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December 29, 2017

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Providence, RI 02908

Ms. Carol Grant  
Commissioner  
RI Department of Administration  
Office of Energy Resources  
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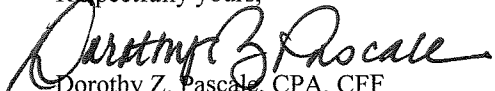
Dear Director Coit and Commissioner Grant:

The Office of Internal Audit has completed its audit of the Regional Greenhouse Gas Initiative (RGGI) at the Office of Energy Resources (OER), as well as the Department of Environmental Management (DEM). The audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in accordance with the Rhode Island General Laws (RIGL) §35-7.1-1 – Establishment of office of internal audit. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL §35-7.1-10 (d), entitled *Annual and interim reports*, states that, “Within twenty (20) calendar days following the date of issuance of the management response copy of the draft audit report, the head of the department, agency, public body or private entity audited shall respond in writing to each recommendation made in the audit report...” Accordingly, management submitted its response to the audit findings and recommendations on December 18, 2017, and such response is included in this report. Pursuant to this statute, the Office may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the staff of OER and DEM for the cooperation and courtesy extended to the members of our team during the course of this audit.

Respectfully yours,

  
Dorothy Z. Pascale, CPA, CFF  
Chief

cc—Jonathan Womer, Director, Office of Management and Budget, DOA  
Peter Keenan, State Controller, Office of Accounts and Control, DOA  
Honorable William J. Conley, Jr., Chairperson, Senate Committee on Finance  
Honorable Marvin Abney, Chairperson, House Finance Committee

## **AUDIT Executive Summary**

### **Why the OIA Did This Review**

The purpose of this engagement is to determine if the Regional Greenhouse Gas Initiative, as operated in the State of Rhode Island, is being administered efficiently and effectively in accordance with applicable laws, rules and regulations and if adequate controls are in place to ensure safeguarding of assets and accurate reporting.

### **Background Information**

The Regional Greenhouse Gas Initiative (RGGI) is a market-based program used to reduce the greenhouse gas emissions. In 2008, Rhode Island joined eight other states and formed a cooperative agreement with RGGI, Inc., to support development and implementation of RGGI. The two departments within Rhode Island included in this initiative are the Office of Energy Resources and Department of Environmental Management.

### **To Strengthen Controls, Office of Energy Resources Should:**

- Implement controls over receipt process
- Strengthen purchasing and contract controls
- Implement monitoring procedures
- Update rules and regulations

Accurately classify expenses in accordance with Accounts and Controls

### **To Strengthen Controls, Department of Environmental Management Should:**

- Develop Standard Operating Policies and Procedures
- Develop MOU with OER
- Determine a corrective action of the indirect cost recovery.

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## Introduction

The Office of Internal Audit (OIA) has completed its audit of the financial and program operations for the RGGI program as operated in the State of Rhode Island. The purpose of this report is to discuss recommendations to improve financial and program operations.

The Regional Greenhouse Gas Initiative (RGGI) is a mandatory, market-based cap and trade program aimed to reduce carbon emissions. Under RGGI, fossil fuel-fired electric generating facilities are required to purchase a tradable allowance for each ton of carbon dioxide they emit. RGGI, Inc., is the 501(c) (3) non-profit corporation created to provide administrative and technical services to support the development and implementation of each RGGI State’s CO<sub>2</sub> Budget Trading Program. The responsibilities associated with RGGI in Rhode Island are divided between the Office of Energy Resources (OER) and the Department of Environmental Management (DEM).

Once the auction has been held, the funds are transferred from RGGI, Inc., to each participating state. Each state has the discretion to use the funds in accordance with their own laws and regulations. Rhode Island has enacted legislation which requires the auctions proceeds to be deposited as restricted revenues and establishes six general purposes for which the funds may be used. These purposes are:

- Cost-effective energy efficiency and conservation measures
- Renewable non-carbon emitting energy technologies
- Direct rate relief for consumers
- Direct rate relief for low-income consumers
- Compensation to RGGI, Inc.
- Administrative costs of DEM and OER

RGGI Inc. on behalf of the nine Participating States, including Rhode Island, contracts with several third parties for services including, but not limited to, auction platform, market monitor and maintenance of a system to track CO<sub>2</sub> allowances.

A breakdown of the various responsibilities are as follows:

<b>Responsibilities Related to the Regional Greenhouse Gas Initiative in RI</b>		
<b>RGGI, Inc.</b>	<b>OER</b>	<b>DEM</b>
Maintain system to track emissions data	Allocate and distribute RGGI proceeds to programs	Setting rules and regulations
Auction of CO <sub>2</sub> allowances and distribution of funds to participating states	Monitor RGGI-funded programs, Approve auction results	Ensuring power plant compliance with program, approve auction results
Monitor the allowance market	Create annual report of proceeds and expenditures	Assist RGGI, Inc., with planning for auctions
Provide technical assistance to states		Approve auction participants

As illustrated above, OER and DEM have varying responsibilities for the RGGI program; therefore, each have differences in applicable risks and internal controls. While certain test work was performed at both OER and DEM, the OIA performed agency-specific testing as well. The following recommendations specify the agency to which they are addressed.

## Recommendations and Management's Responses

### RGGI Strategic Planning

#### Address Administrative Costs Control Weaknesses

RIGL §23-82-6(a)(6) states that proceeds may be used for:

*... reasonable costs of the department of environmental management and office of energy resources in administering this program...*

Further, it states that:

*... administrative funds not expended in any fiscal year shall remain in the administrative fund to be used as needed in subsequent years.*

#### Develop multi-year budget for administrative needs

Best business practices include planning and budgeting for anticipated expenses. Achieving long-term goals is dependent upon effective and judicious fund management. OER does not have a documented, long-term plan for utilization of the RGGI administrative funds. Per RIGL §23-82-6(a)(6), OER and DEM are authorized to take either 10% of the auction proceeds or \$300,000, whichever is greater to cover program administrative expenses. The amount of administrative funds is currently split equally between OER and DEM<sup>1</sup>.

Upon review of the RGGI administrative funds received and utilized since the start of the program, the amount of RGGI funds used to pay for administrative expenses significantly increased between fiscal years 2015 and 2017<sup>2</sup>. As a result, the use of RGGI program administrative funds increased without a long-term plan for determining, prioritizing or budgeting for total program administrative needs and costs. RGGI administrative funding was used to pay approximately 30% of total OER payroll costs in fiscal years 16 and 17, with the remainder paid from other funding sources, including the Systems Benefit Charge.

Should the OER continue usage of RGGI administrative funds at the same or similar rate as they have over the past three fiscal years, and they do not change the assignment of the amount of funds between OER

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<sup>1</sup> This law was changed in 2014 to increase the amount of proceeds allowed to be used for administrative purposes (the previous version of the law stated 10% of auction proceeds or \$300,000, which is *less*). Any administrative funds that are not expended in the current fiscal year are reclassified to a restricted administrative account to be used in future years.

<sup>2</sup> Prior to FY15, OER controlled the LIHEAP program and received related federal funds. In FY12, the LIHEAP program was transferred to DHS, and OER lost that source of funding. Additionally, OER used the remainder of their American Recovery and Reinvestment Act of 2009 (ARRA) funding.

and DEM, there will not be sufficient funding to pay for future administrative RGGI costs within the next one to three years.

*Recommendation to OER:*

1. Develop a long-term plan for funding projected RGGI administrative costs.

*Management's Response:*

OER already maintains a multi-year budget that addresses projected revenues from all funding streams (including RGGI) and estimated expenses. Any potential projected shortfall would be identified through that planning process, allowing for necessary corrective action in a timely manner. Thank you.

*Responsible Party OER:*

Nick Ucci

*Anticipated Completion Date OER:*

Completed.

Execute a memorandum of understanding stipulating the usage and allocation methodology of administrative funds

As stated above, OER is at risk of depleting and exceeding their share of RGGI administrative funds; however, DEM has consistently run a surplus. While examining the expenditures paid out of DEM's RGGI administrative funds during fiscal years 2016 and 2017, the OIA found that 27% of the funds were used for grants and assistance related items, not administrative costs. DEM management elected to use the excess funds in their RGGI administrative account for other insufficiently funded DEM-operated energy efficiency programs. By using designated RGGI administrative funds for program costs, DEM subverted the transparent nature of the allocation process. Without a memorandum of understanding (MOU) stipulating the usage of administrative funds between the parties, DEM management may have been unaware that these funds could not be used in this manner.

Also, as previously stated, OER is at risk of depleting their RGGI administrative funds while DEM has consistently held a surplus. The decision to split the administrative funds between the two agencies is not a legislative or regulatory requirement. The MOU should also address the amount or percentage of administrative funds each agency is to receive to avoid insufficiently funded RGGI administrative costs between the two agencies.

*Note: Prior to the issuance of this report DEM and OER created a memorandum of understanding regarding the program funds; however, we find it insufficient to resolve the issues discussed above.*

*Recommendation to DEM and OER:*

2. Develop a MOU detailing the process for transferring funds, how the funds are to be used and the methodology to allocate. Consider the appropriate distribution to each agency based upon anticipated needs.

*Management's Response DEM:*

A MOU will be developed to address and clarify the issues identified above.

*Responsible Party:* Laurie Grandchamp, Chief, Office of Air Resources

*Anticipated Completion Date:* First Quarter of 2018

*Management's Response OER:*

OER will coordinate with DEM in the development of an MOU. We would also note that each RGGI Allocation Plan specifies how administrative proceeds derived from subject auctions are split between the two agencies. These plans are posted on the OER website and subject to a public review and comment period.

*Responsible Party:* Barbara Cesaro

*Anticipated Completion Date OER:* 1Q 2018

## **Programmatic Control Issues**

### **Comply with Purchasing Rules and Regulations**

Purchasing rules and regulations state that no work shall proceed until the issuance of a purchase order or change order is approved by the Division of Purchases or its delegated agent. The issuance of a purchase order also encumbers the agency funds, which is a budgetary control to ensure agencies stay within their appropriated budgets.

OER is receiving goods/services without a purchase order in violation of state purchasing rules and regulations. There are insufficient controls over the procurement and invoice process at OER. Invoices are received from the vendor, and the purchase order is subsequently created equal to the invoice. The OIA reviewed OER RGGI payments made during fiscal years 2016 and 2017. During this period, OER paid 31 invoices from standard purchase orders, out of which 11 invoices (35%) were dated prior to the issuance of a purchase order.

It was also noted that two vendors were utilized without a contract or purchase order due to a misunderstanding by management of the "Direct Pay" transaction<sup>3</sup> policy. If funds are not properly encumbered, OER increases the risk of overspending their appropriated budget.

*Note: On March 23, 2017, the OIA issued Audit of Fiscal and Grant Management Processes of DEM. The finding "Develop an Efficient and Effective Requisition Process" encompassed similar issues at DEM and thus is not reiterated in this report.*

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<sup>3</sup> The Office of Accounts and Control will not allow an invoice to be paid without an accompanying purchase order, unless the purchase meets the criteria of a "Direct Pay" transaction. "Direct Pay" transactions include utilities and other transactions that do not require a binding contract.

*Recommendations to OER:*

3. Require all OER staff to take the RI Division of Purchases "Purchases 101" training.
4. Implement controls over the invoice receipt and approval process, including ensuring that work was properly procured prior to the commencement of work.
5. Create a purchase order(s) for services to be provided by the two vendors for the Regional Greenhouse Gas Initiative, match invoices for these services to the applicable purchase order(s) or receive documented approval from the RI Division of Purchases to continue to procure services without a purchase order prior to issuing payment to vendors.

*Management's Response:*

Thank you. OER will implement these recommendations.

*Responsible Party:*

Terri Brooks (invoices, POs) and Barbara Cesaro (training)

*Anticipated Completion Date:*

1Q 2018

### **Require Signed Contracts and Standardize Contract Format**

A formalized contract provides assurance that all required parties have reviewed and agreed to the services to be provided, the period of work, the associated cost and other requirements.

A total of 138 RGGI vendors were procured by OER during fiscal years 2016-2017, and the OIA reviewed 14 of these vendors. The following results were noted:

- 6 signed contracts
- 2 vendors procured without contracts or purchase orders and paid on an advance basis
- 1 vendor procured with a purchase order but without a contract
- 5 vendors awarded a PO under continuous recruitment<sup>4</sup> without a contract

Of the six signed contracts, the following results were noted:

- 3 lacked a defined period of performance
- 1 contract was signed after the period of performance

OER does not use a standard contract format to engage RGGI vendors. This resulted with inconsistent treatment of the period of performance—specifically, the start and finish dates, or mention of the performance period. This vagueness within the agreement may create confusion for vendors as it is not clear when work may begin, or the completed timeframe intended by OER. Signed contracts, with specified period of performances, hold vendors accountable to the provisions set forth by OER. A contract

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<sup>4</sup> Continuous recruitment allows state agencies to leave a Request for Proposal open so vendors can submit bids for work throughout the period of acceptance.



could require that vendors paid in advance of service maintain funds in an interest-bearing account and earned interest be used for the contractual purpose.

*Recommendations to OER:*

6. Create a standard contract form that includes the period of performance.
7. Execute contracts with all program recipients that requires both parties to agree to the scope of work, timeline, price and other requirements as needed.
8. Require that contracts be signed prior to the start of the period of performance.
9. a. Depending on the project/initiative, switch to a reimbursement basis to pay those vendors currently paid on an advancement basis; OR  
b. Require said vendors to track all interest earned on RGGI funds and utilize that interest for approved projects/initiatives. If the second option is selected, adequate controls must be in place to request and review supporting documentation for the tracked interest and ensure appropriate utilization.

*Management's Response:*

Thank you. OER will implement these recommendations and agrees that a standard contract may be beneficial to program activities.

*Responsible Party:*

Terri Brooks (financial) and Barbara Cesaro (standardized contract)

*Anticipated Completion Date:*

1Q 2018

## **Improve Communication between Program and Fiscal Staff**

State Purchasing Regulation 8.7.3 states:

*Personnel shall not commit the state to technical/contractual changes to purchases orders without first securing all necessary approvals.*

The OIA identified that one of the 14 program awardees received payment for services outside the agreed upon period of performance. This awardee submitted its first invoice requesting payment for services rendered six months prior to the start of the contract. The program staff did not communicate to fiscal management the terms of the contract<sup>5</sup> and the amount of the invoice to pay. As a result, OER paid for services not covered by the terms of the contract totaling \$18,895.56.

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<sup>5</sup> This program awardee previously held a contract with a separate state agency and it was agreed that the program would continue under OER through the RGGI program. The original contract was extended three months so its termination would coincide with the start of the contract held by OER.

OER did not monitor the vendor properly to ensure vendor program spending was within the budget established in the contract. As a result, this vendor performed services surpassing the amount of the contract and subsequently requested reimbursement. OER management agreed to pay the vendor for services performed beyond the initial purchase order amount prior to receiving approval from the Division of Purchases. Refer to "Implement Monitoring Procedures" below for further discussion.

*Recommendations to OER:*

10. Program Managers should approve invoices for payment prior to receipt by the fiscal manager for payment.
11. Follow purchasing regulations and obtain a purchase order change prior to the completion of work.

*Management's Response:*

OER is aware of this issue and has discussed it with Audits staff. OER will implement the recommendations as described. Thank you.

*Responsible Party:*

Terri Brooks

*Anticipated Completion Date:*

1Q 2018

## **Implement Monitoring Procedures**

Monitoring is a crucial internal control function which helps ensure that funding is utilized fully to meet programmatic needs within the framework of applicable rules, regulations, and guidance. Reporting requirements must be incorporated into contract terms, and reports must be approved and monitored by knowledgeable staff on a regular basis. Receiving and reviewing reports from vendors is a means to enforce accountability regarding timely project completion within budgetary constraints. Standard operating procedures (SOPs) ensure consistency of monitoring and oversight.

There are no SOPs for monetary RGGI receipts. Progress reports are not required from all entities which receive RGGI funding, nor is OER ensuring that entities which have reporting requirements stated in the contract terms submit reports. Out of the sample of 14 vendors mentioned previously, 5 contracts did not contain reporting requirements. Of the nine reports submitted, OER approval was indicated on two.

The OIA found instances in which additional funding had been allocated towards initiatives which had an existing unspent balance. Additionally, it was noted that there is approximately \$900,000 in payments which have not yet been made to initiatives which were originally allocated funds dating back to the 2012 through 2014 plans.

By allocating additional funds towards initiatives that have not timely spent existing funds, OER is losing the opportunity to utilize money towards other productive endeavors. Without sufficient oversight, RGGI

auction proceeds may be utilized for unauthorized purposes and established program objectives may not be achieved.

*Recommendations to OER:*

12. Ensure contracts contain reporting requirements and review reports.
13. Develop SOPs to enhance consistent monitoring of RGGI recipients.
14. Determine underlying causes for projects with unspent funding, formally document findings and improve oversight.

*Management's Response:*

Thank you. OER will examine how best to incorporate reporting requirements and develop SOPs as it also considers contract standardization. OER notes that, historically, significant amounts of RGGI auction proceeds were invested in cost-effective energy efficiency programs implemented by (or in coordination with) National Grid. These efficiency programs receive significant oversight by the PUC and EERMC, and are subject to substantial evaluation, measurement and verification studies. National Grid also files quarterly reports with OER on RGGI-funded initiatives. In several instances, such as with the Municipal LED Streetlighting Grant Program, funds are not awarded to a recipient until after project completion, subject to OER staff project monitoring and verification.

OER notes that all state RGGI funds are **allocated** to programs and initiatives in a timely manner. Although statute only requires a minimum of one allocation plan per year, OER has moved to a bi-annual cycle to invest these funds in a more timely manner. Moreover, prior to issuing each Allocation Plan, OER reviews all previously-funded initiatives to determine effective opportunities for RGGI proceed re-allocation. Re-allocations are detailed in those semi-annual Allocation Plans, which are subject to public review and comment prior to approval. Many of the investments made in recent years, such as those made pursuant to public sector Lead by Example initiatives, are multi-year in nature (i.e. longer-term investments in energy efficiency and renewable projects across public sector facilities).

*Responsible Party:*

Barbara Cesaro and Nick Ucci

*Anticipated Completion Date:*

1Q 2018

## Financial Control Issues

### Verify the accuracy of deposited auction proceeds

When revenues are received from a third party, it is best practice to ensure funds received are accurate and timely. Processes and internal controls should be in place to deter miscalculations, potential fraud or untimely deposit.

RGGI, Inc., is responsible for distributing the proceeds from every auction to each participating state. In addition to determining the proper amount of proceeds to remit, they deduct their administrative fees from the proceeds of the first auction of each year and remit the net amount to the state. Although RGGI Inc., does provide supporting documentation of the deposited proceeds, the documentation is remitted to DEM, not OER. OER, however, bears the responsibility for maintaining all funds. OER has not made efforts to retrieve this document to verify the funds received are accurate, nor do they have mitigating controls in place to ensure accuracy.

Management's complete reliance on the vendor has led to a lack of departmental process which ensure funds are accurately and timely recorded. Without checking whether the calculation that RGGI Inc., performs is accurate, OER could potentially receive an inaccurate amount of funds.

*Recommendation to OER:*

15. Receive documentation from RGGI Inc., detailing the deposited auction proceeds and validate whether the amount received is accurate and timely.

*Note: Prior to the release of this report, the recommendation was implemented.*

### Obtain proper approval for timesheets

Segregation of duties should exist to prevent any one employee from having excess control over a financial process. Therefore, payroll must be approved by a supervisor or manager. An approval by a supervisor increases control over the process and will decrease the risk of error.

While reviewing timesheets for selected fiscal years 2016-17 pay periods, it was noted that none of the timesheets were signed off by a supervisor, therefore indicating they were not reviewed. Without an approval process in place, there is an increase to the risk of error, so that an employee's time may be incorrectly recorded.

*Recommendation to OER:*

16. Institute segregation of duties by requiring a supervisor's or manager's review and approval of payroll.

*Note: Prior to the release of this report, the recommendation was implemented.*

## **Classify expenditures in accordance with required guidelines**

Accurate classifications of expenditures results in more precise reporting, budgeting and analytical tasks.

It was noted during audit testing that 12 out of a sample of 25 (48%) of OER incurred expenditures tested were misclassified. At the beginning of fiscal year 2017, the Office of Accounts and Control closed a natural account in an effort to force users to categorize transactions. OER transferred all the expenses into an operating supplies account. Many of the transferred expenses were sub-awards, not operating supplies. Sub-awards are pass-through funds and should be classified and recorded as such.

Inaccurate classification of transactions may result with incorrect budget amounts which could lead to difficulties in the budgeting process.

### *Recommendation to OER:*

17. Classify expenditures in accordance with Accounts and Controls specifications and seek assistance from Accounts and Control when unable to determine where expenditures should be classified.

### *Management's Response:*

This recommendation will be implemented. Thank you.

### *Responsible Party:*

Terri Brooks

### *Anticipated Completion Date:*

1Q 2018

## **Record Revenue in Accordance with Accounting Standards**

DEM is allocated 50% of the administrative funds from every auction. These funds are tracked in an excel spreadsheet by OER outside of the state financial system. After expenses are incurred, DEM contacts OER for reimbursement of funds. When the funds are reimbursed, DEM recognizes the revenue when they are transferred. Refer to "Develop Memorandum of Understanding regarding Administrative Funds" section of this report.

Per Governmental Accounting Standards Board (GASB) Statement No. 33, revenue should be recorded when revenues are available. Therefore, DEM is not recognizing funds in accordance with accounting standards.<sup>6</sup>

During the period of our audit testing, DEM and OER have made efforts to correct this issue by transferring the administrative funds upon receipt of the auction proceeds and executed a Memorandum of Understanding (MOU) regarding program funds. The MOU language, however, is not sufficient to resolve this issue related to administrative funds.

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<sup>6</sup> The method DEM was originally using would understate revenues within DEM and overstate revenue within OER; there was no effect on the overall state financial statements.

*Recommendation to DEM:*

18. Compliance with GASB statement #33

19. Ensure that the timing of the distribution of funds is included in the MOU referenced in recommendation #2.

*Management's Response:*

See response to "Address Administrative Costs Control Weakness" section.

*Responsible Party:*

Laurie Grandchamp, Chief, Office of Air Resources

*Anticipated Completion Date:*

First Quarter of 2018

### **Consult Accounts and Control Regarding Indirect Costs**

RIGL §35-4-27 states that unless otherwise noted within the law:

*...Indirect cost recoveries of ten percent (10%) of cash receipts shall be transferred from all restricted-receipt accounts, to be recorded as general revenues in the general fund.*

This law lists accounts which are exempt from the indirect cost recovery; however, RIGL §23-82-6 was amended in 2012 to state that RGGI administration funds:

*...shall be exempt from indirect cost recovery provisions of section 35-4-27.*

The OIA contacted the DOA Division of Legal Services for legal interpretation. The interpretation stated that 100% of the RGGI auction proceeds are exempt from indirect cost recoveries.

During review of the DEM administration transactions, the indirect costs of \$210,887.63 were recovered for fiscal years 2012-17. The funds were erroneously withdrawn from the account.

*Recommendation to DEM:*

20. Consult with Accounts and Control and correct the erroneous charges to this program.

*Management's Response:*

DEM will consult with Accounts and Control.

*Responsible Party:*

Lynne Keller, Administrator of Financial Management, Office of Management Services

*Anticipated Completion Date:*

First Quarter of 2018

## Statutory Compliance Issues

### Comply with annual reporting requirements

RIGL §23-82-6(d) requires OER to prepare a report on an annual basis describing the implementation and operation of RGGI, the revenues collected and the expenditures. The law requires OER to make this report available to the public, post it electronically on their website, and submit it to the general assembly. This report should include funds that were allocated to:

- the energy efficiency and renewable energy programs
- the individuals, businesses and vendors for renewable energy projects
- the statewide energy efficiency and carbon reduction programs
- any recommendations for changes to law relating to the state's energy conservation or carbon reduction efforts.

OER has not prepared an annual report as required by RIGL §23-82-6 since fiscal year 2012. OER does not have SOPs in place which would provide guidance to staff about the timing and nature of preparation of the mandated report. Non-compliance with RIGL §23-82-6(d) has resulted in limited transparency of the implementation and operation of the RGGI program.

#### *Recommendations to OER:*

21. Prepare an annual report as required by state law.

*Note: Prior to the release of this report, the recommendation was implemented.*

### Objective and Scope

The Office of Internal Audits (OIA) conducted an audit of the Regional Greenhouse Gas Initiative (RGGI) as operated in the State of Rhode Island by the Office of Energy Resources (OER) and the Department of Environmental Management (DEM). The purpose of this engagement is to determine if operations of the Rhode Island RGGI program are being administered efficiently and effectively in accordance with applicable laws, rules, and regulations and if adequate controls are in place to ensure safeguarding of assets and accurate reporting.

### Methodology

As part of our audit work we gained an understanding of the operations of the RGGI program at both OER and DEM. To address our audit objective, we performed the following:

- Interviewed personnel, including financial and program staff
- Researched Rhode Island General Laws and departmental rules and regulations
- Tested for compliance with applicable Law and rules and regulations
- Sampled financial transactions and payroll
- Sampled program contracts with vendors