



United States
Department of
Agriculture

Food and
Nutrition
Service

Northeast Regional Office

10 Causeway St.
Room 501
Boston, MA 02222-1069

AUG 29 2017

Courtney E. Hawkins, Director
RI Department of Human Services
Louis Pasteur Building
57 Howard Avenue
Cranston, RI 02920

Dear Ms. Hawkins:

Thank you for the assistance and courtesies provided during our recent Financial Management Review (FMR) of Rhode Island Supplemental Nutrition Assistance Program (SNAP) fiscal operations for the period October 1, 2015 through September 30, 2016. The review was conducted by the Regional Office SNAP Financial Management staff during the week of January 30, 2017.

The purpose of this review was to evaluate the Rhode Island Department of Human Services – SNAP fiscal operations and compliance with established fiscal policies, regulatory requirements, and quality standards.

The report contains seven findings that pertain to: lack of written procedures; fiscal year integrity of reported costs; lack of documentation to support in-kind contributions; insufficient documentation to support allowable costs; timely financial reporting; and financial monitoring of sub-recipients.

Enclosed is a report detailing the findings and associated required corrective actions as a result of this financial management review.

Please submit a written response to the corrective actions required in our review report within sixty (60) calendar days of your receipt of this letter. The response must include a description of Corrective Action Plans for each required corrective action, including implementation time frames and supporting documentation as necessary.

Please extend our sincere appreciation for the assistance and hospitality provided by all the staff during the review process.

If there are any questions, please contact Kimberly Weiss at 617-565-6305 or Kimberly.Weiss@fns.usda.gov.

Sincerely,

A handwritten signature in cursive script that reads "Kirk Hassel".

Kirk Hassel
Director, Grants Management and Administrative Services Division
FNS Northeast Regional Office

Cc: Maureen Wu, Financial Officer
Bonnie Brathwaite, SNAP



Rhode Island
Department of Human Services
Supplemental Nutrition Assistance Program

Fiscal Year 2016
Financial Management
Review (FMR)
January/February 2017

TABLE OF CONTENTS

I. Executive Summary.....Page 3

II. IntroductionPage 4

III. ObjectivePage 4

IV. Scope & MethodologyPage 4-5

V. Findings and Required Corrective ActionPage 6-9

Exhibit A:Page 10

Exhibit B:Page 11

EXECUTIVE SUMMARY

**Supplemental Nutrition Assistance Program
Rhode Island Department of Human Services
January/February 2017**

Executive Summary

The Financial Management Review (FMR) is this office's ongoing assessment of your agency's financial administration of the Supplemental Nutrition Assistance Program (SNAP). The FMR provides the Northeast Regional Office (NERO) staff of the Food and Nutrition Service (FNS) of the United States Department of Agriculture (USDA) the opportunity to observe and evaluate the State agency's (SA) processes and procedures for complying with the requirements outlined in Federal financial regulations, FNS regulations, and FNS policy. Additionally, the FMR is an opportunity for NERO staff to provide any technical assistance that may be needed regarding new regulations and policy interpretations.

FNS NERO conducted a FMR of the SNAP Program, administered by the Rhode Island Department of Human Services, during the week of January 30, 2017 at the State Agency's office located in Cranston, RI. Although onsite work was completed on February 3, 2017, we continued to correspond with the State agency personnel until April 12, 2017 to obtain additional information. Details on the areas selected for review are explained in the Scope and Methodology sections of the report.

An Exit Conference was held on Tuesday, February 21, 2017, to provide a summary of the work performed at the SA and to discuss any anticipated findings and required corrective actions.

The results of the FMR were generally favorable although this year's report contains seven (7) findings. The findings contained within the report concern lack of written procedures, fiscal year integrity of reported costs, lack of documentation to support in-kind contributions, insufficient documentation to support allowable costs, timely financial reporting and financial monitoring of sub-recipients.

A written response to the corrective actions detailed in the FMR report must be submitted within sixty (60) calendar days of receipt of the report. The response must include a description of the corrective action plan for the findings including implementation time frames and supporting documentation as necessary.

We wish to thank the entire SA staff for the time and assistance extended to our office during the course of the year and in the development of this report.

INTRODUCTION

RI DHS – Maureen Wu, Margaret Farrish, Guillermo Uzcategui
FNS NERO – Kimberly Weiss, Lisa Fitzgerald, Alison Mickiewicz

An entrance conference was conducted on Monday, January 30, 2017. The review was conducted at the office of the Rhode Island Department of Human Services located in Cranston, RI. This report is based on the results of the on-site review of files and discussions with members of the State agency SNAP Financial Management staff. An exit conference was held on Tuesday, February 21, 2017 to provide a summary of the work performed at the State agency and to discuss any additional documentation needed, anticipated findings, and required corrective actions. Additional information and correspondence was submitted in response to the FMR through April 12, 2017.

OBJECTIVE

The main objective of this review was to determine State agency compliance with Federal financial regulations, policies, laws, contracts, grant agreements and other requirements applicable to the federally funded SNAP Program.

SCOPE and METHODOLOGY

The FMR covered fiscal operations for the period October 1, 2015 through September 30, 2016.

The FMR was conducted in accordance with the procedures and requirements set forth in the FNS Financial Management Review Guide. It included State Agency financial operations reported on the Fiscal Year (FY) 2016 SNAP Program Annual Closeout Report SF-425(FNS-778/778A). The following areas were addressed during the review:

- Generic Procedures for Reviewing Grantee Administrative Costs
- SNAP SAE
- General Administrative

Given the limited nature of this type of review, it must be understood that such reviews are not intended to detect all problems in a grantee's fiscal system. Such reviews are designed to provide reasonable assurance that the level of expenditures reported is supported by an operating financial system. Samples are taken from various areas to test these processes, but are not intended for the sole purpose of expressing an opinion of effectiveness in the grantee's financial systems. Our review is not an audit and is not designed to identify all deficiencies in internal controls or weaknesses. Our intent is to determine compliance with FNS regulations, identify possible areas of weakness and to set up corrective actions to mitigate potential systemic problems.

The review focused on identifying relevant processes and procedures, tracing selected items of cost through the RI DHS accounting system back to source documentation, and validating that

the accuracy, timeliness and completeness of the source documents were sufficient such that they supported the costs being charged to the program.

The objectives of the review included the following:

- Validating amounts reported on the Financial Status Report SF-425(FNS-778/778A)
- Reviewing costs allocation worksheets
- Reviewing supporting documentation for FY 2016 book entries in ASAP
- Reviewing source documentation to determine allowability of costs
- Ensuring controls are in place for accurate assignment of costs
- Reviewing Property Management procedures
- Reviewing Indirect Cost Rate Agreements to ensure correct reporting of costs
- Reviewing subrecipient monitoring procedures

SNAP

Finding #1 (F-10-10183): The State agency does not include a review of financial reporting during management evaluations of subgrantees. [2 CFR 200.331]

State agencies are required to monitor the financial records of subgrantees on a periodic basis [2 CFR 200.331(d)]. This requirement is in addition to those identified under 2 CFR Subpart F - Audit Requirements (formerly known as A-133). FNS reviewers requested documentation of subrecipient financial monitoring during the FY 2016 period. The SA was unable to produce evidence of subrecipient financial monitoring and indicated that policies/procedures were being developed in conjunction with the Executive Office of Health and Human Services.

Required Corrective Action: The State agency must implement procedures to ensure that management evaluations include a review of financial reporting during management evaluations.

As part of the corrective action response, the SA should include a copy of the standard operating procedures.

The regulation includes a provision requiring the pass-through entity to follow up on all deficiencies detected through audits, on-site reviews, and other means. As such, this must also be worked into the SAs procedures in order to ensure full compliance.

SNAP OUTREACH AND PARTICIPATION GRANTS, SNAP

Finding #2 (F-11-4059): The State agency was unable to provide documentation for reported in-kind contributions. [2 CFR 200.306]

FNS 'State Outreach Plan Guidance' and 7 CFR 277.12(a)) stipulates that the SA (and its subrecipients) must maintain records for three years to support costs claimed.

7 CFR 277.4(e) – "The value of services rendered by volunteers or the value of goods contributed by third parties, exclusive of the State and Federal agencies, are unallowable for reimbursement purposes under the SNAP."

In-kind contributions for the Outreach program may be claimed by a non-Federal public agency. A non-Federal public agency is defined as an organization of State or local government supported by funds from general tax revenues of a State or locality and allocated by an appropriate budgetary authority (a State legislature, or a county or local government). The donation of goods and services by a public entity to the SA results in a de facto State agency expenditure or outlay and is thus considered reimbursable. Note: in-kind donations from private entities are not reimbursable.

The SA has not provided sufficient documentation to support a) eligibility of third party providers, b) in-kind expenditures already claimed by third party providers of the SNAP Outreach program, and c) evidence of written in-kind matching procedures.

Required Corrective Action: The State agency must implement procedures to ensure that in-kind contributions are adequately documented and adjust financial status reports accordingly.

The SA must provide the following documentation to support reported outlays to the Outreach program:

Verification of eligible entities - for the FFY 2015 and FFY 2016 periods, proof that the RI State legislature funded each of the non-state/federal entities claiming in-kind Outreach contributions. Any costs claimed by an ineligible entity will be considered questioned costs and collection efforts will commence.

Quarterly financial reports from in-kind contributors - from the list of eligible entities during the FFY 2015 and FFY 2016 periods, FNS will select a sample of Outreach in-kind contributors and request supporting documents for expenditures claimed on the SF-425(FNS-778/778A) financial report. If the SA is unable to provide supporting documentation for third party in-kind expenditures already reported, the SA must revise applicable SF-425(FNS-778/778A) reports, and collection efforts will commence.

Implement standard operating procedures to ensure that in-kind contributions are adequately documented; and provide a copy to FNS within the corrective action response.

SNAP SAE

Finding #3 (F-12-4085): The State agency included unallowable costs on the FNS-778. [7 CFR 277 Appendix A (c)(1);7 CFR 277.9;2 CFR 200.403;2 CFR 200.420 to 2 CFR 200.475]

The SA did not provide adequate documentation to support the allowability of several items of cost charged to SNAP (See Appendix B). Per 7 CFR 277.6(b)(7), "Financial management systems for program funds in the SA shall provide for: support and source documentation for costs.

The FNS reviewers traced a sample of SNAP expenditures from the accounting system records that were reported during FFY 2016 Financial Status Report SF-425(FNS-778/778A), and requested source documents to support the selected transactions. The documentation provided by the SA was either missing or insufficient to validate whether the costs were allowable. Additionally, there were two (2) costs charged to FFY 2016 that were incurred in FFY 2015 (See Exhibit B): E&T 100% \$84,865.51; and E&T 50% \$31,812.67.

Required Corrective Action: The State agency must implement procedures to ensure that only allowable costs are charged to the grant and adjust financial reports accordingly.

The SA must provide source documentation (e.g., invoice, purchase order, timesheet/time & attendance report) to support selected costs, as listed in Exhibit B. The documentation must demonstrate that the cost items charged were reasonable, necessary, allowable and approved by an authorized official. Upon receipt of documentation, FNS will review and make a determination of allowability and advise the SA of further action.

With regard to the two costs incurred during FFY 2015 (E&T 100% \$84,865.51 and E&T 50% \$31,812.67), the SA must revise both the FFY 2015 and FFY 2016 SNAP Financial Status Reports - SF-425(FNS-778/778A) to reflect the necessary adjustments.

Finding #4 (F-5-10208): The State agency does not submit financial status reports (FNS-778 and/or SF-425) in a timely manner. [2 CFR 200.328(1)]

The State Agency did not submit SNAP-ED and SNAP-OP Financial Status Reports SF-425(FNS-778/778A) within 30 days following the end of each quarter for Fiscal Years 2015 (SNAP-ED) and 2016 (SNAP-ED, SNAP-OP). [See Exhibit A]

Per 2 CFR 200.328, grantees are required to submit quarterly financial reports within 30 calendar days following the end of the reporting period. During FFY 2016, the SA was delinquent on all quarterly report submissions by more than three (3) weeks and as much as four (4) months.

Required Corrective Action: The State agency must implement procedures to ensure that financial status reports are submitted by the required due dates.

As part of the corrective action response, the SA should include a copy of the new standard operating procedures.

Finding #5 (F-11-4041): The State agency lacks written procedures describing their methodology for preparing financial reports. [2 CFR 200.300 to 2 CFR 200.309]

Written procedures are an important part of internal controls. They provide guidance to supervisors, staff and the incumbent performing a function; and to auditors and reviewers that must validate the correctness of operations.

The written procedures provided by the State agency in response to our request were not adequate to provide an understanding of how the SF-425(FNS-778/778A) is compiled. In addition, a new cost allocation plan and methodology was implemented in April of 2016 and there is no description of the methodology for compiling the report given the change in documentation. As a result, we were unable to review and follow procedures for preparing the SF-425(FNS-778/778A) to determine if their process can be relied upon to produce accurate financial reports.

Required Corrective Action: The State agency must develop and implement written procedures describing their methodology for preparing financial reports.

The written procedures prepared for this finding should contain the following information:

1. A list of official reports used to prepare the SF-425(FNS-778/778A) by name and source. For example, include the official name of the accounting system or cost allocation report used and where to obtain the information (e.g., system folder, unit, contractor).
2. A description of where the number on the SF-425(FNS-778/778A) is obtained. For example, "Column 1, Certification, Line a, net outlays previously reported", is taken from the following the specific data fields on the specific reports. This should be done for all Columns on the report and include Lines a through m.
3. The unit responsible for providing the data and the unit responsible for preparing the report.
4. This information can be compiled using a variety of sources, such as SF-425(FNS-778/778A) instructions, language from the cost allocation contract, etc.

The State Agency (SA) response should include a copy of the written procedures developed, along with a timeframe for implementation.

Finding #6 (F-11-4044): Expenditures reported on the financial status reports do not reconcile with the State agency's accounting system. [2 CFR 200.300 to 2 CFR 200.309]

The State agency implemented a new cost allocation plan and methodology in April of 2016. In order to test the accuracy of the initial results of the new methodology, the State agency used estimated amounts for the third and fourth quarter FFY 2016 financial reports [SF-425(FNS-778/778A)]. As a result, we were unable to verify the second and third quarter reports with the actual expenditures as determined by the accounting system data and cost allocation results.

Required Corrective Action: The State agency must reconcile reported expenditures with the accounting system and revise financial status reports accordingly.

For the third and fourth quarter of FFY 2016, the State agency must provide documentation of actual costs incurred and allocated for these quarters and make necessary adjustments to the SF-425(FNS-778/778A). The SAs response should include a copy of the documentation for FNS review.

Finding #7 (F-11-4052): The State agency did not charge payroll expenses to the correct Federal Fiscal Year. [2 CFR

200.309]

Per 2 CFR 200.309, a State agency can charge only allowable costs incurred during the grant's period of performance. To incur an allowable cost means to enter into a transaction that requires obligating funds for that cost. Payroll costs are considered an obligation of the period that the employees worked. The SNAP grant is available for one year, October 1 through September 30, and only obligations incurred during that period can be charged to the grant. In our review of personal service costs, we noted that the State agency does not ensure that payroll costs at the end of the FFY are associated with the FFY in which the services were performed. As a result, they are out of compliance with the requirement to maintain FFY integrity.

Required Corrective Action: The State agency must implement procedures to ensure that payroll expenses are charged to the correct Federal Fiscal Year and adjust financial status reports accordingly.

The SAs response should include a description of the procedures planned to report personal services costs in the correct grant year, including such costs that cross two FFYs. It should also include the implementation date of this procedure.

EXHIBIT A

SNAP-OP Financial Status Reports – FY 2016

| | Quarter 1 (10/1/2015 – 12/31/2015) | Quarter 2 (1/1/2016 – 3/31/2016) | Quarter 3 (4/1/2016 – 6/30/2016) | Quarter 4 (7/1/2016 – 9/30/2016) |
|----------------|--|--|--|--|
| Due Date | 1/30/2016 | 4/30/2016 | 7/30/2016 | 10/30/2016 |
| Date Submitted | 2/19/2016 | 5/25/2016 | 10/20/2016 | 12/4/2016 |

SNAP-ED Financial Status Reports – FY 2015, FY 2016

| | Quarter 1 (10/1/2015 – 12/31/2015) | Quarter 2 (1/1/2016 – 3/31/2016) | Quarter 3 (4/1/2016 – 6/30/2016) | Quarter 4 (7/1/2016 – 9/30/2016) |
|----------------|--|--|--|--|
| Due Date | 1/30/2016 | 4/30/2016 | 7/30/2016 | 10/30/2016 |
| Date Submitted | 2/19/2016 | 5/25/2016 | 12/1/2016 | 12/2/2016 |

EXHIBIT B

SNAP Admin

| FY | Fund | Doc ID | Amount | Vendor/Description | Notes |
|----|------|------------------------|-----------|-------------------------------------|---------------------------------------|
| 16 | 10 | FY16_AP28_3 Accrual US | 27,613.60 | Northrup Gruman | Insufficient documentation |
| 16 | 10 | 121420151 | 7,663.71 | CHANGE AND INNOVATION AGENCY LLC | Amount does not match source document |
| 16 | 10 | J16069SJZ021 | 88,528.76 | Postage 2016 | Missing source document |

UHIP-SNAP FED

| FY | Fund | Doc ID | Amount | Vendor/Description | Notes |
|----|------|------------------------|------------|---|---------------------------------------|
| 16 | 10 | J16068RAN59 Asset Recl | 454,174.78 | TO RECLASS FY15 UHIP ACTIVITY TO CIP | Missing source document |
| 16 | 10 | 8002641229 | 13,642.52 | DELOITTE CONSULTING LLP | Amount does not match source document |

E&T 100%

| FY | Fund | Doc ID | Amount | Vendor/Description | Notes |
|----|------|-----------------|-----------|--------------------------------|--|
| 16 | 10 | 3390472-3-SEP15 | 84,865.51 | LOCAL INITIATIVES SUPPORT CORP | Fiscal year integrity issue; FY 2015 costs |

E&T 50%

| FY | Fund | Doc ID | Amount | Vendor/Description | Notes |
|----|------|------------------|-----------|--------------------------------|--|
| 16 | 10 | 3390472-3-AUG15A | 31,812.67 | LOCAL INITIATIVES SUPPORT CORP | Fiscal year integrity issue; FY 2015 costs |