



Office of Management and Budget

***ANNUAL REPORT OF
INTERNAL AUDIT ACTIVITIES
Fiscal Year 2019***

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Message from the Chief...

On behalf of the Office of Internal Audit, I am pleased to present the Fiscal Year 2019 Annual Report of Internal Audit Activities. The purpose of this report is to obtain approval of the FY 2020 Annual Audit Plan, to demonstrate that the internal audit function is operating as intended, and to establish our accountability to the Internal Audit Advisory Group through the reporting of metrics.

The role of the Office of Internal Audit (OIA) is to work proactively with management to navigate risks and provide assurance that existing governance, risk management, and control processes are in place and optimized for effective and efficient risk mitigation. This report highlights statistical details about our unit's performance metrics and utilization of resources. Also, this report includes the outcomes of key activities performed by Internal Audit during Fiscal Year 2019 to help management identify and address significant risks facing the Executive Branch of government.

During Fiscal Year 2019, the OIA completed 10 audits and made 77 recommendations to improve operations or to strengthen internal controls. We have also responded to departments and agencies requests providing examples of best practices and opinions regarding controls over processes or other management advisory services.

In addition to the internal audit function for the State, OIA is responsible for enterprise-wide fraud, waste, and abuse oversight, especially within the Department of Human Services and Executive Office of Health and Human Services. The OIA fraud detection and prevention unit collaborates with other executive branch agency fraud units and the Rhode Island State Police White Collar Crime Unit and the Office of the Attorney General.

I would like to thank the Audit Advisory Group, the Department of Administration Director and the Office of Management and Budget Director for their continued support. I would also like to thank the Internal Audit staff for all their hard work, continued dedication to the citizens of our State, and to the internal audit profession.

Sincerely,

Dorothy Z. Pascale, CPA, CFF

Chief

Overview

Mission and Core Principles

The mission of the Office of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. The core principles that guide us are:

- Demonstrating integrity, competence and due professional care
- Being objective and independent
- Aligning with management's strategies, objectives and risks
- Demonstrating quality and continuous improvement
- Being insightful, proactive and future-focused
- Promoting organizational improvement

Statutory Authorization and Responsibilities

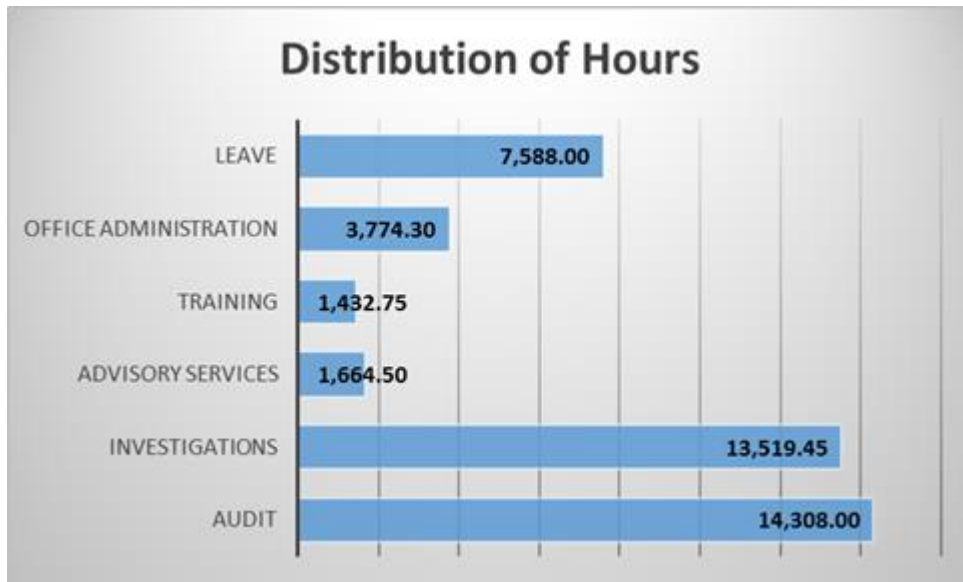
The Office of Internal Audit (OIA) was established to conduct all audits required by the Department of Administration. The OIA performs the auditing function for the Executive Branch of State Government and is organized within the Department of Administration, Office of Management and Budget. OIA reports functionally to the Internal Audit Advisory Group (Group) and administratively to the Director of the Office of Management and Budget (OMB). Its authority is given under Rhode Island General Law Chapter 35-7.1 which allows OIA:

- ✓ To conduct audits of any state department, state agency, or private entity that is a recipient of state funding, or state grants, as deemed necessary or expedient by the Office of Internal Audit. Audits may be made relative to financial affairs, or the economy and efficiency of management of each department and agency. The Office of Internal Audit shall determine which such audits shall be performed in accordance with a risk-based evaluation.
- ✓ To conduct investigations, or management advisory and consulting services upon request of the Governor or the General Assembly.

Performance Metrics

Audit Hours Distribution

The target goal is 70-75% of total hours for Audit, Investigations, and Advisory Services. FY 2019 total for these three categories (29,491.95 hours) is 70% of total hours (42,287); meeting the target goal for the fiscal year. The chart below illustrates the distribution of staff hours.



Resources and Effort

As depicted in the following chart, the OIA experienced a second year of above average turnover specifically within the Investigations (38%) and Performance (50%) units. Headcount levels were impacted due to separation from service; most staff posted to higher level positions in the private sector. Reduction of audit plan completion performance metric was a direct result of this turnover.

Office of Internal Audit Staff Statistics			
	FY19	FY19	Prior Year
	Plan	Actual	Actual
Investigators	8	8	6
Audit Staff	17	10.5	12
Grants Management	3	2.5	3
Data Analytics Total	2	2	2
Authorized Average	30	24	24
Actual Filled Percent	30	20.3	19
Filled Ending Head	97%	68%	79%
count Turnover	29	28	24
	8%	34%	26%

Staff Statistics

Internal Audit Program Staffing provides statistics benchmarked against the plan and prior year figures. A summary of statistics about experience, education, professional certifications and training are also included. During this past fiscal year, three of our staff members achieved their Certified Fraud Examiner credential, one staff received her Certified Public Accountant (CPA) license, and two staff are actively pursuing the Certified Internal Auditor credential.

	FY 19	Prior Year	
	Actual	Actual	% Change
Qualifications			
Average Years Total Audit Experience	7.4 years	11 years	-49%
Average Years OIA Audit Experience	3.28 years	4 years	-22%
Percent of Audit Staff with Bachelor Degree	100%	100%	0
Percent of Audit Staff with Advanced Degrees	52%	14%	73%
Training hours per auditor*	42	42	n/a
Training hours per fraud auditor*	20	20	n/a
Percent of Staff holding Professional Certifications	44%	41%	7%

*Required training hours are based on certifications.

Key Performance Indicators – Performance Unit

Fiscal Year 2019 Audit Plan Results

Our Fiscal Year 2019 planned audits were an ambitious mix of quasi, financial control and strategic risk audits with a continued emphasis towards examining higher risk programs or agencies for which we have not had a presence.

A complete list of performance and vendor audits performed during the fiscal year can be found at Appendix 1.

We completed and reported 10 performance audits during the fiscal year; 5 from the FY 19 plan, 2 carryovers from FY 18, and 3¹ quasi-public agency audits. Further, 3 audits from the FY 19 plan are currently issued for management comment and 2 audits are being carried over to FY 20.²

The three reports currently issued for management comment include audits of: The Office of the Attorney General’s construction of its customer service building, the Department of Health Customer Service Division, and the Department of Elementary & Secondary Education, Metropolitan Career and Technical School.

There are 77 Management Corrective Actions that are included within these reports.

In addition to the audits noted above, we assisted the following divisions with management advisory services:

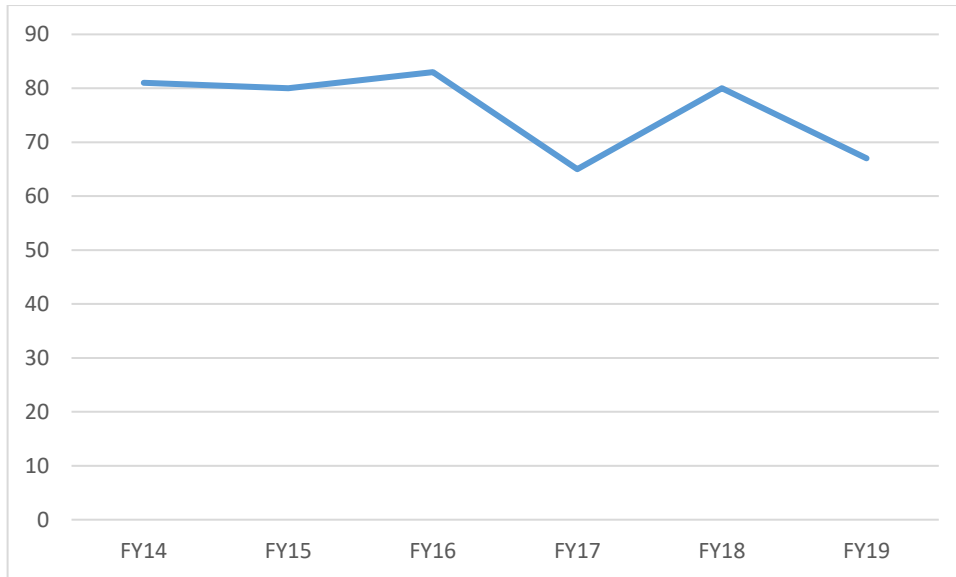
- Office of Management & Budget- Government Efficiency Commission
- Division of Human Resources- Personnel Reform
- Department of Human Services, Veteran’s Home- Staffing Analysis
- Division of Capital Management and Maintenance- Building Consolidation Analysis
- Office of Diversity, Equity and Opportunity- Complaint Process
- DEM/DCAMM Fleet Analysis
- HR Job Classification requiring licensing validation
- Division of Human Resources Employee Benefits RFP evaluation assistance
- Fiscal review of DHS service provider
- BHDDH employee embezzlement

¹ Dedicated staff were assigned to perform a portion of the audit procedures for the Narragansett Bay Commission audit.

² The management corrective action for these audits will be discussed in the FY 20 first quarterly reporting.

Audit Plan Completion

The increased reputational, fraud and financial risks associated with the deployment of the Department of Human Services eligibility system continues to affect the enterprise wide assessment of control risks and the resulting audit plan and fraud unit caseload. During Fiscal Year 2019 the established benchmark for audit plan completion was 70%; however, the target was slightly missed with 67% of the plan completed. The decrease is directly related to the Performance Audit Unit having a 50% turnover rate and staff with less than two years of internal audit experience. The following chart is inclusive of the three reports issued for management comment as of fiscal year end.



The risks addressed pertinent to the audits completed include the following:

Risk	Count of Audits
Degradation of Assets	3
Failure to Achieve Organizational goals	8
Failure to Collect Revenue	2
Improper Payments	5
Inefficient deployment of resources & funds	8
IT Does not meet user needs	2
Misappropriation of resources/funds	2
Noncompliance with laws, rules & regs	10
Unreliable Data	1

Management Corrective Actions (MCAs)

MCA Comparison to Hours

Our FY 19 audit program work produced 10 public audit reports resulting in 77 MCAs. Comparison of MCAs and Hours for the public audit reports are summarized in the below chart.

Functional Area	# of MCA	Total Hours	MCA %	Hours %
Legislative Mandated	0	0	0%	0%
Auxiliary/Bus Dev	57	3,565.00	74%	56%
Financial Management	15	2,314.00	19%	36%
Quasi Audit	5	485.50	7%	8%

Of the 77 MCAs issued 14 (17%) were closed prior to the release of this report. The remaining 63 are classified as follows:

- Elevated Risk: 25
- Intermediate Risk: 36
- Minimal Risk: 2

Outstanding MCA Summary

MCAs are classified initially as open and are only moved to closed status after validation by auditors that the agreed upon corrective actions have been completed by management, the associated risk has been adequately mitigated and sustainable improvement has been achieved, or management has documented the acceptance of risk. As of fiscal 2019 close, no elevated risks were accepted by management. Further, no management corrective action is more than six months past due as detailed below.

Outstanding MCA	
Fiscal 18 Balance	49
Fiscal 19 Issued	77
Fiscal 19 Closed	-60
Fiscal 19 Balance	66

As noted above, 66 recommendations for improvement are outstanding. Of this amount 62 (or 94%) are not yet due in accordance with our statute. The status/aging of the outstanding corrective actions is shown in the chart below.

Outstanding Management Corrective Action								
Time Period Outstanding	Not Due			0-3 Months	3-6 Months	6-12 Months	12+ Months	Grant Total
	Medium	High	Low	Medium	Medium	N/A	High	
Project								
RIDE-Rhode Island School For the Deaf					3			3
BHDDH- Developmental Disabled	7	4						11
BHDDH- RICLAS	12	7	2					21
CCRI- Internal Payroll	5	2		1				8
RIC- Internal Payroll	6	4						10
URI- Internal Payroll	4	3						7
Quasi- Narragansett Bay Commission	1	1						2
DHS- Child Support		4						4
Grand Total	35	25	2	1	3	0	0	66

Key Performance Indicators – Continuous Auditing and Monitoring Unit

Three Vendor Compliance audits were conducted during FY 19, in addition to the mandated work, resulting in questioned and disallowed costs as summarized below.

A questioned cost results from a lack of or inadequate supporting documentation:

- to justify the expense of state funds
- does not identify the source of funds to support a cost.

A disallowed cost result from:

- an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds, or
- a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Unexpended funds are referenced in the contract as follows:

The Contractor agrees any unexpended funds from this agreement are to be returned to the Department at the end of the time of performance unless the Department gives written consent for their retention.

Questioned, Disallowed & Unexpended Funds found during FY19:

Questioned	\$182,130.60
Disallowed	\$73,554.27
Unexpended (applicable to DCYF only)	\$181,983.39
Total	\$437,668.26

Additionally, 67 indirect cost rate reviews were completed in FY 2019 with a 40-day average turnover rate from date of submission to approval or correction. Based upon the complexity of the Federal Acquisition Register (FAR), timing of the submissions, and staffing experience this 40-day turnover rate exceeded our expectation of 60 days.

Key Performance Indicators – Investigation

Case Load

The unit experienced significant turnover as previously noted in this report. Additionally, during FY 2019 the data analytics team generate new reports identifying more than 6,000 leads for this investigative team.

Case load inventory to staff ratios are:

- Identified: 1032 : 1
- Assigned: 54 : 1

The chart below summarizes the current case load information.

Description	Identified			Assigned (Disposition Type = Fraud)		
	# Cases	Gross \$	*State Share \$	# Cases	Gross \$	*State Share \$
Data Analytics	6,126	\$17,762,574.00	\$ 1,776,257.40	144	\$317,666.73	\$ 31,766.67
Fraud Hot Line Tips	451	\$214,579.95	\$ 21,458.00	51	\$157,005.84	\$ 15,700.58
Fraud Website	189	\$162,922.30	\$ 16,292.23	20	\$76,867.22	\$ 7,686.72
Other	154	\$556,642.72	\$ 55,664.27	104	\$504,654.12	\$ 50,465.41
Referred from Field Offices	157	\$290,650.47	\$ 29,065.05	60	\$221,954.64	\$ 22,195.46
Referred from Other Agencies	5	\$24,032.35	\$ 2,403.24	2	\$17,031.40	\$ 1,703.14
Grand Total	7,082	\$19,011,401.79	\$1,901,140.18	381	\$1,295,179.95	\$129,518.00
* State Share is 10% of gross						

Revenue Target

The fiscal budget established a general revenue target of \$3M for fiscal year 2019. OIA progress to achieving this revenue target was documented in a memo which is attached as Appendix 3.

Data Analytics Activity Summary

The following is an example of the current activities. These cases have not been fully vetted and are not currently in the queue for the Investigation Unit.

Suspected Fraud, Waste or Abuse			
Dataset	Suspected Cases	High Risk Cases	High Risk Description
Incarceration	8	5	Spending while incarcerated
Deceased	34	17	Identity Theft (Spending while deceased)
EBT Cards Issues	1,040	207	Person with 6 or more EBT card replacements
Out of State Transactions	407	407	No RI purchased in prior 3 months
Suspicious Transactions	226	35	Person with 7 or more total frequent transactions in one store
Unreported Income (WC, CS, SWICA, UI...) SNAP, RIW, CCAP	414	414	Not reporting income
Unreported Income (WC, CS, SWICA, UI...) MA	1,305	1,305	Bridges not RDOCing, closing cases
PARIS/Lexis/Nexis – MA, CCAP, SNAP	9,339	3,736	Receiving Benefits in more than 1 state
Grand Total	12,773	6,126	

As of May 2019, the Human Services eligibility system functionality for PARIS/two state match is operating. As of June 1, 2019, the OIA will no longer be responsible for tracking this eligibility error.

Fiscal 2020 Audit Plan Proposal

Development of the Audit Plan – Performance Unit

The audit plan is designed through a high-level risk assessment to provide coverage of key risks and allow for an independent review of specific business processes given the existing staff. Key factors that are considered when assessing risk and developing the audit plan include:

- The Financial Integrity & Accountability Survey
- Time since last audit engagement
- Auditor General notable findings
- Budget Analysis
- Management survey assessing strategic, operational, financial, compliance, reputational, and health & safety risks across state agencies

In addition to project selected based on risk assessment results, audit hours are dedicated to:

- Follow-up reviews
- Carry-forward projects
- Management advisory services
- Training, as well as
- Mandated assignments such as performance of the quasi-public agencies, internal service fund inventories, and administration of annual Financial Integrity & Accountability survey

Appendix 2 provides details for the fiscal year 2020 audit plan, carry-forward assignments, and prior year close out activities.

Development of the Audit Plan – Continuous / Vendor Unit

CONTINUOUS UNIT

The development of relevant and meaningful continuous audit programs requires the clear definition of the organizations key processes and the controls associated with those processes. Many areas of the State do not have the clearly defined and documented processes and controls required for the implementation of continuous auditing. The Controller scheduled the first agency training to address this issue on June 27, 2019.

DOT CONTROLS MONITORING

For the FY 2020 audit plan, the continuous unit will prioritize the documentation of processes and the identification of controls points within the Department of Transportation. All identified control points will be evaluated for continuous monitoring and monitoring indicators will be established in cases where practicable.

VENDOR AUDITS

The unit will concentrate its FY 2020 vendor audits on DOT architecture and engineering vendors as required by the units federal funding source. A risk assessment was conducted for all DOT vendors and audits will be chosen based on that assessment.

Key factors that are considered when assessing risk and developing the audit plan include:

- Time since last audit engagement
- Budget Analysis
- ICR Risk Rating

Appendix 2 provides details for the Fiscal Year 2020 vendor audit plan.

Development of the Audit Plan – Investigations Unit

The investigations unit fiscal 2020 audit plan will focus on the expansion of data analytics, additional EOHHS programs and other benefit programs.

DATA ANALYTICS EXPANSION

- Utilize vendors to include child support payment history in the unreported income reports and scripts
- Work with DLT to gather Workers Comp payment data into unreported income reports and scripts
- Formalize metrics, in cooperation with EOHHS, for tracking/tending PARIS matches, over income program recipients, data quality controls, and duplicate capitation issuances
- Work with RIFANs/purchasing to create purchase requisition view details for report inclusion

ADDITIONAL EOHHS PROGRAMS

- Work Medicaid claim activity complaints that are sent from providers (United, Neighborhood) to determine beneficiary fraudulent activity.
- Identify childcare recipient/provider fraud based on leads generated from data analytics.

OTHER BENEFIT PROGRAMS

- Work with the Department of Labor and Training to develop a procedure for developing investigative leads for one of the agencies benefit programs.

Appendix 1 – Final Audit Reports Issued Summary

Auxiliary/Business Development

Department of Administration, HealthSource RI

Complaints received by vendor are not addressed in a timely manner. The vendor did not have adequate check handling procedures.

Community College of Rhode Island, Internal Payroll

Internal payroll employees are not included in the Annual Affirmative Action Plan. Most positions paid via the internal payroll are not advertised. Student employees exceed the maximum allowed and authorized work hours per the college's policy. Management does not ensure all approvals for part-time employees are received prior to the start of an individual's employment. Employees hired through the internal payroll are not attending online harassment training as required by the RI Board of Education. Management does not have a policy for timely, electronic submission of timesheets. There is no control in place to ensure an employee cannot exceed the part-time annual hour requirement in compliance with Budget Article 1 and the College's internal policy.

Rhode Island College, Internal Payroll

Internal payroll employees are not included in the Annual Affirmative Action Plan reported statistics. Most positions paid via the internal payroll are not advertised, and there is no policy to dictate the requirements for advertising positions. Employees hired through the internal payroll are not attending online harassment training as required by the RI Board of Education. Background checks are not performed on internal payroll hires. The college's control over employment forms could be strengthened. There is no control in place to ensure employees do not exceed the part-time annual hour requirement, and management does not provide adequate oversight to prevent an employee from exceeding this requirement. Management does not ensure all approvals for part-time employees are received prior to the start of an individual's employment. Disbursement approvals were not always obtained. Weak controls and oversight of internal payroll timesheets. The College could strengthen its controls over employment contracts.

University of Rhode Island, Internal Payroll

Internal payroll employees are not included in the Annual Affirmative Action Plan reported statistics. The University does not advertise temporary part-time positions. No control in place to ensure background checks are performed in accordance with University policy. Employees hired through the internal payroll are not attending online harassment training. Management does not ensure all approvals for part-time employees are received prior to the start of an individual's employment. Weak control and oversight of employment contracts. Inadequate policy for the completion of Bar of Claims form.

Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, Rhode Island Community Living and Supports Division

Weak control environment prior to November 2019. Weak financial controls over the distribution of funds. Management did not adhere to a policy to reconcile funds and dissolve excess imprest account. Lack of reconciliation procedures in place. Funds not consistently allocated in accordance with Social Security Guidelines and State Regulations. Disbursement authorizations weak to ensure appropriate fund source is used for purchases. Management did not establish a policy to close accounts and remit conserved funds. Inefficient cash out process. Individualized service plans are not completed in accordance with federal regulations. Management does not ensure contract terms for overtime are adhered to. Safety inspections are not performed in accordance with licensing regulations. Management has not maintained adequate insurance coverage. Inadequate oversight of property management. Formal policies and procedures need to be finalized and issued.

Financial Controls

Department of Human Services, Child Support Unit

Management does not have procedures for, and does not perform, a reconciliation of child support collection activity. Management does not reconcile the escrow cash account with the escrow liability account timely.

Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, Developmental Disabilities Division

Budgetary approval controls need improvement. Management does not provide adequate guidance for billing documentation requirements. No control mechanism to provide assurance that invoiced services are provided. Billing data integrity needs improvement.

Legislative Mandate

Department of Administration

- Financial Integrity and Accountability Report
- Quasi-Public Entities (see below)

Quasi-Public Audits

Rhode Island Student Loan Authority

Complied with all Quasi Public Transparency Act disclosures. Management needed to review access rights to network folders and applications containing personally identifiable information and restrict access to only those parties whose job responsibilities required such access.

Narragansett Bay Commission

The Agency did not fully comply with all the requirements of the Quasi Transparency Act, specifically the strategic plan was outdated, links to the quarterly contracting reports were broken, and NBC regulations link directed individuals to general Secretary of State regulation page rather than NBC regulations. Management has not implemented a process for electronic pretreatment permit applications. Pretreatment and sewer connection permit fee schedules need to be reviewed and updated. The asset management system reporting functions could be enhanced to streamline the capital asset budget process.

Rhode Island Health and Educational Building Corp

Agency complied with all Quasi Public Transparency Act requirements. Procedures performed to evaluate bond issuance methodology, charitable giving, travel and advertising expenses, conflicts of interest and compliance with federal and state laws did not reveal any control weaknesses that rise to the level of reportable.

Water Resources Board – Water Suppliers

Review of the assessed fee and calculation of the amount due and paid to the State. Most suppliers complied with the Act, while a handful were delinquent with their payments. As of the date of this report all suppliers are current with reporting and payment. WRB collected approximately \$75,000 and the audit cost \$28,000.

Vendor Compliance Audits

A brief discussion of the general findings of the vendor audits follows.

AECOM

The vendor performed work without authorized contract addenda, submitted payments to their subconsultants after the period required by federal regulations and/or the terms of the applicable contract, submitted invoices to RIDOT untimely and in a manner inconsistent with contract terms, and included an hourly rate greater than the authorized limit in their billings. OIA recommended \$3,617 be reimbursed to RIDOT from the vendor.

Automated Health Systems, Inc.

Informal agreements between the State and the vendor were made to redefine the information to be submitted by the vendor without changing the contractual terms. The vendor did not comply with its quality assurance system as required per contract terms.

Groden Center

The vendor did not adhere to the terms of the contract regarding the recording of receipts and segregation of expenditures, submitted invoices late to DCYF, billed for more children than allowed by contract terms, submitted license renewal applications late, and did not comply with reporting requirements. Additionally, employee qualification, licensing, and training requirements were not enforced and less than the required staff to client (child) ratio was noted. Questioned costs of \$58,323 and disallowed costs of \$3,522 were found as a result of this audit. The OIA recommended reimbursement to DCYF of the disallowed costs by the vendor and for DCYF and the vendor to reach an agreement regarding the questioned costs. The OIA also found that DCYF authorized additional funding to the vendor at the end of the original contract without requiring the vendor to calculate the amount of unexpended funds, which the OIA calculated to be approximately \$168,465. The contract terms require the return of any unexpended funds to the department. It was recommended that DCYF establish a policy regarding how and when they will enforce this requirement.

Blackstone Valley Youth and Family Collaborative, Inc.

The vendor did not comply with reporting requirements, maintained inaccurate and incomplete youth files, had payroll expenses which did not align with the contract cost proposal, and did not comply with contract terms regarding segregation of funds and other fiscal terms. OIA found \$123,807 in questioned costs, \$70,032 in disallowed costs, and \$13,518 in unexpended funds at the end of the contract period. The OIA recommended reimbursement to DCYF of the disallowed costs & unexpended funds by the vendor and for DCYF and the vendor to reach an agreement regarding the questioned costs.

Indirect Cost Reviews – Department of Transportation Architecture and Engineering Vendors

The OIA is responsible for the completion of the annual review of the calculated Indirect Cost rates submitted to the Department of Transportation by architecture and engineering vendors. 67 ICR Reviews were completed in FY 2019. See the list below for the consultants reviewed:

AECOM Technical Services, Inc.

AI Engineers, Inc.

Alta Planning + Design

Applied Bio-Systems

ARCADIS U.S., Inc.

Archaeological & Historical Services, Inc. (a.k.a.

AHS, Inc.)

Gordon R. Archibald, Inc.

GZA GeoEnvironmental, Inc. (2 ICRs: FY17 & FY18)

Green Int'l Affiliates, Inc. (2 ICRs: FY17 & FY18)

Haley & Aldrich, Inc.

HRV Conformance Verification Associates

Jacobs Engineering Group, Inc./ Buildings &

Infrastructure America Design, A Business Unit of

Jacobs Engineering Group, Inc. (2 ICRs: FY17 & FY18)

Atane Engineers, Architects, And Land Surveyors,
Beta Group, Inc. (formerly Beta Engineering, Inc.)-
BL Companies, Inc.
Bryant Associates, Inc.
BSC Group, Inc.
Cambridge Systematics
Caputo & Wick, Ltd. (2 ICRs: FY17 & FY18)
CDM Smith
CDR Maguire, Inc. {a.k.a. Magure Group, Inc.}
CME Associates, Inc. and Affiliated Companies
Collins Engineers, Inc.
Commonwealth Engineers & Consultants, Inc.
Crossman Corporation
Dewberry Engineers, Inc.
Dewberry Engineers, Inc. and Dewberry
Consultants, LLC
ECC Corporation
Fay, Spofford & Thorndike, Inc. And Fay, Spofford &
Thorndike, LLC {combined ICR reported}
Fitzgerald & Halliday, Inc.
Freeman Companies
Fuss & O'Neill, Inc. (2 ICRs: FY17 & FY18)
Garofalo & Assoc., Inc.
Gill Engineering Associates, Inc. (2 ICRs: FY17 & FY18)

KCI Technologies, Inc.
Louis Berger U.S., Inc.
Martinez Couch & Associates, LLC
McMahon Associates (prime) (2 ICRs: FY17 & FY18)
Michael Baker International, Inc. (2 ICRs: FY16 & FY17)
Modjeski and Masters, Inc. (2 ICRs: FY17 & FY18)
Nobis Engineering, Inc.
Pare Corporation
Parsons/Parsons Trans. Group, Inc.
Paul B. Aldinger & Assoc., Inc. (sub)
Prime AE Group, Inc.
Public Archaeology Laboratory, Inc.
RA Cataldo & Associates, Inc.
Rachel Moran Engineering, Inc.
Stantec Consulting Services, Inc.

Steere Engineering, Inc.
Stump/Hausman Partnership

Tighe & Bond, Inc.
Toole Design Group
TranSystems (formerly Lichtenstein)
Turino Group Inc. (formerly Plexus Corp.)
Vanasse Hangen Brustlin, Inc.
WSP USA, Inc.

Appendix 2 – Proposed Fiscal 2020 Audit Plan

Performance Unit

Proposed Fiscal Year 2020 Audit Plan was developed through the OIA’s annual risk assessment as well as follow-up meetings with agency management

The total universe is 41 state agencies and 18 quasi-public agencies. In accordance with RIGL 42-155, every 5 years each quasi-public agency is subject to a performance audit. The proposed audit plan below includes the scheduled 5 quasi-public agency audits (27%) as well as audit coverage in 8 of the 41 state agencies (approximately 20%). However, the expanse of each state agency is such that no one performance audit addresses all applicable agency risks.

Performance Audit Unit: Annual Plan					
Agency	Division/Program/Process	Risk Rating	Quarter	Hours	Comments
DEPARTMENT OF HUMAN SERVICES	Veterans Home	4.00	Q1	800	Financial Administration of representative payee account. Issue presented in FY19 which led to audit of RICLAS. Volume of issues identified in RICLAS audit results in review of remaining representative payee accounts in state
DEPARTMENT OF LABOR AND TRAINING	Workforce Regulation & Safety	3.73	Q1	800	Carryover from FY 19
DEPARTMENT OF ATTORNEY GENERAL	Restricted Receipt Account	2.81	Q1	1200	Settlement Funds- Audit was requested; total funds on hand for this account is approximately \$6.6 million according to AG office
DEPARTMENT OF CORRECTIONS	Rehabilitative Services	3.89	Q2	1200	Review of the Educational Unit
DEPARTMENT OF ENVIRONMENTAL MANAGEMENT	Financial Management	3.39	Q3	1200	Review of organizational structure of financial management and any associated components identified during agency risk assessment
DEPARTMENT OF BUSINESS REGULATION	Building, Design, and Fire Professionals	2.57	Q4	1200	The audit was scheduled for FY 19 but as a result of system and process changes the audit was moved to FY 20.
DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES	Foster Care Program	3.26	Q3	1200	Programmatic Audit inclusive of: evaluation of program improvements, wait times, community coordination, follow up reviews, etc.
DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES AND HOSPITALS	Hospital & Community System Support	4.14	Q4	1200	Authorization, approval and assignments- scheduling & overtime
Mandated Audit Assignments					
QUASI - AIRPORT CORPORATION	On-site and off-site Concessionary Revenue	n/a	Q2	800	Dedicated OIA staff to perform portion of fieldwork
QUASI OVERSIGHT- RI HOUSING & MORTGAGE FINANCE CORP	Risk Sharing Multifamily loan program	n/a	Q1	50	Oversight of external audit firm
QUASI OVERSIGHT- COMMERCE RI ENTITIES	RI Small business loan fund, RI industrial-recreational building authority, RI Industrial Facilities Corp	n/a	Q1	50	Oversight of external audit firm
INTERNAL SERVICE FUND INVENTORIES	Food Warehouse, Correctional Industries, Postage, & Gas	n/a	Q1	250	
FINANCIAL INTEGRITY & ACCOUNTABILITY SURVEY	State & Quasi-Public Entities	n/a	Q2	100	

Proposed Fiscal Year 2020 DOT Architecture and engineering vendor audits plan as mandated by our federal partner. Of the total 37 Architectural and Engineering firms contracted with RIDOT, we are proposing to audit the 3 highest risk companies.

Vendor Name	FY18	FY19 YTD 6-17-19	Increase/Decrease	% Change	ICR Risk Rating				Selected for Review FY 2020	Last Audited by OIA or DOT External Audit
	070 Transportation, Department Of	070 Transportation, Department Of			FY2015	FY2016	FY2017	FY2018		
VANASSE HANGEN BRUSTLIN INC	\$ 7,222,925.36	\$ 6,282,295.02	\$ (940,630.34)	-15%	HIGH	LOW	LOW		No	Feb-15
TRANSYSTEMS CORPORATION	\$ 4,403,501.11	\$ 5,832,323.82	\$ 1,428,822.71	24%	LOW	LOW	LOW	LOW	Yes	
AECOM TECHNICAL SERVICES INC	\$ 4,693,155.03	\$ 3,951,923.65	\$ (741,231.38)	-19%	LOW	HIGH	LOW	LOW	No	May-19
LOUIS BERGER GROUP INC, THE	\$ 826,584.68	\$ 3,578,735.09	\$ 2,752,150.41	77%	MODERATE	HIGH	HIGH	LOW	No	Dec-15
COMMONWEALTH ENGINEERS & CONSULTANTS INC	\$ 4,041,340.08	\$ 3,449,440.28	\$ (591,899.80)	-17%	LOW	LOW	LOW		No	Apr-16
PARE CORPORATION	\$ 1,222,996.59	\$ 2,573,279.78	\$ 1,350,283.19	52%	LOW	HIGH	MODERATE		No	Apr-17
WSP USA BUILDINGS INC	\$ 3,195,551.92	\$ 2,686,636.46	\$ (508,915.46)	-19%	MODERATE	LOW	LOW		Yes	
GORDON R ARCHIBALD INC PROFESSIONAL ENGINEERS	\$ 2,692,653.80	\$ 2,392,871.88	\$ (299,781.92)	-13%	LOW	LOW	LOW	LOW	No	Mar-18
R A CATALDO & ASSOCIATES INC	\$ 1,231,048.16	\$ 2,218,882.20	\$ 987,834.04	45%	HIGH	HIGH	MODERATE	MODERATE	No	May-16
JACOBS ENGINEERING GROUP INC	\$ 3,533,947.22	\$ 2,046,833.29	\$ (1,487,113.93)	-73%	LOW	HIGH	LOW	LOW	No	May-18
CME ASSOCIATES INC	\$ 3,993,731.97	\$ 1,966,104.00	\$ (2,027,627.97)	-103%			MODERATE		Yes	
COLLINS ENGINEERS INC	\$ 2,288,839.92	\$ 1,923,861.18	\$ (364,978.74)	-19%			LOW		No	
ATANE ENGINEERS PC	\$ 2,082,578.83	\$ 1,572,763.44	\$ (509,815.39)	-32%	LOW	HIGH	HIGH		No	
MICHAEL BAKER ENGINEERING INC	\$ 2,134,075.14	\$ 1,736,900.35	\$ (397,174.79)	-23%		LOW	LOW		No	
BETA GROUP INC	\$ 2,757,864.87	\$ 1,388,550.45	\$ (1,369,314.42)	-99%	LOW	LOW	LOW	LOW	No	Apr-15
AI ENGINEERS INC	\$ 1,641,495.38	\$ 1,240,644.21	\$ (400,851.17)	-32%	LOW	LOW	LOW		No	
CDR MAGUIRE INC	\$ 1,346,261.90	\$ 1,218,481.57	\$ (127,780.33)	-10%	LOW	LOW	LOW		No	Jun-17
GM2 ASSOCIATES INC	\$ 1,380,215.79	\$ 1,196,110.84	\$ (184,104.95)	-15%	HIGH	LOW	HIGH		No	
CDM SMITH INC	\$ 1,927,322.37	\$ 1,040,730.88	\$ (886,591.49)	-85%	HIGH	LOW			No	
FUSS & ONEILL INC	\$ 385,414.91	\$ 971,329.03	\$ 585,914.12	60%	LOW	HIGH	LOW	LOW	No	
MCMAHON ASSOCIATES INC	\$ 1,114,077.02	\$ 866,905.25	\$ (247,171.77)	-29%	LOW	LOW	LOW	LOW	No	
CROSSMAN CORPORATION	\$ 852,105.40	\$ 655,816.72	\$ (196,288.68)	-30%	LOW	LOW	LOW	MODERATE	No	May-16
GREEN INTERNATIONAL AFFILIATES INC	\$ 1,627,404.96	\$ 592,612.59	\$ (1,034,792.37)	-175%	MODERATE	LOW	LOW	LOW	No	Nov-15
LEDGE LIGHT TECHNOLOGIES INC	\$ 624,773.19	\$ 581,525.04	\$ (43,248.15)	-7%	HIGH				No	Apr-15
WOONASQUATUCKET RIVER WATERSHED COUNCIL	\$ 485,304.20	\$ 495,527.47	\$ 10,223.27	2%	HIGH	HIGH			No	
STEERE ENGINEERING INC	\$ 994,756.46	\$ 388,453.40	\$ (606,303.06)	-156%	MODERATE	LOW	LOW	LOW	No	
CAPUTO & WICK LTD	\$ 67,786.30	\$ 373,938.53	\$ 306,152.23	82%	MODERATE	MODERATE	MODERATE	MODERATE	No	
GAROFALO & ASSOCIATES INC	\$ 168,197.75	\$ 244,890.72	\$ 76,692.97	31%	LOW	LOW	LOW		No	Apr-16
PUBLIC ARCHAEOLOGY LABORATORY INC THE	\$ 273,609.84	\$ 231,909.94	\$ (41,699.90)	-18%	MODERATE	HIGH	MODERATE	MODERATE	No	
BRYANT ASSOCIATES	\$ 122,188.40	\$ 224,136.79	\$ 101,948.39	45%	LOW	LOW	LOW		No	Jan-15
PARSONS TRANSPORTATION GROUP INC	\$ 421,855.16	\$ 189,665.81	\$ (232,189.35)	-122%	LOW	LOW	LOW	LOW	No	Sep-15
BL COMPANIES INC	\$ 3,680.00	\$ 177,497.21	\$ 173,817.21	98%			LOW		No	
PRIME AE GROUP INC	\$ 244,115.91	\$ 89,895.53	\$ (154,220.38)	-172%	LOW	LOW	LOW	LOW	No	May-16
TRAFINFO COMMUNICATIONS INC	\$ 65,000.00	\$ 58,500.00	\$ (6,500.00)	-11%	MODERATE	HIGH	MODERATE		No	
HRV CONFORMANCE VERIFICATION ASSOCIATES INC	\$0	\$ 33,372.00	\$ 33,372.00	100%				LOW	No	
TURINO GROUP INC	\$ 972,444.00	\$ 9,100.00	\$ (963,344.00)	-10586%	MODERATE	MODERATE	MODERATE		No	Feb-18
BSC GROUP INC	\$ 7,326.00	\$ 4,613.60	\$ (2,712.40)	-59%			LOW		No	

Appendix 3 – Fiscal 2019 Fraud Revenue Target Report

Background

During FY 19 our budget target was \$9.6M. This amount was reduced to \$3.2M in the Governor’s recommended budget.³ The details below discuss the activities to meet the \$3.2M target and the work accomplished since the November estimating conference.

During the first three quarters of the fiscal year the fraud team dedicated an estimated 8,000 hours to data analytics and case investigations. As part of this effort OIA employs two data analysts whose primary responsibility is to find fraudulent behavior patterns. While performing this work we often discover issues whereby individuals are receiving benefits that do not meet all the eligibility requirements for the program. A memorandum of understanding between the Office of Health and Human Services (OHHS), Department of Human Services (DHS) and Office of Internal Audit (OIA) defines the roles, responsibilities and processes of our fraud work. The agreement executed March 21, 2019, requires regularly scheduled communications and decisions amongst the participating agencies to continue the velocity of the fraud work.

There are two ways savings are achieved. The most direct is recouping funds. This category occurs mostly with criminal cases or direct legal settlements. Typically, the amounts are relatively small. In addition, individuals can be disqualified from receiving future benefits for a period determined by the court or federal regulation. The period of disqualification can range from one year (1st offense), two years (2nd offense), permanent (3rd offense) or ten years for receiving benefits in two states (also known as the PARIS Match) if the act was intentional. Disqualifications can result from changing circumstances that were not disclosed to the agency or failed to be identified through normal procedures. The disqualification results in cost avoidance savings that manifest in lower caseloads. This analysis uses the date of disqualification through the next Caseload Estimating Conference date as cost avoidance savings against our target to avoid duplication in the accounting for the savings. The information below discusses the achievement based upon activity and parsed by category and program.

Direct Recoupment of Funds through Third Quarter FY 19

CRIMINAL - ARRESTS

We continue to collaborate with the RI State Police and Attorney General; to date we have pursued criminal charges for fraudulently obtaining benefits from a federal program. Below is a summary of these actions.

# Arrested	Program	\$ Charged
1	Childcare Assistance	\$ 60,214
1	RI Works	\$ 16,484
146	SNAP	\$ 619,675

Total amount of general revenue savings: \$ 280,300; of this amount \$2,337 has been collected through the court system.

³ FY18 revenue target was \$7.2M per the Governor’s recommended budget. This amount was primarily comprised of savings and recoupments generated from matching the death file to the beneficiary recipient information.

CIVIL - ADMINISTRATIVE HEARING

When the case does not rise to a level to allow for criminal prosecution, we utilize the existing Administrative Hearing Process at DHS to pursue the case civilly. Below is a summary of these actions.

<u># Cases</u>	<u>Program</u>	<u>\$ Ordered for Repayment</u>	<u>Years Disqualified</u>
39	SNAP	\$ 70,826	1 year
2	DCYF Vendor	\$ 220,029	

Total general revenue savings towards target: \$244,818; of this amount \$0 has been collected. FNS has prohibited DHS to establish claims for repayment. Until this FNS removes the moratorium, DHS is unable to collect funds for SNAP amounts due.

AGENCY AND HOUSEHOLD ERROR – REFERRED TO DHS CCRU

During our investigative work we discover eligibility issues that are a result of agency or applicant error and do not rise to a level requiring fraud investigatory work. These cases are referred to the DHS collections unit for repayment of the overpaid benefit. The information below summarizes the cases referred to DHS collections during this fiscal year. It is important to note the DHS collections unit is prohibited by the federal Department of Agriculture to establish and take affirmative action for cases related to SNAP beneficiaries.

<u># Cases</u>	<u>Program</u>	<u>\$ Identified</u>
8	RI Works	\$ 19,360
57	SNAP	\$ 86,615

Total general revenue savings to target: \$49,675; of this amount \$0 has been collected. FNS has prohibited DHS to establish claims for repayment. Until FNS removes this moratorium, DHS is unable to collect funds for SNAP overpayments.

COST AVOIDANCE SAVINGS THROUGH THIRD QUARTER FY19

The following are the program termination of benefits. The over income limit or PARIS match cases are in the process of being closed by DHS/OHHS via system technology. The methodology for the cost avoidance savings is discussed in case load estimating conference testimony. The process for this methodology is explained within the memorandum of understanding between DHS, OHHS, and OIA. Like the process for disqualification, we have used the date the eligibility is turned off through the next Caseload Estimating Conference date as cost avoidance savings against our target.

<u>Program/Category</u>	<u># Identified</u>	<u>\$ Identified</u>	<u># Closed</u>	<u>Cost Avoidance</u>
Medicaid – PARIS ⁴ /Two state benefits ⁵	2604	\$ 6,359,000 ⁶	274	\$600,000
Child Care Assistance/Over Income Limit 2	48	\$ 57,600		
SNAP – PARIS/Two state benefits	TBD	\$ 1,129,404		

Total general revenue savings through cost avoidance: \$ 200,000⁷

⁴ The PARIS match will be accounted for in future case load estimating conferences as the system functionality is part of operations of RI Bridges.

⁵ Two state benefit analytics use RI Bridges and non-RI Bridges information and is not included in case load estimating.

⁶ This amount is estimated by taking a \$407 PMPM for six months x # identified.

⁷ Based on the associated FMAPs for these populations, total general revenue cost avoidance that is incorporated into the trends.

CONCLUSION

As of third quarter FY19 general revenue savings total \$774,793; of this amount we believe approximately \$200,000 is accounted for in case load estimating. We anticipate the over income limit and PARIS match analytics to be incorporated into normal system operations and accounted for in case estimating going forward. We will begin Medicaid in two states benefits to achieve future savings. The Medicaid in two states is estimated to be \$2 M of general revenue savings based upon the fund source split for the actual cost avoidance achieved. These savings will be achieved through cost avoidance (reduction of participants in the program) and recoupment of funds for those individuals who have utilized the benefit erroneously. The savings is contingent upon DHS/OHHS providing approval for OIA to mail notices and scan the document into UHIP.