



OFFICE OF MANAGEMENT & BUDGET

Office of Internal Audit

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June 24, 2024

Kimberly Merolla-Brito, Director
Department of Human Services
25 Howard Ave
Cranston, RI 02920

Dear Director Merolla-Brito:

In accordance with Rhode Island General Laws § 35-7.1, the Office of Internal Audit (OIA) has completed its audit of the Early Educator Pandemic Retention Bonus Program. The program was administered by Rhode Island Department of Human Services. OIA reviewed and evaluated the effectiveness of the controls surrounding the application process, the determination of eligibility, and the distribution of funds.

The findings and recommendations included herein have been discussed with members of management, and we considered their response in the preparation of this report. OIA may follow-up regarding the recommendations included in this report.

We would like to express our sincere appreciation to Department of Human Services staff for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,

Andrew Manca
Chief

Cc:

Paul Dion, Director, Pandemic Recovery Office
Internal Audit Advisory Group
Representative Marvin Abney, Chairman, House Committee on Finance
Senator Louis DiPalma, Chairman, Senate Committee on Finance
Steven Whitney, Senate Fiscal Advisor
Sharon Reynolds Ferland, House Fiscal Advisor

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Introduction

The Office of Internal Audit (OIA) conducted a performance audit on the Early Educator Pandemic Retention Bonus Program, administered by Rhode Island Department of Human Services (DHS). The audit scope included the first six eligibility windows from the program's inception date in March 2022 through July 2023. The audit assessed controls and compliance through the examination of 60 selected samples and conducted analytical procedures on the total population within the audit scope. Presented below are the background, scope, methodology, findings, recommendations, and management's response (including responsible party and anticipated completion date).

Background

In 2021, Rhode Island Department of Human Services was awarded \$18.7 million through the American Rescue Plan Act, State Fiscal Recovery Fund. DHS utilized these funds to launch the Early Educator Pandemic Retention Bonus Program in the Spring of 2022, aimed to address labor shortages in the sector. In Fiscal Year 2023, an additional \$18.7 million appropriation was made to DHS to sustain this program throughout Fiscal Years 2023 and 2024.

This initiative supports early educators by offering bonuses to direct care staff employed at DHS-licensed child care providers. The program is offered until the end of Fiscal Year 2024.

In the initial two application windows, early educators received two \$1,500 semiannual bonuses. Starting with the third application window in October 2022, early educators received a quarterly bonus of \$750.

The application process for the bonus consists of three online forms in the following order:

1. Applicant Eligibility Form: To apply for the bonus, applicants must complete and submit an online eligibility form.
2. Employer Attestation Form: DHS sends an email to the employer listed on the applicant's eligibility form to verify the applicant's employment status. This verification process involves the employer attesting to the applicant's eligibility.
3. Applicant Application Form: If the employer confirms the applicant's eligibility, DHS invites the applicant to complete an online application form. DHS determines the bonus issuance after the application form is received.

Objective and Scope

The Office of Internal Audit conducted an audit of DHS Early Educator Pandemic Retention Bonus Program. The scope of this audit included the evaluation of the effectiveness of the controls related to the application process, the determination of eligibility, and the distribution of funds.

The audit examined the program's performance for the first six windows, spanning from the program's inception date in March 2022 through July 2023. During this period, there were 23,524 approved applications totaling approximately \$22.9 million of bonus payments. OIA reviewed 60 samples totaling \$252,000 and conducted data analytical procedures on its total population within the audit scope.

Methodology

As part of the audit, OIA gained an understanding of the program, including application procedures, verification and approval processes, and data collection methods for performance metrics. To address the audit objectives, the following steps were performed:

- Conducted interviews with DHS staff and the agency's vendor.
- Examined policies, procedures, federal, and state statutes related to the program.
- Reviewed the project management and the case management system.
- Developed flowcharts illustrating program processes.
- Evaluated effectiveness of controls within the case management systems.
- To evaluate controls and ensure compliance with applicable processes, procedures, rules, and regulations, OIA conducted the following testing within the audit scope:
 - Conducted data analytical procedures on the total population.
 - Performed testing on a randomly selected sample of 60 approved applications.

Findings, Recommendations, and Management's Responses

FINDING #1: Incomplete Applicant Forms

The online application did not require completion of all fields. DHS approved incomplete applications and requested the employer's attestation to confirm applicant eligibility. OIA identified several instances where applications were approved despite the following:

- Applicant Attestation: The online eligibility form includes an attestation section where applicants certify the accuracy of the information and agree to program terms and conditions. OIA found 46 instances where applicants either disagreed with or left the attestation section blank.
- Missing Applicant E-Signature: The online application includes an electronic signature line. OIA found 6 instances where e-signatures were missing.
- Employment Requirement: For each application window, applicants must be employed for a certain amount of time as of a specific date to be eligible for the bonus. OIA found 109 online eligibility forms where the applicant indicated they did not meet the employment requirement, or the answer was blank.

Incomplete or ineligible submissions should have led to application denial or requests for further documentation. This finding, totaling \$126,750 of approved applications, raises

concerns about verification process efficacy and fund allocation integrity. Additionally, incomplete applications may complicate potential appeals for both applicants and DHS.

RECOMMENDATIONS:

- 1A: Institute controls that prevent the submission of incomplete applications.
- 1B: Request verifying information from the applicant if there are questionable responses.
- 1C: Conduct a full review of the applications where discrepancies were found to verify employment status and accuracy of the provided information during the application period. If applicants are deemed ineligible, identify the inappropriate payments, and discuss reimbursement options with RI Pandemic Recovery Office.

MANAGEMENT'S RESPONSE:

Management disagrees with the findings. After each window, the process was reviewed and additional controls were put into place, making necessary adjustments based on the issues found in that window. These adjustments included but were not limited to adding/removing questions based on new information. With any questionable applications with omitted mandatory information, the vendor reached out and received email or phone documentation of additional information needed, and there were a number of duplicative questions on the application that would not prevent the application from moving forward. If the program is extended or initiated again in the future, the newly created workforce registry will allow the Department access to a comprehensive list of all verified employees within the workforce. This list could be used to verify the legitimacy of all applications. While this registry is currently not mandated, it will be mandatory for all licensed child care centers and family child care programs by the end of the calendar year.

RESPONSIBLE PARTY:

Nicole Chiello, Assistant Director, Office of Child Care

ANTICIPATED COMPLETION DATE:

N/A

OFFICE OF INTERNAL AUDIT'S RESPONSE:

OIA communicated its initial findings concerning incomplete applicant forms to DHS. DHS responded by indicating that the situation is not an error but rather a duplicative process. According to DHS, applicants must physically complete the form to proceed to the next stage, implying agreement through submission. Therefore, even if left blank, DHS assumes acknowledgment or agreement upon form submission. In their review process, DHS relied on the employer to verify employment, as they conducted the employment verification for the employee. OIA recommends that DHS should keep these recommendations in mind for future programs.

FINDING #2: Heavy Reliance on Employer Attestations

DHS relies on employer attestations to determine eligibility for the program. OIA conducted an analysis of the total population within the audit scope period and revealed discrepancies between reported employment status on applications and data from the state wage collection records, internal databases, and external sources. Specifically, OIA identified 88 instances where applicants' reported employment status did not align with any of these sources.

RECOMMENDATIONS:

- 2A: Require applicants to submit additional proof of employment status, such as recent pay stubs, to enhance verification measures and reduce reliance on employer attestations.
- 2B: Conduct a full review of the 88 applications where discrepancies were found to verify employment during the application period. If applicants are deemed ineligible, identify the inappropriate payments, and discuss reimbursement options with RI Pandemic Recovery Office.

MANAGEMENT'S RESPONSE:

Management agrees with the finding. The pandemic retention bonus program was created to rely heavily on attestations to provide relief to employees in the field during the pandemic. While the Department's workforce registry is just recently up and running and not mandated, during the program itself we ensured that providers understood that at any time, the Department could check employee files for proof of employment during monitoring visits. If needed, the Department can verify any applications with discrepancies. If this program were to continue past the final window in any form, the Department will adjust the procedures to ensure that additional proof of employment status is provided to enhance verification measures. If the program is extended or initiated again in the future, the newly created workforce registry will allow the Department access to a comprehensive list of all verified employees within the workforce. This list could be used to verify the legitimacy of all applications. While this registry is currently not mandated, it will be mandatory for all licensed child care centers and family child care programs by the end of the calendar year.

RESPONSIBLE PARTY:

Nicole Chiello, Assistant Director, Office of Child Care

ANTICIPATED COMPLETION DATE:

August 2024