



United States Department of Agriculture

# **RI Department of Human Services**

## **Supplemental Nutrition Assistance Program**

### **Financial Management Review Report**

**Fiscal Year 2017  
February 5 – 9, 2018**

Food and Nutrition Service

Northeast Regional  
Office

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## I. Executive Summary

The Financial Management Review (FMR) is an ongoing assessment of your agency's administration of the Supplemental Nutrition Assistance Program. The FMR provides the FNS Regional Office staff the opportunity to observe and evaluate the State agency's processes and procedures for compliance with requirements outlined in Federal financial regulations, the FNS regulations, and FNS policy. Additionally, the FMR is an opportunity for regional staff to provide technical assistance regarding new regulations and policy interpretations that may be needed.

The Food and Nutrition Service (FNS) conducted an FMR of the Supplemental Nutrition Assistance Program in Rhode Island. The FMR was conducted at the State Agency (SA) in the Cranston, RI office during the week of February 5 – 9, 2018. Details on the areas selected for review are explained in the Scope and Methodology sections of the report.

An Exit Conference was held on 02/27/2018 to provide a summary of the work performed at the State agency and to discuss any anticipated findings and required corrective actions. Additional information and correspondence was obtained from the State agency through April 6, 2018.

Summary of findings:

Findings: 5

The findings contained within the report include: state expenditures for non-State employee services; fiscal year integrity; in-kind contributions to SNAP Outreach; incorrect reporting of costs on the SF-425/FNS-778; and timely payment to vendors.

Open Findings from Previous Review: 4

There are also four open findings from the 2017 FMR. The corrective action plans for two (2) findings have been accepted, while two (2) more do not have approved corrective actions plans.

It was noted during the review that RI DHS expensed certain legal costs to the SNAP program related to post-UHIP implementation. FNS is currently reviewing applicable regulations to determine if these legal costs are allowable.

A written response to all required corrective actions and suggestions 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 (CAP) for the findings, including implementation time frames and supporting documentation as necessary. Written responses to the suggestions must detail whether or not the agency will be implementing the suggestion and the reasons.

Noteworthy Initiatives:

FNS Reviewers noted significant improvement in Rhode Island Department of Human Services' oversight and coordination of the Federal Audit Requirements under 200 CFR, Subpart F (formerly known as A-133 review).

It should be noted too, that the level of understanding and knowledge displayed by staff concerning SNAP Program policies and regulations supports your agency's commitment to improving financial operations of this essential program. We wish to thank the entire State agency staff for the time and assistance extended to our office during the course of the year and in the development of this report.

## II. Definitions

**ADVANCE PLANNING DOCUMENT PROCESS:** A series of successive steps through which State agencies obtain Federal prior approval of and FFP in automation projects supporting FNS programs. This includes eligibility system and EBT projects.

**ALLOCATION:** The process of distributing shared costs among cost objectives (programs, functions, activities, etc.) so that each bears a portion of the cost commensurate with the benefit received from the cost.

**ALLOWABLE COST:** A cost that meets the criteria for charging to a federally assisted program or other cost objective.

**CASH BASIS OF ACCOUNTING:** The comprehensive basis of accounting in which one equates cash receipts with revenue and cash disbursements with expenditures. Cash basis accounting is not recognized as conforming to GAAP. Nevertheless, many governmental and not-for-profit organizations use the cash basis for their day-to-day accounting operations, then convert to the accrual.

**CLOSED ME/FMR FINDING:** The State agency has implemented corrective action as required to address the finding, documentation submitted by the State agency supports implementation of the corrective action, and FNS has validated that the corrective action is sufficient to resolve the finding.

**CLOSED ME/FMR REVIEW:** All findings have associated corrective actions that have been implemented and validated by FNS and are closed, including "long-term" findings.

**CORRECTIVE ACTION RESPONSE:** Actions that are proposed or taken by a State agency to respond to a finding of noncompliance with Federal regulations, FNS instructions, and/or policy memoranda. The term 'Required Corrective Action' is the element of the ME/FMR report that conveys the action(s) that must be taken by the State agency to correct the noncompliance with Federal regulations, FNS instructions, and/or policy memoranda and prescribed by FNS for the State agency to move into compliance with Federal requirements and policy.

**COST ALLOCATION PLAN:** Documentation prepared by a grantee or subgrantee in order to identify, accumulate, and distribute allowable costs under Federal programs, and to explain the allocation methods used. 2 CFR 200 requires two types of CAPs:

1. Central Service CAP. This type of CAP, required by Appendix V to Part 200, is also known as a "statewide CAP" or "SWCAP." It is used to allocate costs of central service organizations (such as motor pools, print shops, messenger services, mail rooms,

computer centers, purchasing offices, etc.) to the user organizations that operate Federal programs. For example, costs incurred by a central purchasing office that serves an entire State government would be assigned to State agencies that use that office's services via a central service CAP. Some central service providers bill their "customer" agencies directly for services rendered; the user agencies generally treat these as direct costs. Other central service costs are not billed but are identified to user agencies through an allocation process. The user agencies generally fold allocated central service costs into their agency indirect cost rate proposals and charge them to Federal programs as indirect costs.

2. Public Assistance CAP. Appendix VI to Part 200 requires the PACAP. It is a special-purpose CAP used by State and local social service agencies to allocate costs to the SNAP, TANF, Medicaid, Child Support Enforcement, Foster Care, and other social service programs. A State "umbrella agency" that administers both health and social service programs would also include WIC in its PACAP. A social service agency may use the PACAP for direct costs and an indirect cost rate agreement for indirect costs, or may cover both direct and indirect costs in its PACAP. Costs allocated to the public assistance agency via the SWCAP are folded into the agency's PACAP and/or its indirect cost methodology.

In addition to these CAPs that 2 CFR 200 expressly requires, grantees can request their cognizant agencies to review and approve special-purpose CAPs to meet their own unique needs. For example, DHHS guidance (ASMB C-10, paragraph 5.2) suggests that the concepts and principles underlying the PACAP "may have applications for other State and local agencies that operate in a Federally funded environment where an indirect cost rate [alone] inadequately identifies the cost of operations and greater precision is needed."

**COST OBJECTIVE:** A program, function, activity, organizational unit, etc. for which cost data are needed and for which a grantee makes provision to accumulate the costs. The ultimate cost objective is a Federal program against which the costs are finally lodged. However, costs may be accumulated in intermediate cost objectives, commonly called "cost pools," pending their distribution to ultimate cost objectives. A cost may be charged to a succession of pools before reaching its ultimate cost objective.

**CREDIT:** A cash receipt or the reduction of a previously recorded expenditure which offsets or reduces costs chargeable to Federal programs. Examples of credit transactions include purchase discounts, rebates, recoveries of prior losses, refunds of insurance premiums, adjustments of overpayments or erroneous charges. A grantee or subgrantee must charge costs to Federal programs net of all applicable credits.

**DATA ANALYTICS:** Data analytics is the scientific search for patterns, trends, and other relationships that exist in large databases. Use of data analytics allows an in-depth analysis of

State agency program data to identify or flag possible program access, integrity, accuracy, business process, and system issues that can be further examined during ME/FMRs. While on-site, FNS reviewers can target specific cases or processes to determine if a problem exists and, if so, the scope of the problem. From these standardized protocols, FNS gains insight into nationwide trends enabling Regional staff to provide States Program/GM-specific technical assistance and training.

**DIRECT COST:** A cost item for which a measurable benefit to a particular cost objective can be specifically identified. The compensation of a staffer performing program-specific work, such as certifying applicants to receive program benefits, is an example of a direct cost.

**EXPENDITURE:** The reduction of assets or the incurring of liabilities to fund current operating expenses, to acquire capital assets, and to service debt. For financial reports prepared on the cash basis, expenditures are the sum of actual cash disbursements for direct charges for goods and services, the amount of indirect cost incurred, the value of third-party in-kind contributions applied, and the amount of cash advances and payments made to subgrantees and contractors. For reports prepared on the accrual basis, expenditures are the sum of actual cash disbursements, the amount of indirect cost incurred, the value of third-party in-kind contributions applied, and the net increase or decrease in financial liabilities to employees, contractors, subgrantees, etc.

**FINANCIAL REPORTING:** Reporting by a grantee on the financial status of a Federal grant, using a form prescribed by the Federal awarding agency.

**FINDING:** Identification of non-compliance with program regulations, FNS instructions, and/or policy memoranda, and/or other authoritative documents that must be corrected by the State agency. Each finding is associated with a required corrective action.

**FUNCTIONAL AREAS:** Specific areas or components of program operations and administration performed by the State agency that are examined and evaluated in a ME/FMR such as certification and eligibility, program access, financial management, and local agency oversight.

**GENERAL LEDGER:** A record containing the accounts needed to reflect an entity's financial position (net worth) and financial results of operations. A general ledger maintained on a double-entry basis includes five classes of accounts: assets, liabilities, fund balance or equity, revenues, and expenditures/expenses.

**GRANT PERIOD:** The period of time during which a grantee is authorized to incur new obligations against a Federal grant. For most grants awarded by FNS, the grant period corresponds to the Federal fiscal year. The grant period is sometimes called the "funding period" in the grants management literature.

**GRANTEE:** A non-federal organization that receives FFA directly from a Federal awarding agency. State agencies are grantees of FNS.

**INDIRECT COST:** A cost: (a) which is incurred for a common or joint purpose benefiting multiple cost objectives; and (b) whose benefit to the benefiting cost objectives cannot be readily measured without effort disproportional to the results achieved. A grantee or subgrantee assigns indirect costs to Federal programs by applying an indirect cost rate or other methodology in accordance with an indirect cost agreement negotiated with the entity's cognizant Federal agency.

**INDIRECT COST RATE:** The ratio of an entity's allowable indirect costs to the allowable and unallowable direct costs that benefit from the indirect cost activities. A cognizant Federal agency approves the entity's methodology for developing the rate. The denominator for computing most indirect cost rates is either direct wages and salaries, or MTDC. The "modification" in the latter case is the elimination of distorting items such as capital expenditures. See also **INDIRECT COST**.

**INTERNAL CONTROL:** The system of methods and procedures established by the management of a State agency or subgrantee to provide reasonable assurance that: financial and programmatic reports are presented fairly; assets and information are protected and used solely for authorized purposes; and the agency complies in all material respects with applicable laws and regulations, including those applicable to Federal programs. Examples of management control techniques include, but are not limited to: training agency staff; segregating duties so that no single staffer controls an entire financial or administrative function; restricting the dissemination of critical information to persons with a "need to know;" requiring a second party to review checks, vouchers, contracts, and other critical documents before issuance; and maintaining a secure physical environment for critical assets, such as cash, computer systems; etc.

**LIABILITY:** A legally enforceable claim against an entity's assets resulting from past transactions or events. A grantee incurs a financial liability when it receives the services of its employees and goods and services from vendors and contractors. Liabilities are also created for a grantee when subgrantees incur allowable program costs or provide required program services (such as CN Program operators serving reimbursable meals to eligible persons). Ultimately, all program services performed by grantees and subgrantees create liabilities for FNS.

**MANAGEMENT EVALUATION OR FINANCIAL MANAGEMENT REVIEW:** Periodic compliance assessment of State agency or local program operations and administration resulting in a report of findings, observations, and noteworthy initiatives.

**ME/FMR REPORT:** Formal, comprehensive report of the ME/FMR review that typically includes findings, required corrective actions, observations, suggestions, and noteworthy initiatives.



**NOTEWORTHY INITIATIVES:** Projects, processes, and practices worthy of recognition and sharing with other State agencies for replication in an effort to improve program operations.

**OBLIGATION:** The amount of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given accounting period that will require payment by the reporting entity during the same or a future period. Financial obligations reported on the cash basis are the sum of the reporting entity's encumbrances and liabilities; accrual basis obligations are the same as encumbrances. See also **ENCUMBRANCES**.

**ON-SITE REVIEW:** FNS review performed at a State or local agency; i.e. review activity not performed in FNS offices. This may include local agency visits, store visits, interviewing staff, review of computer systems, participant files, reports, forms or records.

**OPEN FINDING:** A finding in which the corrective action has not been implemented by the State agency and/or validated by FNS; this includes a cited finding, a finding where a CAR is not accepted, an accepted but not implemented finding, or a finding implemented but not yet validated. Ensure language is included in the background section of the report indicating if there are open findings from a previous review.

**RANDOM MOMENT SAMPLING:** A statistical method of capturing the distribution of staff time and effort among Federal programs and other cost objectives. The grantee gathers data by confronting staffers at selected "random moments" and asking them which cost objective they're working on at that moment. The grantee's sampling plan provides for a statistically valid number of such "hits." Therefore, the sum total of staff responses provides a statistically valid basis for allocating staff compensation among cost objectives. The population subjected to RMS "hits" may consist of just those staffers engaged directly in programmatic work (such as certifying applicants for program benefits), and the results used to allocate the cost of compensating not only those staffers but clerical and managerial personnel as well.

**REPEAT FINDING:** A finding that is identical to a previously cited, closed finding that is discovered at the same State agency in at least one of the reviews conducted within the continuous six-year period immediately preceding the FMR.

**REQUIRED CORRECTIVE ACTION:** A statement in the ME/FMR report that conveys the action(s) that must be taken by the State agency to correct noncompliance with Federal regulations, FNS instructions, and/or policy memoranda. Required corrective actions are prescribed by FNS but may have input by the State agency. The State agency is required to provide a Corrective Action Response to FNS' required corrective action. Required Corrective Action Responses should include a timeframe in which the State agency will implement the

Corrective Action. All required corrective actions must be validated by FNS to ensure the State agency has implemented to corrective action and that the corrective action has addressed the violation prior to closing the applicable finding(s).

**REVIEW COORDINATOR:** An FNS employee who is designated as the primary contact or lead for a particular ME/FMR.

**REVIEWER:** An FNS employee conducting the ME/FMR.

**SOURCE DOCUMENT:** A document created in the course of a financial transaction and thus constituting physical evidence of the transaction. Source documents form the basis for recording and reporting financial information; accordingly, they are the starting point for the accounting process that ends with financial reports. Examples of source documents include receipts, invoices, travel vouchers, time & attendance records, internal transfer documents, contracts, etc.

**SUBGRANTEE:** An organization that receives FFA from a grantee rather than directly from a Federal awarding agency. A grantee making subgrants under Federal programs is also known as a "pass-through entity" because it "passes through" Federal funds to its subgrantees. A pass-through entity is required to monitor its subgrantees' implementation of the subgrant terms and conditions.

**UNLIQUIDATED OBLIGATION:** For reports prepared on the cash basis, unliquidated obligations are obligations remaining on the books of account by virtue of not having been liquidated through cash disbursements. For reports prepared on the accrual basis, unliquidated obligations are the amount of obligations for which accrual-basis expenditures have not been recorded.

**VALIDATION:** Prior to closing a ME/FMR finding or review, FNS must verify that all required corrective action for each individual cited finding has been implemented by the State agency before taking closure action. Validation may be done through documentation provided by the State agency or an on-site visit to determine that the corrective action has actually been implemented.

**WORKPAPERS:** Papers, notes, documents, worksheets, ME/FMR report, and all correspondence supporting findings, required corrective actions, observations, suggestions, and validation that corrective actions have been successfully implemented. This does not include the actual documents and files reviewed on-site during the ME/FMR, unless the reviewer brings documents back to the regional office from the on-site review and those documents support the conclusions within the ME/FMR report. Then, those documents will be included in the workpapers. For ME/FMR reports that contain no findings and/or observations, responses within the ME/FMR documents or workbook must support this conclusion and be included in the workpapers.

### III. Acronyms

ADP	Automated Data Processing
APD	Advance Planning Document
ASAP	Automated Standard Application for Payment
CAP	Cost Allocation Plan
CAR	Corrective Action Response
CFR	Code of Federal Regulations
CMIA	Cash Management Improvement Act of 1990
DCA	Division of Cost Allocation
E & T	Employment and Training
FFA	Federal Financial Assistance
FFP	Federal Financial Participation
FMR	Financial Management Review
FMS	Financial Management Service
FNS	Food and Nutrition Service
FNS-778	Form for SNAP Financial Status Report
FPRS	Food Programs Reporting System
FY	Fiscal Year
FFY	Federal Fiscal Year
GAAP	Generally Accepted Accounting Principles
GAD	Grant Award Document
GAGAS	Generally Accepted Governmental Auditing Standards
GM	Grants Management
ICRP	Indirect Cost Rate Proposal
LOC	Letter of Credit
MIS	Management Information System
MTDC	Modified Total Direct Costs
NE	Nutrition Education
OMB	Office of Management and Budget
PACAP	Public Assistance Cost Allocation Plan
RC	Review Coordinator
RCA	Required Corrective Action
RMS	Random Moment Sampling
SA	State Agency
SAE	State Administrative Expenses

SAVE	Systematic Alien Verification for Entitlements
SF	Standard Form
SNAP	Supplemental Nutrition Assistance Program
SRMR	State Revenue Matching Requirement
SWCAP	Statewide (Central Services) Cost Allocation Plan
USDA	United States Department of Agriculture

#### **IV. Introduction**

This report details the results of the FMR conducted of the Rhode Island Department of Human Services Supplemental Nutrition Assistance Program.

State agency staff supporting the review and the FNS review team members include the following:

Janice Cataldo, RI DHS	Kimberly Weiss, FNS Coordinator
Margaret Farrish, RI DHS	Lisa Fitzgerald, FNS Reviewer
Erin Dellefemine, RI DHS	Mary Gioiosa, FNS Reviewer
Guillermo Uzcategui, RI DHS	Murtuza Banglawala, FNS Reviewer
Maureen Wu, RI DHS	
Sandra Zawislak, RI DHS	

#### **V. Objective**

The main objective of this review was to determine State agency compliance with Federal financial regulations, policies, laws, contracts, grant agreements, other requirements applicable to the program, and to promote a collaborative partnership through technical assistance.

#### **VI. Scope**

The scope of the review included the Supplemental Nutrition Assistance Program (SNAP) and SNAP Nutrition Education for the period October 1, 2016 through September 30, 2017, with a focus on open findings from last year. The FMR entrance conference was conducted on 02/05/2018 at the office of the State agency located in Cranston, RI. An exit conference was held on 02/27/2018 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.

#### **VII. Methodology**

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 2017 Supplemental Nutrition Assistance Program Annual closeout Report.

The following areas were addressed during the review:

- General Administrative
- Generic Procedures for Reviewing Grantee Administrative Cost
- SNAP SAE
- SNAP Nutrition Education Program

The methods used to collect information during the review include:

Data and Documentation Review- The FMR team analyzed State agency data and documentation for compliance with federal regulations and State agency policy. Documentation reviewed included:

- Document controls for preparation and submission of SNAP Federal Financial Reports Validate amounts reported on the Financial Status Report (SF-425/FNS-778) for SNAP- OP and SNAP-ED reports
- Review Cost Allocation Worksheets
- Document controls for ensuring accurate assignment of costs
- Analysis of sampled vouchers/invoices supporting costs reported on the SF-425/FNS-778
- Subgrantee monitoring
- Single Audit Findings
- Prior year FMR findings
- And other relevant documentation

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 deliver an opinion of compliance and provide your agency with the areas of possible weakness and to set up corrective actions to mitigate potential systemic problems.

## VIII. Findings and Required Corrective Actions/Observations and Suggestions

### SNAP

#### Finding #1 (F-12-4099)

**Repeat Finding as of 01/06/2016:** The State agency has reported costs incorrectly on the FNS-778.

7 CFR 277.6 (b); 2 CFR 200.309; 2 CFR 200.327;

The regulations indicate that States must have a system in place to provide an accurate disclosure of the financial results of program activities in accordance with Federal reporting requirements. State agencies that administer SNAP submit their financial results on the SF-425 (FNS-778), Financial Status Report. The instructions for the form describe the costs to be included in each column of the report. For example, Column 1, Certification costs, should include costs for certification activity, including, but not limited to, processing applications; Column 7, ADP Operations, should include the operational costs of computer systems; and Column 26, Unspecified other is meant to capture costs that can not be identified as belonging in the other columns. In our review of 26 invoices, we noted that an invoice for assistance applications, which should have been reported in Column 1, was reported in Column 26. We also noted that several invoices related to information technology, that should have been reported in Column 7, were also reported in Column 26, Unspecified Other. As a result, the State agency is out of compliance with the requirements for reporting costs on the FNS-778.

**Required Corrective Action:** The State agency must implement procedures to ensure that costs are reported correctly on the FNS-778 and adjust financial reports accordingly.

We require that the State agency examine the items of cost included in each Column of the FNS-778 and adjust their reporting methodology accordingly. The response should include a description of the corrective actions along with an implementation date and copies of updated written procedures that describe the methodology.

#### Finding #2 (F-11-4001)

The State agency included unallowable costs on the financial status report.

2 CFR 200.420 to 2 CFR 200.475;

Federal regulations at 2 CFR Part 200.306 indicate that for a cost to be counted toward a cost sharing or matching contribution requirement, it must meet the same standards for allowability as

those for costs charged directly to a Federal award. In our sample of 26 invoices, 1 invoice was for an item entitled "5.5 Pct. Contractor Legislation" that was counted toward the State's SNAP cost sharing requirement. This charge represents an assessment on State expenditures for non-state employee services. According to the State, their Auditor General determined that these costs would not be allowable under Federal cost principles. As such, the State is out of compliance with Federal cost principles.

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

The response must include the following:

- An assessment of the total amount of "5.5 Pct. Contractor Legislation" costs counted towards the State's SNAP cost sharing requirement
- Adjustments to FNS-778 reports to correct the State's share of SNAP costs
- A description of the procedures planned to prevent unallowable costs from being counted toward the cost sharing requirement
- An implementation date for corrective actions

### **Finding #3 (F-11-4055)**

The State agency charged nonpersonal service costs to the wrong Federal Fiscal Year.  
2 CFR 200.309;

Per 2 CFR 200.309, a SA 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. 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. We noted that 3 of the 26 invoices examined were for FFY 2016 expenses that were charged to FFY 2017. The total Federal share of these invoices was \$44,830.03. For 1 of the 26 invoices, expenses for the period September through November of 2016 were charged to FFY 2017, although the September 2016 expenses should have been charged to FFY 2016. The total Federal share for this invoice was \$15,327.62. It is unclear which portion applies to FFY 2016. As a result, the SA is out of compliance with period of performance requirements.

It must be noted that a similar finding was contained in the prior FMR report, however, the SA was able to demonstrate that the invoices questioned as part of the prior review were actually reported in the correct FFY. As a result, we do not consider this a repeat finding.

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

The response should also include an assessment of FFY 2016 expenses charged to FFY 2017

and a description of procedures planned to comply with period of performance requirements along with an implementation date for such procedures.

**Finding #4 (F-10-9979)**

The State agency does not follow its prescribed procedures for making payments with grant funds.

2 CFR Part 200.303;

The regulations require that States spend Federal grant funds in accordance with the same State rules used for expending State funds. RI State rules require that invoices be paid within 30 days of receipt of a valid invoice. We noted that 9 of 26 invoices reviewed were paid between 35 and 129 days after the invoice date. The State did not provide the paid date for 5 of the 26 invoices reviewed. As a result, the State is out of compliance with State timely payment requirements.

**Required Corrective Action:** The State agency must follow its prescribed procedures for making payments with grant funds.

The response should include a description of the procedures planned to comply with State requirements along with an implementation date for the procedures.

**Finding #5 (F-11-4059)**

The State agency was unable to provide documentation for reported in-kind contributions.

2 CFR 200.306;

2 CFR 277.4(d) stipulates that in-kind contributions are allowable if they are: verifiable; not contributed for another federally-assisted program; are not paid by the Federal Government under another assistance agreement unless authorized; and are in the approved budget. 2 CFR 277.4(e) stipulates that, "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." FNS State Outreach Plan Guidance, Section B: Policy, 3.1- identifies allowable sources of State Agency funding to include in-kind contributions from public agencies. The guidance further defines a non-Federal public agency 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)". In summary, FNS regulations permit in-kind contributions from non-Federal public entities provided that the entity is supported with funds from general tax revenues of the State. As the direct recipient of Federal funding, DHS is responsible for verifying that each in-kind contributor has received funds from general revenues of the State in order to claim their contributions toward the SNAP Outreach program. During the review, DHS was unable to provide documentation to validate that each of the 42 3rd-party Outreach vendors had received general revenue from the State. As such, the following in-kind contributions are disallowed:

Federal Hill House - \$360

Johnnycake Center Peace Dale - \$1,691.84

Johnnycake Center Westerly - \$6,668.42



Martin Luther King, Jr. Community Center - \$6,188  
Neighborhood Health Plan of RI - \$29,694  
Pilgrim Senior Services, Warwick - \$2,101.80  
Providence In-town Church Association (PICA) - \$891.45  
St. Martin de Porres Senior Center - \$6,679  
Silver Lake Community Center - \$5,100  
Total - \$51,374.51

**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 State Agency (SA) must provide supporting documentation to validate each 3rd party vendor received state general revenue or if unable to do so, revise the FY 2017 SF-425/FNS-778 to reflect corrected outlays for the outreach program. FNS will plan to submit a Bill for Collection once the FY 2017 SF-425/FNS-778 has been revised. Additionally, the SA must implement internal controls including written procedures. The Corrective Action Plan must identify how the SA will verify non-Federal public agency status for each vendor committing to Outreach in-kind contributions as well as procedures for obtaining documentation of supporting in-kind contributions from subrecipients each time payment is requested. A date of anticipated implementation must be included for each corrective action identified.

## **IX. State Agency Response Requirements**

The State agency is required to provide a written response outlining its corrective action plans (CAPs) to correct the findings identified in this FMR report. CAPs for all findings are due within 60 calendar days of receipt of this FMR report. Each CAP must contain the following items:

- Identification of the steps necessary to implement the corrective actions and address root cause(s) of the finding.
- Identification of the timeframes related to each corrective action. This includes major milestone dates and target implementation dates (or actual implementation dates if implemented prior to CAP submission).
- Identification of the State agency point of contact responsible for each corrective action in the CAP.
- How the State agency will monitor the progress and success of the CAP implementation.

FNS will provide technical assistance in developing CAPs if requested by the State agency.

## **X. Open Findings from Previous FMRs**

This section provides an overview of open findings from previous MEs. Please note that FNS cannot close an ME until all corrective actions for all findings have been implemented by the State Agency and validated by FNS.

**FMR-0000919-RI (FY 2017)**

**SNAP Outreach and Participation Grants, SNAP**

**F-11-4059**

The State agency was unable to provide documentation for reported in-kind contributions.

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.

**Finding Status:** CAP Not Accepted

## **SNAP**

### **F-10-10183**

The State agency does not include a review of financial reporting during management evaluations of subgrantees.

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.

**Finding Status:** CAP Not Accepted

## **SNAP SAE**

### **F-11-4041**

The State agency lacks written procedures describing their methodology for preparing financial reports.

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 Status:** CAP Accepted

#### **F-5-10208**

The State agency does not submit financial status reports (FNS-778 and/or SF-425) in a timely manner.

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 Status:** CAP Accepted

RI DHS FMR Report  
Exhibit A

FINDING #3 F-11-4055 FFY 2016 EXPENSES CHARGED TO FFY 2017						
Line Sequence	Document ID	Natural Account Description	Amount	Date of Service		
2275124	69A00257183-38-OCT16	Maint/Repairs:Comp Equip	23,449.46	August - September 2016		
2275124	903622816	Printing - Outside Vendors	5,251.18	September 2016		
2275179	J17069SJZ003	Information Technology: System Support	16,129.39	July - September 2016		
2275179	2016-422	Financial Services: Other	15,327.62	September - November 2016		
FINDING #4 F-10-9979 INVOICES NOT PAID TIMELY						
Line Sequence	Document ID	Natural Account Description	Amount	Invoice Date	Paid Date	Days between invoice and paid
2275124	69A00257183-38-OCT16	Maint/Repairs:Comp Equip	\$ 23,449.46	9/30/2016	11/04/16	35.00
2275124	903622816	Printing - Outside Vendors	\$ 5,251.18	9/30/2016	11/18/16	49.00
2275124	3279876-27	Rental Of Outside Property	\$ 1,083.38	10/14/2016	11/18/16	35.00
2275179	2016-422	Information Technology Services:General	\$ 285.76	12/31/2016	Unknown	Unknown
2275179	2016-422	Financial Services: Other	\$ 15,327.62	Unknown	Unknown	Unknown
2270120	OY1-1004	Information Technology: System Support	\$ 1,845.36	11/18/2016	Unknown	Unknown
2275124	464460	Legal Services: Special Counsel	\$ 2,027.31	2/17/2017	Unknown	Unknown
2275179	J17069SJZ003	Information Technology: System Support	\$ 16,129.39	Unknown	Unknown	Unknown
2275124	58618809	Equipment, \$5,000 And Above	\$ 2,059.23	6/5/2017	7/21/2017	46.00
2270120	1325674	Fees: Food Stamp Transaction Costs	\$ 25,372.25	12/6/2016	4/14/2017	129.00
2270120	442269	Legal Services: Special Counsel	\$ 14,061.60	5/7/2017	08/25/17	110.00
2270120	18_11980_073117_10_00	Postage And Postal Services	\$ 16,526.27	7/31/2017	09/22/17	53.00
2270140	OY22002	Information Technology: System Support	\$ 2,609.21	11/9/2017	12/28/17	49.00
2270120	173754	Financial Services: Other	\$ 5,017.54	7/6/2017	10/02/17	88.00