

# OFFICE OF INTERNAL AUDIT

OFFICE OF MANAGEMENT AND BUDGET  
DEPARTMENT OF ADMINISTRATION

Q1 FY 2025  
Quarterly Report  
Internal Audit Activities

## Administration

The Office of Internal Audit includes an authorized headcount of 21 full time employees. At the close of Q1 FY 2025, OIA has 19 employees. There is one vacancy in the Fraud Investigation unit and one in the Performance Audits unit. We expect to fill these positions in the second quarter. Of the 19 active employees, OIA has one employee on long-term medical leave and expects to have a second employee go on long-term medical leave at the start of the second quarter.

OIA is structured as follows:

- Leadership (2)
- Performance Audits (6)
- Continuous Audits (4)
- Fraud Investigation (7)
- Data Analytics (2)

## I. Performance Unit

In Q1 FY 2025, the Performance Audits unit completed one audit and is actively working on eleven audits. Performance Audits continues to dedicate staff time to the state's Enterprise Resource Planning (ERP) implementation.

Below is a summary of each of the completed and ongoing audits.

### A. Issued Audits

#### *Fleet Fuel Card Program*

OIA performed an audit of the State Fleet Fuel Card Program, administered by the Department of Administration's Division of Capital Asset Management and Maintenance (DCAMM), State Fleet Operations (SFO). The audit assessed the effectiveness of existing controls of state agencies' usage of fleet fuel and maintenance cards. The card offers a streamlined process to manage fuel and maintenance transactions while providing insights into the overall financial aspects of fleet management. Key features of the card include:

- Expense tracking through the fuel card online portal
- Customization of restrictions and limits on card usage
- Security features such as PIN protection and active monitoring

The audit produced multiple findings. Below are the most impactful issues related to policy deficiencies and non-compliance with the Fleet Fuel Card Program.

- The Fleet Fuel Card Enterprise Policy mentions a pre-approval requirement for maintenance over \$100 but lacks documentation and guidance for this process. One agency did not perform the required pre-approval for transactions exceeding the limit, totaling approximately \$32,305.
- The policy does not specify expenditure limits and frequency allowances. Additionally, the Fleet Fuel Card's default card authorization profile contains errors, such as the parts and services product limit. The default card authorization profile for the Fleet Fuel Card includes the standard settings and parameters established for card usage, such as fuel purchase limits, transaction

types allowed, and any restrictions. However, agencies have the ability to customize their card profiles according to their spending controls, enabling them to establish card profiles with limits that exceed those set by SFO.

- The policy does not address invoice splitting (i.e., when card users manually divide expenses at the point of payment to avoid denied charges) or the pre-approval process. During OIA's review, there were 12 instances of invoice splitting identified during testing.

OIA provided the following recommendations to address the highlighted findings:

- DCAMM should develop and document a pre-approval process for maintenance expenses, establish clear guidelines for card authorization profiles and prevent agencies from altering them.
- Invoice splitting should be prohibited, and transaction definitions and thresholds should be fully clarified.
- The Fleet Fuel Card Program Enterprise Policy should be revised to incorporate all these changes to enhance transparency and compliance.

The final report was issued on July 30, 2024.

## B. Ongoing Audits

### *Statewide Request for Proposal (RFP) Scoring Process*

The Department of Administration's Division of Purchasing is responsible for reviewing and approving or denying Requests for Proposal (RFP) for new acquisitions of most goods and services. As of February 2022, solicitations and competitive biddings transitioned to an online platform called Ocean State Procures. The RFP review process consists of evaluation committees selected within each agency based on participants' experience and knowledge. The evaluation committees determine a score for each RFP bidder based on technical specifications and cost, and the bidders with the highest scores are selected. Subsequently, the State Purchasing Agent or Deputy Purchasing Agent reviews the RFP and approves or denies the purchase agreement. The audit aims to assess both the efficiency and effectiveness of the procurement procedures used to evaluate vendor proposals.

### *Administration of User Access Rights*

The administration of user access rights pertains to granting state information technology system users only the essential levels of access and permissions required to fulfill their job responsibilities. This includes determining who has access to resources, such as files, databases, applications or networks, and to what extent they can interact with those resources. The audit scope is to review Department of Human Services' RI Bridges and Department of Labor and Training's Unemployment Insurance and Temporary Disability Insurance systems to evaluate user access controls meant to ensure the security of critical systems and data.

### *RI Interactive's Payment Process*

RI Interactive is a company owned by the subsidiary of the NIC Division of Tyler Technology. They administer digital solutions for the State of Rhode Island, including processing credit card and electronic payments on behalf of the state and municipalities. The audit scope is to focus on the current payment processes in place throughout different agencies to ensure fees charged align with industry standards and are reasonable for each agency, aiming to optimize cost-effectiveness and transparency in payment transactions.

### *St Mary's Home for Children*

St. Mary's Home for Children is a nonprofit organization that provided residential psychiatric services to the Department of Children Youth and Families. On August 20, 2024, St. Mary's Home for Children announced that it was ending operations, including closure of its psychiatric facility due to ongoing financial and operational challenges. Prior to closing, St. Mary's had received \$2.3 million from the American Rescue Plan Act's State Fiscal Recovery Fund (SFRF) to expand its Psychiatric Residential Treatment Facility (PRTF). The scope of the OIA audit of St. Mary's will focus solely on the administration and use of these grant funds to ensure that any expended funds were compliant with SFRF requirements.

### *Quasi-Public Agencies*

Rhode Island General Laws §42-155-7 requires OIA to conduct an audit of each quasi-public corporation at least once every five years. As such, OIA submitted a request for proposals through the state's Master Price Agreement (MPA) 503 on March 18, 2024, for vendors to conduct a performance audit on seven quasi-agencies prior to the end of calendar year 2024. A vendor was selected to conduct these audits, and they began on August 20, 2024. The vendor is expected to complete the audits by the end of November 2024. The seven quasi-agencies currently being audited are:

- Rhode Island Infrastructure Bank
- I-195 Redevelopment Bank
- Capitol Center Commission
- Rhode Island Student Loan Authority
- Rhode Island Health and Educational Building Authority
- Quonset Development Corporation
- Rhode Island Resource Recovery Corporation

## **C. Upcoming Audits**

### *Quasi-Public Agencies*

OIA is working with the state Division of Purchases on updating MPA 503 to encourage more vendors to bid on audit engagements. Solicitation for additional vendors opened on September 4, 2024, and closed on October 3, 2024.

OIA plans to submit a request for proposals during the third quarter of FY 2025 to conduct a performance audit on multiple quasi-public agencies. The audits are expected to commence between May 2025 and September 2025 and conclude by the end of November 2025.

## **D. Management Engagements**

### *Human Resources Enterprise Resource Planning (ERP) Implementation*

OIA has committed to assist the Office of Accounts and Control with testing the payroll portion of the state's ERP implementation. This involves testing and providing feedback on payroll processes in the new system. OIA is currently supporting the ERP implementation by providing three employees for up to 20-hours each per week.

### III. Continuous Audits

#### A. Indirect Cost Rate (ICR)

Architectural and engineering (A/E) firms that wish to or are currently doing business with the Rhode Island Department of Transportation (RIDOT) are required to update their ICR each year in accordance with their annual accounting period (per 23 CFR Part 172.11) and to prepare the ICR in accordance with the Federal Acquisition Regulation (FAR), 48 CFR, Chapter 1, Subchapter E, Part 31. These requirements are also found in the RIDOT memorandum audit policy TAC (“To All Consultants”) 0412. TAC 0412 details how A/E firms should send their ICR presentations and other required supplemental information to the OIA for review.

Indirect costs are those costs not readily identified with a specific project or organizational activity but for the joint benefit of multiple projects and other activities of a firm. An ICR is a tool used by firms to figure out the proportion of indirect expenses that each project will bear. It is the ratio between the indirect costs of a firm and a direct cost base, the most commonly used base being direct labor. The OIA Continuous Audit Unit handles the review of ICRs and performs risk assessments on the ICR presentations. In Q1 FY 2025, the unit issued 36 indirect cost rate review letters for A/E consultants’ fiscal years ending in 2023.

#### B. Upcoming Audits

The OIA Continuous Audit Unit will be completing two RIDOT project audits in FY 2025. The purpose of these engagements is to determine if:

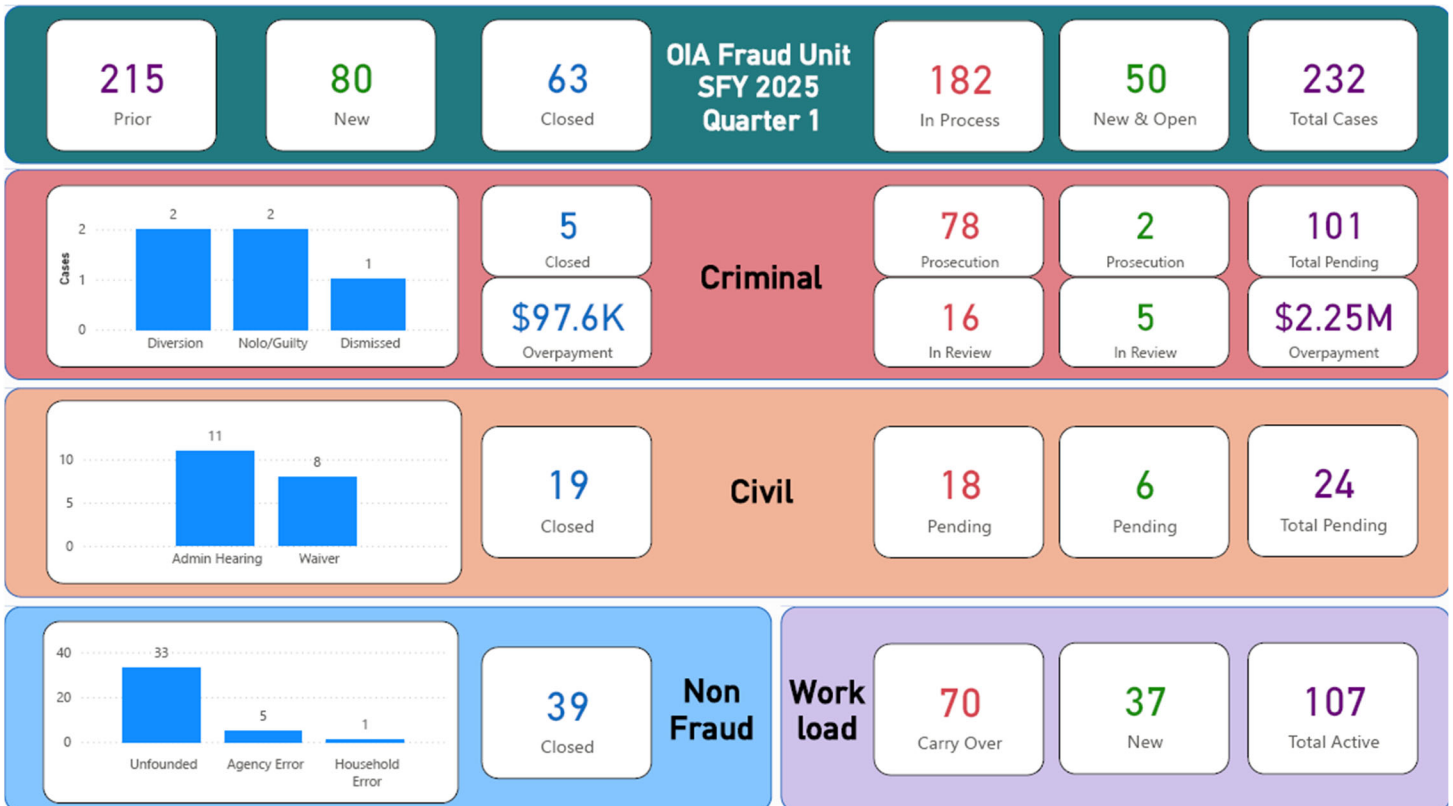
- RIDOT and the contracted vendors on the project are in compliance with applicable federal and state laws, rules and regulations.
- State purchasing regulations were followed when obtaining the goods and services for the project.
- Contracted vendors followed the terms of their contracts and source documentation is available to validate costs incurred on the project.
- RIDOT is effectively tracking the project with accurate, complete and up-to-date records, including accurately and expediently reporting project information on the RIDOT Quarterly Reports.

### IV. Fraud Detection & Prevention Unit / Data Analytics

In Q1 FY 2025, the Fraud Unit continued to identify and investigate fraud within Department of Human Services (DHS) programs, including but not limited to Supplemental Nutrition Assistance Program (SNAP), Childcare Assistance Program (CCAP), and Rhode Island Works (RIW). Investigations are initiated from a variety of sources including tips from the public, referrals from DHS field employees, and data analytics.

## A. Case Resolution

The Fraud Unit investigates and compiles evidence to proceed with cases criminally or administratively. The egregiousness of the offense and the overpayment amount determine how the case proceeds. In Q1, OIA investigated and closed 63 cases: 5 were criminal cases involving \$97,600 in overpayments, 19 were civil cases, and 39 cases had no finding of fraud. OIA is currently investigating 107 cases, with 101 other referred cases pending criminal prosecution and 24 cases pending civil action.

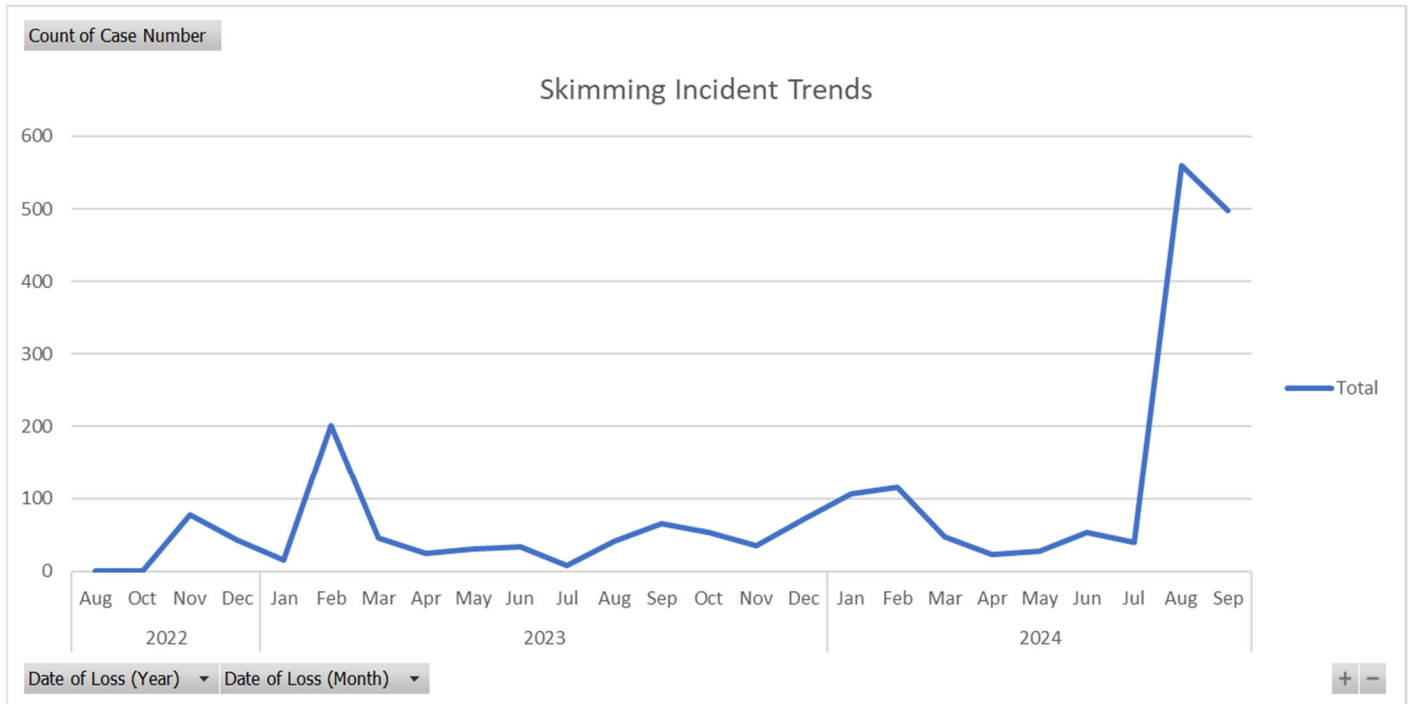


- **Prior:** Total cases at the end of last quarter
- **New:** Total new cases opened this quarter
- **Closed:** Total cases closed this quarter
  - **Criminal: Closed and Overpayment:** Criminal cases closed this quarter and associated dollar amount of fraud committed
  - **Civil: Closed:** Cases sent for civil adjudication closed this quarter
- **Non-Fraud: Closed:** Cases determined not to involve fraud this quarter
- **In Process:** Ongoing cases from previous quarters
  - **Criminal: Prosecution:** Ongoing cases pending in the judiciary
  - **Criminal: In Review:** Ongoing cases that are awaiting internal approval or calculation
  - **Civil: Pending:** Ongoing cases awaiting a hearing or waiver
- **New & Open:** Subset of the “New” cases. New cases that were opened this quarter and have not been closed
  - **Criminal: Prosecution:** New cases pending in the judiciary
  - **Criminal: In Review:** New cases awaiting internal approval or calculation
  - **Civil: Pending:** New cases awaiting a hearing or waiver
- **Total Cases:** All active cases including criminal, civil and all cases being investigated
  - **Criminal: Total Pending and Overpayment:** Total pending is the ongoing plus new criminal cases sent to prosecution or in review; overpayment is the dollar amount of fraud committed
  - **Civil: Total Pending:** Total ongoing plus new civil cases sent for adjudication and awaiting determination
- **Q1 Workload**
  - **Carry Over:** Ongoing active cases being investigated by the Fraud unit from previous quarters
  - **New:** New cases being investigated by the Fraud unit
  - **Total Active:** Total active investigations currently ongoing by the Fraud unit

## B. Significant Investigations & Activities

### Skimming

Skimming is defined as a number of schemes where benefits are stolen from recipients' accounts using fraudulently obtained card and recipient personal information. Criminals use the information to make online purchases or create fraudulent cards and steal from victims' accounts. The Fraud Unit and OIA's Data Analyst worked in collaboration with DHS, the Office of the Inspector General (OIG) and FIS (state EBT vendor) to identify affected clients and prevent additional skimming.



The Fraud Unit continues to partner with DHS in the identification and prevention of skimming through Data Analytics. During Q1 FY 2025, OIA has seen a rapid increase in the number of skimming attempts. In Q1 FY 2025, OIA identified 1,097 skimming incidents, for a stolen total amount of \$399,621. In August 2024, OIA identified over 500 skimming cases, up from an average of approximately 50 per month prior to that. The number of cases declined somewhat in September but remained elevated compared with historical averages.

OIA worked collaboratively with FIS Global (the state's vendor who manages the Electronic Benefit Transfer Portal) to identify affected clients and prevent additional skimming, as well as to design controls to prevent future skimmed benefits. Effective as of late September 2024, users have been blocked from using the most common Personal Identification Numbers (PINs), and the reuse of previous PINs is denied.

Beginning August 28, 2023, certain Food and Nutrition Services (FNS) benefits are eligible for replacement (those stolen through card skimming, card cloning and other similar fraudulent methods). FNS authorization for reimbursement will continue through December 20, 2024. Further extension will be determined by Congress.



### *Internal Fraud*

OIA has been working collaboratively with federal agencies on the identification of internal fraud, which is a criminal act committed by an employee, through tips and data analytics. A DHS employee was arrested in September 2024 and charged by the United States Attorney's Office for the District of Rhode Island with aggravated identity theft, wire fraud, illegal acquisition or use of SNAP benefits, and alleged conspiracy for using clients' EBT cards without authorization. It is alleged that the perpetrator repeatedly conducted telephonic balance inquiries on EBT cards, frequently changing the PIN associated with those cards. Some of the individuals whose information was repeatedly accessed were either juveniles or individuals who were, at the time, homeless or incarcerated. The improperly accessed EBT cards had a total value of approximately \$191,000. This investigation was conducted by OIA in collaboration with the Office of Inspector General (USDA) and Social Security Administration (SSA).

Link: [District of Rhode Island | Rhode Island Department of Human Services Supervisor, Daughter Charged in Schemes to Defraud Supplemental Nutrition Assistance Program | United States Department of Justice](#)

Another investigation that led to an arrest in Q1 FY 2025 involved OIA working collaboratively with the Rhode Island State Police to investigate a Rhode Island Department of Corrections parole officer. The parole officer is accused of using the EBT card belonging to an inmate to make \$729 in SNAP purchases between March 25 and June 22 of this year, and has been charged with conspiracy and fraudulent use of food stamps.

Link: [Rhode Island State Police | RISP Arrests Probation Officer Accused of Using Fugitive's SNAP Benefits](#)

### *Identity Fraud*

Four OIA fraud investigators and one OIA data analyst presented at a national fraud conference in August 2024, making this the fourth consecutive year OIA has been invited to present. The OIA team led a workshop on identity fraud using a recent example of OIA's investigation into \$200,000 of fraudulent spending, which led to an arrest in November 2023. The alleged perpetrator appeared in court in September 2024, where they received a sentence of 24 months and were ordered to pay \$213,397 in restitution. Since this case was discovered, OIA has identified at least three more identity fraud schemes involving the use of EBT cards not belonging to the subjects, and these cases are currently being investigated with the assistance of OIG and SSA.

Link: [District of Rhode Island | Providence Man Sentenced to Federal Prison for Illegal Acquisition of SNAP Benefits, Unlawful Possession of a Firearm | United States Department of Justice](#)





PRESS RELEASE

# Rhode Island Department of Human Services Supervisor, Daughter Charged in Schemes to Defraud Supplemental Nutrition Assistance Program

Tuesday, September 10, 2024

For Immediate Release

District of Rhode Island

PROVIDENCE, RI – United States Attorney Zachary A. Cunha announced today that a Rhode Island Department of Human Services (RI DHS) supervisor now faces federal charges for allegedly using her position to improperly access the personal information of Supplemental Nutrition Assistance Program Benefits (SNAP) recipients, as well as SNAP EBT benefit card balance information, and, that she and her daughter allegedly used fraudulently accessed SNAP benefits for their own personal purchases.

It is alleged that Nadine Jean Baptiste, 57, of Warwick, repeatedly conducted telephonic balance inquiries on EBT benefit cards, frequently changing the PIN numbers associated with those cards. It is alleged that some of the individuals whose information was repeatedly accessed were either juveniles or individuals who were, at the time, homeless or incarcerated. It is further alleged that SNAP EBT benefit cards with a value of approximately \$191,000 were improperly accessed.

The investigation into this matter was launched in September 2023, when the Rhode Island Office of Internal Audit received complaints from SNAP recipients via the Internal Audit Fraud Hotline alleging that they did not receive EBT benefit cards issued to them, which are commonly mailed to the address of the recipient or obtained in-person from a DHS office in the case of a homeless recipient.

Nadine Jean Baptiste and Octavia Jean Baptiste are each charged by way of a federal criminal complaint with aggravated identity theft, wire fraud, illegal acquisition or use of SNAP benefits, and conspiracy. Nadine Baptiste was arrested earlier today at her place of employment. She is scheduled to appear before a U.S. Magistrate at 2pm. An arrest warrant has been issued for Octavia Baptiste.

A federal criminal complaint is merely an accusation. A defendant is presumed innocent unless and until proven guilty.

The case is being prosecuted by Assistant United States Attorney Peter I. Roklan

The matter was investigated by the U.S. Department of Agriculture - Office of Inspector General, Social Security Administration - Office of Inspector General, and Rhode Island Office of Internal Audit - Fraud Detection & Prevention Unit. Valuable assistance was provided by the U.S. Marshals Service, Warwick Police Department, Providence Police Department, Woonsocket Police Department, and the Rhode Island Department of Human Services.

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[criminal complaint and affidavit.pdf](#)

**Contact**

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## RHODE ISLAND STATE POLICE

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North Scituate, RI 02857



### NEWS RELEASE

FOR IMMEDIATE RELEASE:

CONTACT: Major Kenneth Moriarty

August 20, 2024

401-764-5604

#### **Rhode Island State Police arrest probation officer for using a fugitive's SNAP benefits**

The Rhode Island State Police today announced that on Friday, August 16, 2024, Detectives assigned to the Financial Crimes Unit arrested Tracee Johnson, age 46, of 131 Richard Street, Cranston, for Fraudulent Use of Food Stamps § 40-6-16 and Conspiracy § 11-1-6. Ms. Johnson is employed by the State of Rhode Island, Department of Corrections, Probation and Parole.

This investigation revealed that Ms. Johnson obtained and used Carlos Rodriguez's EBT card and PIN for SNAP benefits in the amount of \$729.01 from March 25, 2024, to June 22, 2024. Records obtained from the Rhode Island Department of Corrections indicate Rodriguez was incarcerated from November 24, 2015, through June 24, 2023. Visitor logs indicate that Johnson visited Rodriguez from 2016 through 2020 for a total of 65 times. Her relationship with Mr. Rodriguez during these visits was listed as both "friend" and "girlfriend."

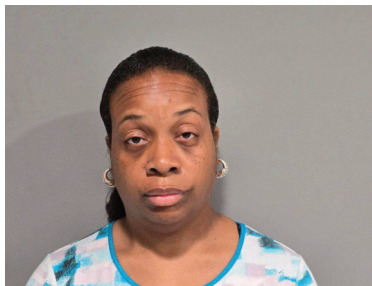
In November of 2023, Mr. Rodriguez was identified as a suspect that shot at Johnston Police Officers after a vehicle pursuit and foot pursuit through Johnston and Providence. Mr. Rodriguez was not apprehended at the time of this incident. Police developed information indicating that Mr. Rodriguez, who was on probation for previous felony arrests, had fled the state. A national manhunt for Mr. Rodriguez was initiated with the assistance of Providence Police, Johnston Police, Rhode Island State Police and the US Marshal's Service.

During his time on the run, police learned that Ms. Johnson was using Mr. Rodriguez's EBT Card and PIN to make purchases in Rhode Island. In April of 2024, Mr. Rodriguez was apprehended in Florida by US Marshals.

Ms. Johnson was arrested outside of Providence Superior Court. She was returned to the State Police Lincoln Barracks where she declined to be interviewed. She was processed and transported to 6th District Court for arraignment. She was charged with Fraudulent Use of Food Stamps § 40-6-16 and Conspiracy § 11-1-6. She entered no plea and was released on \$3,000 personal recognizance after appearing before Associate Judge Stephen M. Isherwood. Ms. Johnson's next court date is November 15, 2024.

Mr. Rodriguez, who is currently incarcerated in Rhode Island, will appear in 6th District Court on Monday, August 19, 2024, to answer to the same charges as Ms. Johnson.

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## PRESS RELEASE

# Providence Man Sentenced to Federal Prison for Illegal Acquisition of SNAP Benefits, Unlawful Possession of a Firearm

Wednesday, September 25, 2024

**For Immediate Release**

District of Rhode Island

PROVIDENCE, RI – A Dominican national unlawfully present in the United States and living in Providence was sentenced today to two years in federal prison for his role in a conspiracy that defrauded the United States Department of Agriculture’s Supplemental Nutrition Assistance Program (SNAP) of more than \$213,000 in benefits, and for illegally possessing a firearm at the time of his arrest, announced United States Attorney Zachary Cunha.

Giomar Lopez Meireles, 41, pleaded guilty on May 29, 2024, to conspiracy to commit wire fraud, illegal acquisition or use of Supplemental Nutrition Assistance Program benefits, and unlawful possession of a firearm. He was sentenced today by U.S. District Court Judge Mary S. McElroy to 24 months of incarceration to be followed by three years of federal supervised release. At the government’s request, the court also ordered the defendant to pay restitution in the amount of \$213,397 to the Rhode Island Department of Human Services, which administers federal SNAP benefits in Rhode Island.

Lopez Meireles previously admitted to a federal judge that he conspired with others to submit fraudulent online applications for SNAP benefits in the form of electronic benefit transfer (EBT) cards. As part of the scheme, the group used the real identities and social security numbers of third parties to submit fraudulent benefit applications. The ill-gotten, government funded, benefit cards were then either mailed to Lopez Meireles’s own residence or to nearby addresses. The defendant sold some of these cards for cash while using some of the cards to make purchases for himself and others. He also sent some of the cash he received from selling the EBT cards to individuals in the Dominican Republic who were involved in the scheme.

During a court-authorized search of Lopez Meireles’s residence in October 2023, law enforcement seized a collection of fraudulently obtained EBT cards, many of which were wrapped in a paper ledger listing dollar amounts and PINs. Also seized was a 9mm pistol located in Lopez Meireles’s bedroom closet, wrapped in clothing.

The case was prosecuted by Assistant United States Attorney Julianne Klein.

This matter was investigated the U.S. Department of Agriculture -Office of Inspector General and the Rhode Island Office of Internal Audit -Fraud Detection & Prevention Unit. Valuable assistance was provided by U.S. Secret Service, U.S. Marshals Service, U.S. Postal Inspection Service, Department of Homeland Security -Office of Inspector General, Social Security Administration -Office of Inspector General, Rhode Island State Police, Providence Police Department, and Woonsocket Police Department.

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*Updated September 25, 2024*