



OFFICE OF MANAGEMENT & BUDGET

Office of Internal Audit

One Capitol Hill
Providence, RI 02908-5890

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

December 27, 2024

Lisa Carnevale, Capital Center Commission Chair
Rhode Island Capital Center Commission
444 Westminster Street, Suite 3A
Providence, RI 02903

Dear Chairperson Carnevale:

In accordance with Rhode Island General Laws (RIGL) § 42-155-7, the Office of Internal Audit (OIA) conducted its audit of the Capital Center Commission. OIA assessed the Commission's adherence to the Quasi-Public Corporations Accountability and Transparency Act (RIGL § 42-155). Additionally, OIA completed a performance review of the project application process utilized by the Capital Center Commission for development projects within the district.

The recommendations included herein have been discussed with members of management, and we considered their response to the audit findings and recommendations in the preparation of this report. OIA may follow up regarding the recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the Capital Center Commission and Providence Planning Department staff for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,

Andrew Manca
Chief

Cc: 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 limited-scope review completed by the Office of Internal Audit (OIA) included the Rhode Island Capital Center Commission (Commission). The review focused on assessing the compliance with the disclosure requirements of the Quasi-Public Corporations Accountability and Transparency Act (RI General Laws (RIGL) §42-155).¹ This process involved requesting information from the Commission's staff, researching their website for transparency disclosures, and evaluating whether each document satisfied the statutes of the Act. OIA also conducted a performance audit of the project application process for projects approved from fiscal years 2014 through 2023.

Presented below are background on the quasi-public corporation, objective and scope, methodology, audit findings, recommendations, and management's responses (including the responsible party and anticipated completion date) relevant to the conducted audit.

Background

The Rhode Island Capital Center Commission is responsible for adopting, implementing, and overseeing plans of development for the Capital Center Special Development District, a 79-acre development in downtown Providence, as established by the Rhode Island Special Development District Act.² Created in the early 1980s, the Commission's mission is to foster economic growth, promote historic preservation and drive urban revitalization within the Providence district. The Commission works to balance the interests of both public and private sectors, focusing on infrastructure improvements, land use planning and architectural design. Its stated goal is to create a vibrant and sustainable urban environment while preserving the district's historical significance. The Commission's decisions influence development projects, public spaces and transportation infrastructure within the district, contributing to the area's long-term growth and livability.

Objective and Scope

OIA conducted a limited-scope audit of Rhode Island Capital Center Commission's adherence to the Quasi-Public Corporations Accountability and Transparency Act, as well as the policies and procedures relevant to the approval processes of project applications.

The Quasi-Public Corporations Accountability and Transparency Act is designed to ensure efficient governance, fiscal responsibility and ethical conduct within quasi-public corporations by imposing reporting requirements, oversight mechanisms and ethical guidelines. By promoting transparency and accountability, the Act seeks to protect public interests, improve operational performance and strengthen public trust in quasi-public corporations.

The objective of the performance audit was to assess the Commission's project application process. This entailed examining the presence of and adherence to the project approval procedures to ensure they are consistently applied and verify that the internal operating procedures are in alignment with the Commission's established objectives.

¹ webserver.rilin.state.ri.us/Statutes/TITLE42/42-155/INDEX.HTM

² webserver.rilegislature.gov/Statutes/TITLE45/45-24.6/45-24.6-4.htm

Methodology

RIGL § 42-155 Quasi-Public Accountability and Transparency Act Review

To ensure compliance with the Quasi-Public Corporations Accountability and Transparency Act, the following steps were performed:

- Requested information required under the Quasi-Public Corporations Accountability and Transparency Act.³
- Researched the Rhode Island Capital Center Commission's website for adequate transparency disclosures.
- Evaluated and identified if each document provided satisfied statutes under the Quasi-Public Corporations Accountability and Transparency Act.

Project Application Review

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

- Conducted interviews with relevant personnel from the Commission to gain an understanding of the Commission's background and operating processes
- Reviewed policies, procedures, laws and regulations relevant to the Commission's project approval processes
- Obtained and reviewed documents of projects that were approved from FY 2014 to 2023 to verify proper implementation of approval procedures and consistency with the Commission's objectives and standard

Findings, Recommendations, and Management's Response

FINDING #1: Non-compliance to Quasi-Public Corporations Accountability and Transparency Act

The Commission demonstrated compliance with many of the requirements outlined in the Quasi-Public Corporations Accountability and Transparency Act. However, a few discrepancies were identified that do not align with the requirements of the Act. While the Commission included a reference to a code of ethics in its policies and procedures, the Rhode Island General Law (RIGL) cited in the document was incorrect. Specifically, the document references § 34-14-4 to 34-14-7, which is not relevant to ethics-related matters.

Additionally, the Quasi-Public Accountability and Transparency Act stipulates that fifteen specified transparency items must be made publicly available upon request and posted either directly on the website or through a direct link for each quasi-public corporation. Upon review, OIA found that the Commission has not published the following required items on its website:

- Quarterly financial statements
- Capital improvement plans
- Operating budget
- Strategic plan
- Audit reports

³ webserver.rilin.state.ri.us/Statutes/TITLE42/42-155/42-155-6.htm

Rhode Island General Law § 42-46-7 states that meeting minutes shall be public record and available to the public within thirty-five (35) days following the meeting.⁴ Upon reviewing the Commission's website, it was found that while meeting minutes were posted, they were not posted within 35 days of the meeting, as required by the Open Meetings Act. For instance, the last meeting minutes posted as of August 21, 2024, was from the meeting in May 2024, indicating a delay beyond the 35-day requirement. In total, 11 out of 16 meetings held from fiscal years 2019 to 2023 did not comply with the 35-day posting requirement.

While the quasi agency may deem the required items listed above as not needed for their operations, these items should be documented to ensure compliance with state law, and readily accessible, should the need to validate compliance arise.

RECOMMENDATION:

#1A: Revise its policies and procedures to reference the correct RIGL chapter governing ethics, such as RIGL § 36-14, which addresses the Rhode Island Code of Ethics.

#1B: Publicly post all required information in compliance with RIGL § 42-155-6.

MANAGEMENT'S RESPONSE:

#1A: Citation to a different RIGL appears to have been a scrivener's error. Correction requires a vote of the Commission. This item was added to the December 11, 2024 meeting. Amendments to the Commission's Policies and Procedures document, including correction of this RIGL reference, was approved.

#1B: The Commission is a regulatory body that considers and approves applications for buildings and other projects and, therefore, is not formed to create strategic plans and/or capital improvement plans. Accordingly, these do not exist and therefore cannot be posted. The commission accepts the recommendation and will work to comply on the remaining items.

RESPONSIBLE PARTY:

Chair, Administrative Officer

ANTICIPATED COMPLETION DATE:

Completed; April 1, 2025

FINDING #2: Non-Compliance to Internal Policies and Procedures

Prior to the issuance of the Certificate of Approval by the Commission for a development project, several steps are required, including the submission of a formal application to the Administrative Officer. During the review of the project application approval procedures, it was noted that a project was approved without the submission of a formal application, which is not consistent with the Commission's Internal Operating Procedures. Specifically, an interim application for a parking two-year extension was approved without the required application having been submitted by the developer.

⁴ webserver.rilin.state.ri.us/Statutes/TITLE42/42-46/42-46-7.htm

The Commission's Internal Operating Procedures further stipulate that modification proposals must be approved by the Chairperson unless the decision is brought before the full commission for a vote. However, eight approvals were identified where the proper approval documentation was not maintained:

- Six out of twenty approvals were made by the Administrative Officer instead of the Chairperson
- Two out of twenty approvals were made by the Design Review Committee (DRC) instead of the Chairperson

RECOMMENDATION:

#2A: Strengthen the project approval process by ensuring the appropriate proposals and applications are submitted by the developer, and that only designated individuals are authorized to approve projects. If there are any exceptions made allowing other parties to approve projects, those should be clearly outlined in the revised policies and procedures.

MANAGEMENT'S RESPONSE:

The Commission has operated in accordance with its internal operating procedures with respect to approval by designated parties at all times. All incidents mentioned had the consent and approval from the chairperson of the Commission. Unfortunately, this fact was not reflected in the approval documentation. The Commission will include this in approval documentation going forward.

The Commission will work to ensure all approvals are conducted per the Internal Operating Procedures.

RESPONSIBLE PARTY:

Chair, Administrative Officer

ANTICIPATED COMPLETION DATE:

Ongoing

FINDING #3: Outdated Internal Operating Procedures

The Commission does not have formally documented retention policies specific to their agency outlined in its internal policies and procedures. However, the Commission adheres to the document retention guidelines set forth in the State of Rhode Island Records Retention Schedule established for quasi-state agencies.⁵ According to section QU1.17, the Architectural, Engineering and Consultation Services files must be retained for a period of ten years following contract fulfillment or termination, or one year after audit, whichever is later.

During the review of twenty approved projects, one instance was identified in which the Commission was unable to provide sufficient documentation to confirm that interested parties

⁵ [QU1_2024-03-29 | Rhode Island State Archives Digital Archive](#)

were notified via certified mail about an upcoming hearing for a developer project within the required seven-day period prior to the hearing.

Additionally, OIA met with an Administrative Officer who informed the auditors that the internal operating procedures have not been updated since the establishment of the Commission. While there are procedures that have been followed in practice as the Commission has evolved, the current internal operating procedures do not accurately reflect the organization's operational practices. For instance, the Commission's current policies state the developers are required to submit fifteen copies of the full development plan for Developer Applications, but now only seven copies are required since there are now only seven reviewers. This misalignment between documented policies and actual operations results in inconsistencies in governance and compliance.

RECOMMENDATION:

#3A: Review and update the Commission's internal operating procedures to ensure alignment with current practices and to incorporate potential efficiency improvements. This should include:

- Implementing the document retention schedules established by the Secretary of State for quasi-public agencies to retain architectural, engineering and consultation service files for 10 years
- Revising the requirements for the number of development plan copies needed for Developer Applications and method of delivery to reviewers

#3B: Conduct periodic reviews of the Commission's policies and procedures to ensure they remain up-to-date reflecting current operational practices, legal requirements and regulatory changes.

MANAGEMENT'S RESPONSE:

The Commission accepts the recommendations outlined in this section and will work to comply.

RESPONSIBLE PARTY:

Chair, Administrative Staff

ANTICIPATED COMPLETION DATE:

April 1, 2025