved.						
98-46a		Complete development of a comprehensive security plan for the MMIS which reflects appropriate system security requirements.	1997					See status of finding 99-44

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Implemented	Partially Implemented	Not Implemented	No Longer Valid	Comments
	98-46c	Develop procedures that require all MMIS users to change their passwords periodically. Terminate access if passwords are not modified.	1994					See status of finding 99-45
	98-46d	Develop procedures to control access to MMIS functions by assigning "roles" to MMIS users according to individual responsibilities and job descriptions.	1994					See status of finding 99-45
98-47	93.778	Delays in verifying TPL information contributed to lost TPL recovery. The department also did not adequately monitor the activities of its fiscal agent with respect to third party identification and collection.						
	98-47a	Improve monitoring of the fiscal agent's TPL identification and collection procedures.	1997					See status of finding 99-46
	98-47b	Reimburse the federal government for its share of uncollected third party liability recoveries.	1998					See status of finding 99-46
98-48	93.778	Questioned costs totaling \$42,733 were identified during the fiscal 1998 audit.						
	98-48a	Reimburse the federal grantor for its share of claims paid on behalf of ineligible individuals and for questioned costs deemed unallowable.	1998		X			Federal share was reimbursed on 6/30/99 for some but not all of the questioned costs identified.
	98-48b	Implement control procedures to ensure the allowability of administrative expenditures charged to the Medicaid program by other departments.	1997					See status of finding 99-49
98-49	93.778	DHS needs to improve its oversight of the drug rebate process to ensure that all prescription drug rebates are billed, collected and remitted to the State. Substantial manual adjustments were made to drug rebate billings generated by the MMIS.						
	98-49a	Monitor drug rebates collected by the fiscal agent as well as amounts due from drug manufacturers.	1995					See status of finding 99-48
	98-49b	Improve controls within the MMIS to reject drug claims with obvious unit errors and reduce the need for manual adjustments to drug rebate billings.	1997					See status of finding 99-48

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
98-51	93.778	Approximately \$53 million of program expenditures were processed independent of the MMIS. These other accounting systems have not been designed to contain all the control procedures of the MMIS.						
98-51		Improve controls by requiring all benefit-type program expenditures to be processed through the MMIS.	1997					See status of finding 99-49
98-53	93.778	Hospital cost reports are not submitted timely and therefore cost settlements are delayed.						
98-53		Develop procedures to improve the timeliness of hospital settlements.	1998					See status of finding 99-50
98-54	93.778	DHS did not require either contractor or providers of medical services to certify that the organization and its principals are not suspended or debarred from participating in the Medicaid Program.						
98-54a		Require all applicable contractors to certify annually that neither the entity nor its principals are suspended or debarred from participating in the Medical Assistance Program.	1998					See status of finding 99-51
98-54b		Revise medical service provider agreements to include a certification that neither the entity nor its principals are suspended or debarred from participating in the Medical Assistance Program.	1998					See status of finding 99-51
99-9	Various	The state did not comply with regulations governing the use, management and disposition of equipment purchased with federal funds.	1997		X			See Corrective Action Plan for finding 2000-1
99-10	various	The State did not have adequate controls to ensure compliance with federal cash management requirements in drawing cash for federal programs.						
99-10a		Comply with cash management requirements when drawing funds for federal programs.	1995		X			See Corrective Action Plan for Finding 2000-10
99-10b		Implement a centralized monitoring system to ensure compliance with cash management requirements. Vest responsibility for cash management of federal programs with the Office of the General Treasurer.	1995		X			See Corrective Action Plan for Finding 2000-10

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
99-10c		Ensure the Treasury/State agreement includes all required programs and reflects current payment patterns.	1999	X				
99-11	10.551	Controls over the delivery of food stamps and Temporary Assistance to Needy Families (TANF) benefits are weakened because some individuals have access to the Department's INRHODES eligibility system and Deluxe Data's EBT card personal identification number authorization system.						
99-11a		Segregate responsibilities such that no individual has access to both initiate or modify case data within the Department's INRHODES system and the ability to generate EBT cards and establish personal identification numbers.	1999			X		See Corrective Action Plan for Finding 2000-60.
99-11b		Determine and document all individuals with access to the Deluxe Data EBT card authorization system.	1999			X		See Corrective Action Plan for Finding 2000-60.
99-11c		Establish procedures for assigning, modifying, and deleting access to the Deluxe Data EBT card authorization system.	1999	X				
99-11d		Require individuals with access to the Deluxe Data EBT card authorization system to change their passwords at regular intervals and to log off during periods of inactivity. Program the system to prompt password changes and log-off after a defined period of inactivity.	1999	X				
99-12	10.551	The EBT system operating during the year did not provide sufficient information to reconcile the total funds in the system each day as required.						
99-12		Implement procedures to reconcile total funds entering into, exiting from and remaining in the EBT system each day.	1999			X		See Corrective Action Plan for Finding 2000-12

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
99-13	10.553	RIDE does not have procedures in place to ensure that subrecipients of the Child Nutrition Programs, Title I and Special Education Cluster programs are not suspended or debarred from receiving federal assistance.						
	10.555							
	10.556							
	10.559							
	84.010							
	84.027							
	84.173							
99-13		Implement procedures to ensure that subrecipients are not suspended or debarred from receiving federal assistance.	1998	X				
99-14	10.553	RIDE did not have a system in place to monitor the receipt of subrecipient audit reports and to review the reports to determine whether there were instances of non-compliance with federal laws and regulations.						
	10.555							
	10.556							
	10.559							
	84.010							
	84.027							
	84.173							
99-14a		Monitor the receipt of all required subrecipient audit reports and review such audit reports to determine if subrecipients complied with applicable program requirements.	1997			X	See Corrective Action Plan for Finding 2000-14 and 2000-25.	
99-14b		Ensure that appropriate corrective action is taken for all reported findings contained in the subrecipient audit reports.	1997			X	See Corrective Action Plan for Finding 2000-14 and 2000-25.	
99-15	10.561	The Department of Human Services did not require either contractors or subrecipients to certify that the organization and its principals are not suspended or debarred.						
	93.575							
	93.596							
99-15		Require all applicable contractors to certify annually that neither the entity nor its principals are suspended or debarred from participating in federally assisted activities.	1998	X				

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
99-16	14.228	The Department of Administration does not have procedures in place to ensure that subrecipients of the Community Development Block Grant programs are not suspended or debarred from receiving federal assistance.						
	99-16	Implement procedures to ensure that subrecipients are not suspended or debarred from receiving federal assistance.	1999	X				
99-17	14.228	Subrecipient monitoring could be procedures could strengthened by completing checklists and following up on audit findings during site visits						
	99-17	Coordinate the review of subrecipient audit reports with the on-site monitoring visits. Standardize the on-site monitoring visits by completing the applicable portions of an office-approved checklist.	1999	X				
99-18	17.225	Material noncompliance with the eligibility requirement for Unemployment Insurance benefits existed because not all claimants were registered with DLT's Job Services Division.						
	99-18	Continue to improve controls to ensure all claimants receiving Unemployment Insurance benefits demonstrate their availability for work by registering with the Job Services Division.	1997	X				
99-19	17.246 17.250	Weaknesses in the controls over federal reporting for the JTPA program were found.						
	99-19	Prepare monthly reconciliations of JTPA program expenditures recorded in the Department's accounting system (FARS) with program expenditures recorded in the State accounting system.	1998			X		See Corrective Action Plan for Finding 2000-18.
99-20	17.246 17.250	Weaknesses in the monitoring of subrecipients of the JTPA program were found.						
	99-20	Improve subrecipient monitoring procedures for service delivery areas funded with JTPA funds.	1999		X			See Corrective Action Plan for Finding 2000-19.
99-21	17.246 17.250	DLT does not have adequate procedures in place to ensure subrecipients do not have federal cash on hand in excess of their immediate needs.						

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Implemented	Partially Implemented	Not Implemented	No Longer Valid	Comments
99-21		Improve monitoring procedures to ensure that subrecipients limit their requests for federal funds to their immediate needs.	1999	X				
99-22	20.106	Rhode Island Airport Corporation equipment records were incomplete and a physical inventory was not performed.						
99-22		We recommend that RIAC continue to modify its property records to include the required information and utilize these records to perform the required physical inventory. In addition, we recommend that titles to the equipment be retained in a locked file cabinet in the administrative offices rather than at the place where the equipment is physically located.	1998	X				
99-23	20.205	RIDOT requested checks for the purchase of land but the transactions were not completed. The checks were not voided and reimbursement was requested from the USDOT.						
99-23		Adjust federal reports by applying a credit for the federal funds drawn in error.	1999	X				
99-24	66.458	There was one instance in which the first principal repayment is scheduled for more than one year from the project completion date. (Rhode Island Clean Water Finance Agency)						
99-24		We recommend that the Agency implement a policy, which addresses procedures for complying with the special reporting requirements. This policy should discuss procedures for determining the completion date of each project and monitoring these dates to ensure that loan repayments begin within the one-year period.	1999	X				
99-25	84.032	Rhode Island College did not consistently report withdrawal dates of students accurately nor always meet the 60-day reporting requirement.						
99-25		The College should review its procedures over submission of withdrawal information to ensure that the information is reported accurately and within the timelines required by the federal government.	1999	X				

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
99-26	84.032	Documentation of entrance interviews was not contained in certain loan files reviewed during the audit. (Rhode Island College.)	1998	X				
99-26		We recommend that the college require that entrance interviews be conducted in a timely manner and in accordance with federal regulations.						
99-27	84.032	Documentation of entrance and exit interviews was not contained in certain loan files reviewed during the audit. (University of Rhode Island.)	1998	X				
99-27		Procedures should be reviewed to ensure that FFEL entrance and exit interviews are performed for all students. Documentation of entrance and exit interviews should be maintained.						
99-28	84.063	Refunds due to the SFA programs were not always made within the required thirty days. (Community College of Rhode Island)	1999	X				
99-28		Procedures should be reviewed to ensure that refunds are made to the SFA programs in accordance with federal regulations.						
99-29	84.010 84.027 84.173	RIDE did not have adequate procedures in place to ensure subrecipients did not have federal cash on hand in excess of their immediate needs.	1995 84.010					
99-29		Monitor advances to subrecipients to ensure that they conform to standards required by 34 CFR 80.21(c), 80.37(a), and 31 CFR 205.10(a).	1999 84.027 84.173		X			Pending resolution through the federal Department of Education's CAROI process. See Corrective Action Plan for Finding 2000-24.
99-30	84.010	RIDE did not prepare a Maintenance of Effort schedule for FY 1999 to ensure that LEA's complied with their requirement to expend at least 90 percent of their grant each year.	1999	X				
99-30		Prepare an annual maintenance of effort schedule to ensure that LEA's comply with the 90 percent expenditure requirement.						

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
99-31	93.558	Department policy did not require at least a 25 percent reduction in assistance in instances where an individual fails to cooperate in obtaining child support without good cause.	1998	X				
99-32	93.558	State policy and procedures did not fully comply with the provisions of PRWORA.						
99-32		Modify State policy to incorporate Federal TANF eligibility requirements.	1998		X			The Department of Human Services modified, in May 2000, the programming within its eligibility system to identify individuals ineligible to receive federal assistance due to conviction for making fraudulent statements or fleeing to avoid prosecution. DHS has initiated legislative changes to reduce the notification period relating to the absence of minor children from ten days to five days as required by PRWORA.
99-33	93.558	TANF eligibility discrepancies resulting from IEVS data matches were not investigated and resolved in a timely manner.						
99-33a		Strengthen control procedures to ensure that discrepancies resulting from data matches are promptly resolved and utilized to determine recipient eligibility and the amount of assistance.	1998		X			See Corrective Action Plan for Finding 2000-32.
99-33b		Maintain documentation supporting the resolution of data match discrepancies.	1999		X			See Corrective Action Plan for Finding 2000-32.
99-34	93.563	The department did not reconcile child support collections and distributions recorded in its computer system with amounts recorded in the State's accounting system.						
99-34a		Accumulate all child support collections and distributions in the department computer system and reconcile to the amounts recorded in the State accounting system.	1992		X			See Corrective Action Plan for Finding 2000-34.
99-34b		Investigate and resolve the difference regarding child support collections pending distribution reported by the RICSS and State accounting systems.	1998		X			See Corrective Action Plan for Finding 2000-34.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
99-35	93.563	RICSS did not have an approved Indirect Cost Rate Proposal in effect during fiscal year 1999.						
99-35		Submit the Indirect Cost Rate Proposal for approval before charging indirect costs; seek federal approval for indirect costs charged during fiscal 1999.	1999			X		See Corrective Action Plan for Finding 2000-38.
99-36	93.575	DHS did not include required language from the federal Pro Children Act of 1994 in child care provider contracts or require providers to certify their compliance with these requirements.	1999	X				
99-37	93.658	Testing of DCYF's cost allocation system for fiscal year 1999 noted several errors. The Department needs to improve its oversight of the cost allocation plan operated by a third party.						
99-37a		Determine the effect on the amount of administrative costs charged to the Foster Care program as a result of overstating personnel costs during the quarter ending September 30, 1998.	1999	X				
99-37b		Obtain semi-annual payroll certifications for individuals charged entirely to a single cost objective or federal program.	1999	X				
99-37c		Implement procedures to obtain reasonable assurance that the cost allocation plan is operating as designed.	1999			X		See Corrective Action Plan for Finding 2000-41.
99-37d		Develop a formal cost allocation plan amendment process to ensure that changes in cost allocation methodology are formally communicated to the federal government prior to the implementation of the plan change.	1999	X				
99-38	93.658	Disbursement amounts reported on the PMS-272 report do not agree to amounts reported on the IV-E12.						
99-38		Prepare the PMS-272 report using actual federal expenditures reported on the IV-E12 report for the Foster Care program.	1999	X				
99-39	93.658	Questioned costs totaling \$2,579 were identified during the audit.						

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
99-39		Adjust federal reports to reimburse the federal government for the unallowable maintenance costs charged during fiscal year 1999.	1999	X				
99-40	93.667	The department did not have adequate procedures in place to ensure that subrecipients did not have federal cash on hand in excess of their immediate needs.						
99-40		Strengthen subrecipient cash management procedures to ensure that subrecipients do not have federal cash on hand in excess of their immediate needs.	1999	X				
99-41	93.778	DHS continued its practice of making "target" payments to certain providers. At June 30, 1999, 29 providers had outstanding interim payment balances exceeding \$100,000. Private group homes continue to receive these payments.						
99-41a		Eliminate remaining target payments to providers.	1994		X			See Corrective Action Plan for Finding 2000-45.
99-41b		Complete the resolution of all provider interim payment balances expeditiously. Aggressively recoup all excess interim payment balances. Refund the federal share of provider overpayments to the federal government within 60 days of identification.	1997		X			See Corrective Action Plan for Finding 2000-45.
99-42	93.778	Adequate controls were not in place to ensure that claims were paid only for individuals eligible under the Medical Assistance Program.						
99-42a		Improve control procedures to ensure that INRHODES eligibility data is accurately replicated in the MMIS by documenting the timely investigation of eligibility variances between the MMIS and INRHODES computer systems.	1997	X				
99-42b		Determine the amount of claims paid on behalf of ineligible individuals and reimburse the federal government for its share.	1998		X			See Corrective Action Plan for Finding 2000-46.
99-43c		Develop procedures to ensure the consistency of recipient coverage type between the MMIS and INRHODES.	1999	X				

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Implemented	Partially Implemented	Not Implemented	No Longer Valid	Comments
99-43	93.778	The department's oversight of its fiscal agent designated to pay Medical Assistance Program claims was not adequate to ensure the reliability of data reported by the Medical Management Information System and to ensure claims were processed in accordance with the Department's instructions and federal requirements.						
99-43a		Obtain an annual examination ("SAS 70" review) performed by independent certified public accountants of the fiscal agent's internal control policies and procedures.	1994			X		See Corrective Action Plan for Finding 2000-47.
99-43b		Improve financial oversight of the fiscal agent, including verification of information from the MMIS used to prepare financial statements and federal reports.	1994		X			See Corrective Action Plan for Finding 2000-47.
99-43c		Require the fiscal agent to verify that all providers are licensed in accordance with State laws and regulations.	1999	X				
99-44	93.778	A system security plan for the MMIS was under development but was not complete during fiscal 1999.						
99-44a		Complete development of a comprehensive security plan for the MMIS which reflects appropriate system security requirements established by DHS.	1997	X				The Department continues to refine its security plan for the MMIS.
99-44b		Maintain sufficient documentation of required plan review and testing.	1999	X				
99-45	93.778	System access controls should be improved.						
99-45a		Develop procedures that require all MMIS users to change their passwords periodically. Terminate access if passwords are not modified.	1994		X			See Corrective Action Plan for Finding 2000-48.
99-45b		Develop procedures to control access to MMIS functions by assigning "roles" to MMIS users according to individual responsibilities and job descriptions.	1994		X			See Corrective Action Plan for Finding 2000-48.
99-46	93.778	Delays in verifying TPL information contributed to lost TPL recovery. The department also did not adequately monitor the activities of its fiscal agent with respect to third party identification and collection.						

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Implemented	Partially Implemented	Not Implemented	No Longer Valid	Comments
99-46	99-46a	Improve monitoring of the fiscal agent's TPL identification and collection procedures.	1997		X			See Corrective Action Plan for Finding 2000-49.
	99-46b	Reimburse the federal government for its share of uncollected third party liability recoveries.	1998			X		See Corrective Action Plan for Finding 2000-49.
99-47	93.778	Questioned costs totaling \$6,373 were identified during the fiscal 1999 audit. Programming errors within the MMIS resulted in incorrect payments.						
	99-47a	Reimburse the federal government for questioned costs deemed unallowable.	1999			X		See Corrective Action for Finding 2000-50.
	99-47b	Implement control procedures to ensure the accuracy of claims payments calculated by the MMIS.	1999		X			See Corrective Action for Finding 2000-50.
	99-47c	Instruct the fiscal agent to resolve MMIS programming problems resulting in incorrect payments to providers.	1999		X			See Corrective Action for Finding 2000-50.
	99-47d	Determine extent of overpayments caused by MMIS programming problems; adjust claims paid incorrectly to recoup overpayments from providers.	1999			X		See Corrective Action for Finding 2000-50.
99-48	93.778	DHS needs to improve its oversight of the drug rebate process to ensure that all prescription drug rebates are billed, collected and remitted to the State. Substantial manual adjustments were made to drug rebate billings generated by the MMIS.						
	99-48a	Monitor drug rebates collected by the fiscal agent as well as amounts due from drug manufacturers.	1995	X				
	99-48b	Improve controls within the MMIS to reject drug claims with obvious unit errors and reduce the need for manual adjustments to drug rebate billings.	1997	X				
99-49	93.778	Approximately \$75 million of program expenditures were processed independent of the MMIS. These other accounting systems have not been designed to contain all the control procedures of the MMIS.						

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding and Recommendation Number	CFDA	PRIOR YEAR FINDINGS AND RECOMMENDATIONS	Initial Year of Rec.	Imple-mented	Partially Imple-mented	Not Imple-mented	No Longer Valid	Comments
99-49a		Improve controls by requiring all benefit-type program expenditures to be processed through the MMIS.	1997		X			See Corrective Action Plan for Finding 2000-51.
99-49b		Implement control procedures to ensure the allowability of administrative expenditures charged to the Medicaid program by other departments.	1999			X		See Corrective Action Plan for Finding 2000-51.
99-50	93.778	Hospital cost reports are not submitted timely and therefore cost settlements are delayed.						
99-50		Seek enforcement authority within the General laws to improve the timeliness of hospital settlements.	1998			X		See Corrective Action Plan for Finding 2000-52.
99-51	93.778	DHS did not require either contractor or providers of medical services to certify that the organization and its principals are not suspended or debarred from participating in the Medicaid Program.						
99-51		Revise medical service provider agreements to include a certification that neither the entity nor its principals are suspended or debarred from participating in the Medical Assistance Program.	1998		X			See Corrective Action Plan for Finding 2000-53.
99-52	R&D Cluster 10.218	The University of Rhode Island had one construction project in during the year for which the Davis-Bacon Act applied but there was no process in place at the University to monitor wage rates of the individuals on the project.						
99-52		Procedures should be established whereby wage rates are periodically reviewed to ensure compliance with the Davis-Bacon Act.	1999	X				

Mission

“The Office of the Auditor General exists to support the State Legislature and Federal Government in meeting their constitutional responsibilities and to help improve the performance and accountability of government”