

2016 Financial Integrity and Accountability Report

1. Introduction

Thank you for participating in the State of RI Financial Integrity Act Survey for 2016. Please note that your submission is due by December 9, 2016.

Completion of this survey ensures your compliance with RI General Law, Title 35, Chapters 14 and 20, and the Department of Administration Office of Accounts and Control Policy/ Procedure Number A-39.

Copies of all completed surveys will be forwarded to the Governor, the Director of Administration, the Legislature, the Office of the Auditor General, and the State Library in accordance with State Law.

Please note that all questions in this survey, along with the answers provided, must be reviewed and approved by the Director of the Department/Agency prior to submission. A follow up email will be sent to the Director of the Department/Agency confirming the Director's review and approval of the survey.

The survey should take approximately 1 1/2 hours to complete. You have the ability to save your work in progress at any time and to resume the survey at your convenience.

Many of the questions require the use of your professional judgment to answer. Your honest objective answers are very much appreciated.

Should you have any questions with regard to the survey, please contact Michael Sprague, Deputy Chief, Office of Internal Audit, at email address mike.sprague@audits.ri.gov. Thank you.

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2. General Information

The survey begins with the gathering of general information about you and your Department/Agency (Entity).

Please enter the following information:

1. Name of Entity:

Rhode Island Tobacco Settlement Financing Corporation

2. Name of Preparer:

Thomas A. Mullaney

3. Title of Preparer:

Chair, TSFC (Executive Director/State Budget Officer)

4. Phone Number of Preparer:

401-222-6300

5. Email address of Preparer:

thomas.mullaney@budget.ri.gov

6. Address of Preparer:

One Capitol Hill, Providence, RI 02908

7. Director of the Entity:

Thomas A. Mullaney

8. Email address of the Director:

thomas.mullaney@budget.ri.gov

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3. Strategic Information

The following questions focus on the strategic risks of the entity. A strategic plan is a forward looking plan that aims to map out the means to achieve longer term goals and to plan a response to unforeseen problems and opportunities.

9. Does the entity have a written strategic plan that guides employees on what the entity is working to achieve?

- yes
- no
- other

Please specify

10. If the entity has a written strategic plan, when was it last updated?

- within the last year
- within the last 3 years
- within the last 5 years
- within the last 10 years
- not applicable

Please use the space below to provide any additional information relevant to this question.

11. How is the strategic plan communicated within the organization?
Select all that apply.

- quarterly or annual entity wide meetings
- written communication
- e-mail
- posted on agency web site or internal intranet
- no formal communication
- not applicable

Please use the space below to provide any additional information relevant to this question.

12. Does the entity's strategic plan have quantifiable goals to determine success?

- yes
- no
- not applicable

Please use the space below to provide any additional information relevant to this question.

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13. Does the entity have performance measures for programs it administers?

- yes for all programs
- yes for more than half of programs
- yes for less than half of programs
- no

Please use the space below to provide any additional information relevant to this question.

14. Does the entity use performance-based data, or other measures to compare it's actual performance, with programmatic goals and objectives? If yes, how often is this done?

- more than once a month
- every 1-3 months
- every 3-6 months
- every 6-12 months
- less than once per year
- not applicable

Please use the space below to provide any additional information relevant to this question.

15. Is the entity responsible for meeting the immediate needs of the public or its constituents in an emergency situation such as a security threat or natural disaster?

- yes
- no

Please use the space below to provide any additional information relevant to this question.

16. Does the entity have an emergency preparedness plan in the event of catastrophe (e.g. fire, flood, hurricane, blizzard, pandemic illness)?

- yes
- no

Please use the space below to provide any additional information relevant to this question.

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17. If the entity has an emergency preparedness plan, when was the last time this plan was used in an exercise or actual emergency?

- within the last year
- within the last two years
- within the last five years
- longer than five years ago
- we have never used the plan
- we do not have a plan

Please use the space below to provide any additional information relevant to this question.

18. If the entity has an emergency preparedness plan, when was it last updated?

- within the last year
- within the last 3 years
- within the last 5 years
- within the last 10 years
- not applicable

Please use the space below to provide any additional information relevant to this question.

19. If the entity has an emergency preparedness plan, how is it communicated within the organization? Select all that apply.

- quarterly or annual entity-wide meetings
- written communication
- e-mail
- posted on agency web site or internal intranet
- no formal communication
- entity does not have an emergency preparedness plan

Please use the space below to provide any additional information relevant to this question.

20. Does the entity actively monitor staff who perform vital functions, especially in those areas where non-performance could adversely affect risk?

- yes
- no

Please use the space below to provide any additional information relevant to this question.

State Budget Officer and Assistant perform most of the tasks for the Corporation and also work with the Trustee for the Corporation.

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21. Has inadequate/outdated technology affected the entity's progress toward meeting its objectives?

yes

no

Please use the space below to provide any additional information relevant to this question.

22. Has inadequate/outdated equipment (other than technology) affected the entity's efforts toward meeting its objectives?

yes

no

Please use the space below to provide any additional information relevant to this question.

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4. Operational Information

The following questions focus on the operational risks of the entity.

23. Has there been a change in the nature, size or structure, of the entity, within the last year?

yes

no

If you answered yes, please provide a brief explanation.

24. Number of full time personnel currently employed by your entity?

1 - 5

6 - 10

11 - 15

16 - 30

31 - 50

51 - 100

101 - 175

176 - 250

251 - 749

over 750

Please use the space below to provide any additional information relevant to this question.

There are no full time employees of the Corporation; Budget Office staff support the TSFC

25. Number of full time equivalent contract employees currently working at your entity?

none

1 - 5

6 - 10

11 - 15

16 - 30

31 - 50

over 50

Please use the space below to provide any additional information relevant to this question.

The Corporation contracts with a Financial Advisor and Trustee, but they are not contract employees.

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26. If the entity has policies and procedures manuals, when were they last updated?

- within the last year
- within the last 3 years
- within the last 5 years
- within the last 10 years
- never updated
- the entity does not have policies and procedures manuals

Please use the space below to provide any additional information relevant to this question.

27. If the entity has policies and procedures manuals, how often does the entity provide training on the policies and procedures to the staff? Select all that apply.

- at the time of hire
- annually
- as needed due to changes or additions
- the entity does not provide training on the policies and procedure manuals
- the entity does not have policies and procedures manuals

Please use the space below to provide any additional information relevant to this question.

28. Are policies and procedures (written or unwritten) designed to provide adequate segregation of duties or independent checks?

- yes
- no
- not sure

Please use the space below to provide any additional information relevant to this question.

not applicable

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29. Is the internal control structure supervised and reviewed by management to determine if it is operating as intended?

- yes
- generally yes
- sometimes
- no
- not sure
- not applicable - entity does not have policies and procedures manuals

Please use the space below to provide any additional information relevant to this question.

30. Are there adequate systems of authorization and approval of transactions?

- yes
- generally yes
- no
- not sure

Please use the space below to provide any additional information relevant to this question.

31. Does the entity have adequate staffing in order to reasonably ensure all control activities are in place and operating as designed?

- yes
- generally yes
- no
- not sure

Please use the space below to provide any additional information relevant to this question.

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32. Estimate the number of financial transactions the entity processes on a monthly basis.

- less than 100
- 100 to 1,000
- 1,001 to 5,000
- 5,001 to 10,000
- 10,001 to 50,000
- 50,001 to 100,000
- 100,001 to 250,000
- greater than 250,000

Please use the space below to provide any additional information relevant to this question.

33. Is there timely (2-3 business days) and appropriate documentation and recording of financial transactions?

- yes
- generally yes
- no
- not sure

Please use the space below to provide any additional information relevant to this question.

34. Does management identify and analyze risks relating to change, such as new technology, new regulations, restructuring and rapid growth?

- yes
- no

If you answered yes, please provide a brief explanation.

35. Does the entity have a process in place to identify new (or changed) laws, or statutory requirements that could affect its operations?

- yes
- no

If you answered yes, please provide a brief explanation.

The Corporation works closely with the Attorney General's Office on matters relating to the Master Settlement Agreement with the various tobacco companies. The Corporation's Financial Advisor will notify the Chair of any other requirements that could affect operations.

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36. Are there new (within the last year) and significant legal, regulatory, or professional requirements of the entity that the entity may not be able to satisfy?

yes

no

If you answered yes, please provide a brief explanation.

37. Is the entity responsible for overseeing multiple year and varied federal award programs?

yes

no

If you answered yes, please provide a brief explanation.

38. Does the entity have written policies and procedures related to the administration of federal awards?

yes

no

the entity is not responsible for the administration of federal award programs

Please use the space below to provide any additional information relevant to this question.

39. Is there adequate management understanding of information technology?

yes

generally yes

sometimes

no

not sure

Please use the space below to provide any additional information relevant to this question.

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40. Are controls in place to ensure information systems and data are protected from unauthorized access, theft, or malicious acts?

yes

no

If you answered yes, please provide a brief explanation.

The Corporation uses state managed systems, and thus follows the protocols of the Division of Information Technology .

41. Does the entity interact with the public using the Internet? (i.e. accept payments, take applications, complaints)

yes

no

If you answered yes, please provide a brief explanation.

42. Are any information technology related functions outsourced?

yes

no

If you answered yes, please provide a brief explanation.

43. If the entity has outsourced information technology functions, how is the integrity of the data and processes maintained?

not applicable

44. Do information systems' controls effectively prevent and/or detect missing, or invalid data?

yes

no

If you answered yes, please provide a brief explanation.

Managed by DOIT

45. Do only authorized staff have information system override privileges?

yes

no

Please use the space below to provide any additional information relevant to this question.

not applicable

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46. Have deficiencies been detected in internal controls, by management, internal audit, external audit, or other regulatory authorities, within the last year?

yes

no

not sure

If deficiencies in internal controls have been detected, please provide a brief description.

47. Does management promote the identification and discussion of potential and known problems with auditors and other evaluators?

yes

generally yes

sometimes

no

not sure

Please use the space below to provide any additional information relevant to this question.

Annual audit of corporation's books handled by an outside auditor in cooperation with the State Controller's Office

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5. Financial Information

The following questions focus on the financial risks of the entity.

48. Does the entity have a formal budgeting process and budget that is reviewed at least annually by senior management and the governing board if applicable?

- yes
- no
- not sure

If yes, please provide a brief description.

The Corporation is limited by Trust documents as to how much can be allocated to operating expenses.

49. Evaluate the effectiveness of the budget process as a control mechanism.

- highly effective
- effective
- somewhat effective
- not effective
- not sure

Please use the space below to provide any additional information relevant to this question.

50. Are budget to actual reports monitored at least quarterly by senior management?

- yes often
- occasionally
- seldom
- no

If "yes often", please provide detail of the types of disagreements that exist.

51. Have formal or informal restrictions been applied to the internal or external auditor to limit access to people and information?

- yes
- no
- not sure

Please use the space below to provide any additional information relevant to this question.

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52. Which answer best describes how the entity handles audit findings?

- audit findings are corrected within 6 months
- audit findings are prioritized by management and corrected when possible
- audit findings are generally not corrected
- the entity has not had audit findings

You may provide commentary here to clarify your answer.

53. Considering the past two years, please select the answer that best describes the entity's ability to meet its periodic reporting requirements.

- has met all reporting requirements
- generally meets all reporting requirements
- has been unable to meet some reporting requirements
- generally unable to meet its reporting requirements

Please use the space below to provide any additional information relevant to this question.

54. Did the entity complete the required Federal Funding Accountability and Transparency Act (FFATA) reporting within one month of issuing the sub-awards using federal funds?

- yes
- no
- no sub-awards issued using federal funds

Please use the space below to provide any additional information relevant to this question.

55. If applicable, what is the entity's bond/debt rating?

The Corporation itself does not have a bond rating, but debt issuances carry the following ratings: 2015 Series A bonds maturing from 2019 to 2015 are rated BBB+; bonds from 2026 to 2030 and in 2035 and 2040 are rated BBB.

56. Is the entity's organizational structure appropriate for its size and responsibilities?

- yes
- generally yes
- not really
- no

Please provide a brief explanation if you answered that the entity's organizational structure is not, or not really, appropriate for its size and responsibilities

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57. Has the entity failed to obtain or been forced to return federal funds due to staffing issues or any other reason?

yes

no

If yes, please estimate the amount of funds and the reason they were not obtained or returned.

58. How effective is the entity at tracking federal award revenue and federal award expenses?

highly effective

effective

somewhat effective

not effective

not applicable, the entity does not receive award revenue

Please use the space below to provide any additional information relevant to this question.

59. What tools does the agency use to track federal award revenue and federal award expenditures? Check all that apply.

grant management system

excel spreadsheets

other (specify below)

agency does not systematically track federal revenue and expenditures

If you selected "other" please use the space below to specify the system used.

60. Does the entity document its review of federal funds sub-recipients?

yes

occasionally

generally no

no

Please use the space below to provide any additional information relevant to this question.

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61. Evaluate the risk of theft or misappropriation of assets by management or employees due to their access to cash or other assets.

- high risk
- moderate risk
- low risk
- little or no risk

Please use the space below to provide any additional information relevant to this question.

62. Are you aware of or do you suspect any theft, misappropriation or fraud to be currently occurring or have occurred during the last year within your entity?

- yes
- no

If yes, please elaborate

63. Are there adequate physical safeguards over cash, investments, inventory and fixed assets, of the entity?

- yes
- generally yes
- not in all instances
- no

Please use the space below to provide any additional information relevant to this question.

64. If the entity accepts payments from the public, please indicate which forms of payment are accepted. Select all that apply.

- cash
- personal/business check
- certified/bank check/money order
- credit/debit card
- ach/direct deposit/wire transfer
- entity does not accept payment from the public

Please use the space below to provide any additional information relevant to this question.

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65. Evaluate the entity's physical location in terms of safety and security. If the entity has multiple facilities, consider the safety and security of the facility in conjunction with its purpose.

- highly effective
- effective
- adequate
- less than adequate
- poor

Please use the space below to provide any additional information relevant to this question.

66. Evaluate the physical access controls for information systems. (i.e. locked closets and service rooms, public access to employee work areas)

- highly effective
- effective
- adequate
- less than adequate
- poor
- not sure

Please use the space below to provide any additional information relevant to this question.

67. Evaluate the logical access controls for information systems. (i.e. password policies, authorized access procedures)

- highly effective
- effective
- adequate
- less than adequate
- poor
- not sure

Please use the space below to provide any additional information relevant to this question.

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68. Evaluate oversight of employee expenditures, such as travel and expense reimbursement.

- highly effective
- effective
- adequate
- less than adequate
- poor

If you answered "less than adequate" or "poor" please provide a brief explanation.

not applicable; no employees

69. Evaluate oversight of senior management's expenditures, such as travel and expense reimbursement.

- highly effective
- effective
- adequate
- less than adequate
- poor

If you answered "less than adequate" or "poor" please provide a brief explanation.

not applicable; no employees

70. Evaluate the entity's internal accounting and administrative controls.

- highly effective
- effective
- adequate
- less than adequate
- poor

Please use the space below to provide any additional information relevant to this question.

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6. Human Resource Management

The following questions focus on the risks related to Human Resources.

71. Have there been any significant changes in senior management or directors, within the last year?

yes

no

If yes, please provide a brief explanation

72. Has management established and communicated to its employees a code or other policies regarding appropriate ethical and moral behavioral standards?

yes

no

If "yes", how are they communicated?

73. Does management monitor employees, for compliance, with any code or other policies regarding appropriate ethical and moral behavioral standards?

yes

no

If "yes", please provide a brief explanation.

74. Is there an employee handbook that is readily accessible?

yes

no

Please use the space below to provide any additional information relevant to this question.

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75. When was the employee handbook last updated?

- within the last year
- within the last 3 years
- within the last 5 years
- within the last 10 years
- not applicable

Please use the space below to provide any additional information relevant to this question.

76. When were job descriptions last updated?

- within the last year
- within the last 3 years
- within the last 5 years
- within the last 10 years
- not applicable

Please use the space below to provide any additional information relevant to this question.

77. Are there standardized hiring procedures and are they consistently applied?

- yes
- generally yes
- no

Please use the space below to provide any additional information relevant to this question.

78. Are background checks conducted on potential hires?

- no
- yes

Please use the space below to provide any additional information relevant to this question.

79. Are credentials and references verified, for potential hires?

- no
- yes

Please use the space below to provide any additional information relevant to this question.

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80. Does the entity have sufficient numbers of people with the requisite skills to achieve its organizational objectives?

- yes, sufficient
- yes, but barely sufficient
- no, not sufficient

Please provide support for your answer here

81. Does the agency have a succession plan in place for senior management and other key employees?

- yes
- no

Please use the space provided for optional commentary.

82. Does the entity have operations or individuals that have evidenced significant ethical shortfalls and the appropriate personnel actions have not been taken?

- yes
- no
- not sure

If you answered yes, please provide a brief explanation.

83. Evaluate morale among senior management.

- excellent
- good
- fair
- low

Please use the space below to provide any additional information relevant to this question.

84. Evaluate morale among employees.

- excellent
- good
- fair
- low

Please use the space below to provide any additional information relevant to this question.

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85. Are there mandatory vacations for employees performing key control functions?

yes

no

Please use the space below to provide any additional information relevant to this question.

not applicable; no employees

86. Do training and mentoring programs exist for employees?

yes

no

Please use the space below to provide any additional information relevant to this question.

not applicable; no employees

87. Does management utilize methods such as cross-training, strategic hiring practices, detailed procedure documentation, enhanced supervision, etc. to help mitigate the risk associated, with sudden, or significant changes in key personnel?

yes

no

Please use the space below to provide any additional information relevant to this question.

not applicable; no employees

88. Is there a risk that the Finance function of the entity will fail to function as a control in the event that senior management seeks to override established controls or take overly aggressive financial reporting positions?

yes

no

Please use the space below to provide any additional information relevant to this question.

89. Is there any indication that unreliable or inaccurate estimates have been provided, or that management has been less than forthright?

yes

no

Please use the space below to provide any additional information relevant to this question.

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90. Evaluate management's past performance:

- long track record of meeting or exceeding strategic goals, as well as a positive history of reacting to changing conditions
- successful in meeting goals and objectives, appears to be in control of operations
- moderately successful in meeting goals and forecasts, occasional crisis management due to changing operating conditions
- often unable to meet goals, operational changes often create crisis situations for management
- rarely able to meet goals, constant management by crisis

Please use the space below to provide any additional information relevant to this question.

91. Evaluate management's experience and skill mix:

- experienced management team that has successfully managed through one or more business cycles
- management team of average experience that has successfully managed through one or more business cycles
- senior management team lacks experience in a key area
- senior management team lacks experience with common industry problems

Please use the space below to provide any additional information relevant to this question.

refers to Board of Directors

92. Evaluate management's depth:

- good management depth at key positions with full succession planning
- adequate management depth with all key positions covered by qualified individuals
- insufficient management depth with an active recruiting effort to fill positions
- insufficient management depth in key positions representing serious exposures

Please use the space below to provide any additional information relevant to this question.

refers to Board of Directors

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7. Regulatory / Compliance

The following questions focus on the risks relative to regulatory and compliance issues.

93. Is there an oversight authority or board of directors to whom management is responsible?

yes

no

Please use the space below to provide any additional information relevant to this question.

94. If the entity does have an oversight authority or board of directors to whom management is responsible, is there evidence of ineffective monitoring of management?

yes

no

question not applicable

Please use the space below to provide any additional information relevant to this question.

95. Have there been any changes in the entity's legal counsel during the past year?

yes

no

question not applicable

If you answered yes, please provide a brief explanation.

96. Is the entity currently under a regulatory or other supervisory order?

yes

no

If yes, please explain

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97. Are there any actual or pending inquiries, investigations, or actions by a regulatory agency, that would affect the entity's ability to operate?

yes

no

If yes, please provide a brief explanation

98. Does the entity have any specific anti-fraud policies?

yes

no

Please use the space below to provide any additional information relevant to this question.

99. Does the entity have an internal audit function?

yes

no

Please use the space below to provide any additional information relevant to this question.

100. Does the entity work with client information, requiring security, privacy, and confidentiality?

yes

no

Please use the space below to provide any additional information relevant to this question.

101. Does the entity have a documented privacy and confidentiality policy?

yes

no

Please use the space below to provide any additional information relevant to this question.

102. Is the entity subject to debt covenant requirements?

yes

no

Please use the space below to provide any additional information relevant to this question.

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103. If the entity is subject to debt covenant requirements, is the entity in compliance?

- yes
- no
- not applicable

Please use the space below to provide any additional information relevant to this question.

104. Does the entity have policies/procedures for maintaining compliance with environmental laws?

- yes
- no
- not applicable

Please use the space below to provide any additional information relevant to this question.

105. Is the entity involved in the production or handling of hazardous substances (besides the office related items such as ink and toner cartridges)?

- yes
- no

If yes, please provide a brief explanation.

106. Does the entity conduct internal self-reviews with regard to compliance with laws and regulations?

- yes, often
- occasionally
- no

Please use the space below to provide any additional information relevant to this question.

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8. Governmental Service

This series of questions relate broadly to the services provided by the entity.

107. How well is the entity meeting the needs of its constituents?

- very well
- adequately well
- adequately well in most areas, though some need improvement.
- not very well

Please use the space below to provide any additional information relevant to this question.

108. Does the entity have a means of monitoring constituent satisfaction with its services?

- yes
- no

Please use the space below to provide any additional information relevant to this question.

109. Does the entity focus on improving accountability and transparency to the general public through the use of internet portals (ri.gov) or another means of information disbursement?

- yes
- generally yes
- no, this has not been an area of focus

Please use the space below to provide any additional information relevant to this question.

110. How is the entity working to improve government accessibility? Please check all that apply.

- physical relocation
- physical improvement to facilities
- change in hours
- improved phone service
- internet services
- improved customer service program

Please use the space below to provide any additional information relevant to this question.

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9. Commentary

This section of the survey provides you with the opportunity to include commentary on other issues and concerns you may have with regard to the entity's ability to meet its goals and objectives.

111. Please use the space provided for additional commentary. In addition to commentary here you may include any documentation that you feel is relevant to your compliance with the FIA statute by sending the document to Mike Sprague at michael.sprague@audits.ri.gov. Any supplemental documentation you supply will be included as an addendum to this survey when the results are distributed to the required parties.

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10. Completion / Conclusion

Please answer the final two questions with regard to this FIA survey.

112. Have you answered all questions to the best of your knowledge and belief?

yes

no

113. All questions included in this survey, along with all the corresponding answers as provided, have been reviewed and approved by the entity's Director?

yes

no

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11. Completion and Submission

Copies of this survey, along with a two question survey to be completed by the entity's Director, will be distributed to the Director of Administration, the Auditor General, the Legislature, and the State Library in compliance with RI Statute, 35-14-6 (Public Finance, Financial Integrity and Accountability, Annual Report).

Thank you for taking the time to complete this survey. Your time and efforts are very much appreciated.

Submit by E-mail

If you experience problems with the "Submit by E-mail" button, please save the PDF file and e-mail it as an attachment to david.peterson@audits.ri.gov.

Print Form