



OFFICE OF MANAGEMENT & BUDGET

Office of Internal Audit

One Capitol Hill
Providence, RI 02908-5890

Office: (401) 574-8170
Fax: (401) 574-9255

November 21, 2024

Richard Charest, Secretary
Executive Office of Health and Human Services (EOHHS)
3 West Road
Cranston, RI 02920

Ashley Deckert, Director
Department of Children, Youth & Families (DCYF)
101 Friendship St.
Providence, RI 02903

Dear Secretary Charest and Director Deckert:

The Office of Internal Audit (OIA) has completed its review of St. Mary's Home for Children's construction costs for the expansion of the Psychiatric Residential Treatment Facility, which was funded by State Fiscal Recovery Funds (SFRF). OIA reviewed and evaluated the use of the SFRF to ensure (1) the funds were utilized on allowable costs, (2) funds were kept in a segregated account, and (3) remaining unallocated funds were returned to the state. The audit was conducted in accordance with the authority granted to our office, as outlined in Rhode Island General Laws § 35-7.1-1.

We would like to express our sincere appreciation to the staff from St. Mary's Home for Children and the Department of Children, Youth & Families for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,

Andrew Manca
Chief

Cc: Paul Dion, Director, Rhode Island 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

Contents

Introduction 3

Background 3

Objective and Scope 4

Methodology 4

Findings, Recommendations, and Management's Response 4

Introduction

The Office of Internal Audit (OIA) conducted a limited-scope review of St. Mary's Home for Children's (St. Mary's) use of State Fiscal Recovery Funds (SFRF) on the Psychiatric Residential Treatment Facility (PRTF) project. The review evaluates compliance with the legislative intent that authorized the funding for the PRTF project. It also included an evaluation of the fiscal assurance requirement of maintaining a segregated account or fiscal system for the construction costs, as stipulated in the agreement between Department of Children, Youth, and Families (DCYF) and St. Mary's. The review process involved requesting information from St. Mary's staff, examining signed contracts, and analyzing selected invoices and requisition packages. Presented below are the background, objective, scope, methodology, audit finding, recommendation, and management's response.

Background

St. Mary's is a nonprofit organization based in Rhode Island whose stated purpose is to provide a range of therapeutic services and support for children and families in need. Established in 1875, St. Mary's focus has been on fostering healing and growth through specialized programs, including residential treatment, outpatient therapy, and community-based services.

On January 13, 2023, St. Mary's signed a contract with the State of Rhode Island through DCYF to design and construct the PRTF, enabling St. Mary's to operate twelve additional female adolescent beds.¹ The funding for this project was authorized to DCYF by the General Assembly through the State FY 2023 Budget, and the Rhode Island Department of Administration's (DOA) Pandemic Recovery Office (PRO).²

PRO was established in DOA by the General Assembly in the FY 2023 Budget. PRO's charge from the General Assembly is to oversee all programs financed by the State Fiscal Recovery Fund, ensuring compliance with the rules, regulations, and other guidance established by the U.S. Department of Treasury. Additionally, PRO is responsible for submitting all required reports related to the State Fiscal Recovery Fund to the U.S. Department of Treasury.

PRO determines the appropriate U.S. Treasury expenditure category (EC) under which a given SFRF project should be classified. There are four broad Treasury ECs: public health, negative economic impacts, infrastructure, and revenue replacement. PRO determined that the PRTF project fell within the revenue replacement category. U.S. Treasury's uniform guidance states SFRF programs under the revenue replacement EC do not have subrecipients, meaning that a third-party entity contracted with for a revenue replacement SFRF project is deemed the beneficiary of the project. The State is considered to have spent its SFRF allocation under the revenue replacement EC when the funding is transferred to the beneficiary of the project even if the beneficiary has not fully expended the SFRF funds for the project.

¹ Design, Construction and Operation 12-Bed Female Psychiatric Treatment Facility Bid (NOI23001683)

² 2022 – H 7123 Substitute A as Amended

Internal Audit Report: St. Mary's Home for Children

November 21, 2024

As stipulated in the contract, the available funding consists of federal pandemic relief funds totaling \$11,000,000 for the design and construction of the facility. These funds were distributed to St. Mary's in accordance with the payment schedule outlined in the contract. St. Mary's ceased operations on August 22, 2024, due to financial challenges.³ As of July 31, 2024, \$2,317,500 had been disbursed to St. Mary's. Of that amount, \$644,725 of unexpended funds were returned to DOA, Pandemic Recovery Office on September 10, 2024.

Objective and Scope

The objective of OIA was to assess the application of funds totaling \$1,672,775, incurred as of July 30, 2024, to ensure their proper expenditure on the Psychiatric Residential Treatment Facility (PRTF) project. In accordance with the fiscal assurance requirement as outlined in the signed contract dated January 13, 2023, St. Mary's was required to maintain a segregated account or fiscal code system for all receipts and disbursements pertaining to the PRTF project. Furthermore, any unexpended funds were required to be returned to the State of Rhode Island. To accomplish this, OIA evaluated expense reports, invoices, and all relevant documentation to identify any discrepancies and verify the accuracy of the identified refund amount of \$644,724.97.

Methodology

To address the audit objectives, OIA performed the following steps:

- Reviewed the contract signed by the State of Rhode Island, Department of Children, Youth, and Families (DCYF) and St. Mary's Home for Children.
- Reviewed the construction contract with major vendors.
- Reviewed selected invoices to verify the expended amount of \$1,669,638 and understand the nature of the costs to assess whether they are allowable costs.
- Reviewed the unexpended check amount to assess whether the correct amount was returned to the State.
- Obtained the bank statement from St. Mary's to assess whether construction funds were segregated from other source.

Findings, Recommendations, and Management's Response

Based on the audit procedures outlined above, OIA determined that the funds had been segregated and the expended funds reviewed were consistent with the project intent and SFRF guidelines resulting in no evidence of non-compliance with the applicable statutes. Additionally, OIA identified no findings that would indicate discrepancies or issues with the return of unexpended funds.

³ Boston Globe: St. Mary's Home for Children abruptly shuts down