



# OFFICE OF MANAGEMENT & BUDGET

## *Office of Internal Audit*

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January 10, 2025

Charles Kelley, Executive Director  
Rhode Island Student Loan Authority  
935 Jefferson Blvd, Suite 3000  
Warwick, RI 02886

Dear Executive Director Kelley:

In accordance with Rhode Island General Laws (RIGL) § 42-155-7, the Office of Internal Audit (OIA) conducted its audit of Rhode Island's Student Loan Authority (RISLA). OIA assessed RISLA's adherence to the Quasi-Public Corporations Accountability and Transparency Act (RIGL § 42-155). Additionally, OIA completed a performance review of RISLA's scholarship selection process.

The recommendations included herein have been discussed with members of management, and we considered their response to the audit finding 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 Rhode Island's Student Loan Authority's 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 Office of Internal Audit (OIA) conducted a limited-scope review of the Rhode Island Student Loan Authority (RISLA). The review focused on assessing compliance with the disclosure requirements of the Quasi-Public Corporations Accountability and Transparency Act (RI General Laws § 42-155).<sup>1</sup> This process involved requesting information from the Student Loan Authority'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 process of awarding scholarships, which includes the compliance of policies and procedures and awardee eligibility determination. Lastly, OIA collaborated with the Cybersecurity and Infrastructure Security Agency (CISA) to assess RISLA's operational cyber resiliency. OIA found this collaboration beneficial for agencies to ensure cyber preparedness against disruption and potential attacks. This assessment is done independently as an added benefit for agencies. CISA conducts the interviews and relays the results directly to the agency.

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

## Background

The Rhode Island Student Loan Authority is an organization with the mission to provide students and families with affordable financing options for higher education. Established to help residents of Rhode Island access the funds necessary for college, RISLA offers a range of services including low-interest loans, financial education resources and loan repayment assistance. Additionally, RISLA provides various tools and resources to help families navigate the financial aid process and make informed decisions about funding their education. Through its focus on affordability and accessibility, RISLA supports the educational goals of Rhode Island residents.

The Knowledge for College Scholarship (KFCS), established in 2021, is administered by RISLA to assist students with college-related expenses, thereby reducing reliance on student loans.<sup>2</sup>

Applicants are limited to one award per academic year, which begins on June 1st. The scholarship, valued at \$2,000, is awarded monthly. Four winners are selected randomly on the first business day of each month from the list of registrants from the previous month. In addition, two scholarships are awarded in May at the end of each academic year to randomly selected registrants who participated each month during the prior academic year. Following the selection of winners, each recipient is notified and informed that the scholarship will be paid via a co-payable check issued to both the recipient and their school, contingent upon confirmation of enrollment.

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<sup>1</sup> [webserver.rilin.state.ri.us/Statutes/TITLE42/42-155/INDEX.HTM](http://webserver.rilin.state.ri.us/Statutes/TITLE42/42-155/INDEX.HTM)

<sup>2</sup> [REG\\_11928\\_20211213102638.pdf](#)

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In order to be eligible for the KFCS, applicants must meet either of the following criteria:

1. Be a Rhode Island resident accepted to an accredited two- or four-year college, university or postsecondary institution in any U.S. state, with validation of enrollment, or
2. Be accepted to an accredited two- or four-year college, university or postsecondary institution in Rhode Island, with validation of enrollment.

Eligible applicants may apply by completing a registration form and a financial literacy quiz. Upon completion, applicants are entered into a drawing for that month's award in which the quiz was completed. Students who are not selected may re-register and take the quiz each month, as registrants do not carry over from month to month.

Additionally, it is worth noting that RISLA occasionally offers additional scholarships, typically valued at \$1,000, to randomly selected attendees or registrants at specific events or through their website, at RISLA's discretion. One such scholarship is the Rhode Island Scholarship, which is awarded annually. On the first business day following July 1 each year, RISLA grants \$1,000 to one applicant who has registered at any time from July 1 of the previous year onward. This applicant is automatically entered into the drawing for the \$1,000 scholarship for the current school year. The selected winner is notified by email as they would with the KFCS.

### Objective and Scope

OIA conducted a limited-scope audit of RISLA to evaluate its adherence to the Quasi-Public Corporations Accountability and Transparency Act, as well as the policies and procedures relevant to the process of awarding scholarships and awardee eligibility.

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 is to ensure adequate internal controls surrounding RISLA's scholarship award process.

### Methodology

#### Engagement of External Audit Firm

OIA engaged CliftonLarsonAllen, LLP (CLA), an external audit firm, to augment its internal resources for this audit. CLA was selected through a competitive bidding process. The results of the limited-scope review on the Quasi-Public Corporations Accountability and Transparency Act review and scholarship awarding process are detailed in this report.

#### Quasi-Public Accountability and Transparency Act Review

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

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- Requested information required under the Quasi-Public Corporations Accountability and Transparency Act.<sup>3</sup>
- Researched the Rhode Island Student Loan Authority's website for adequate transparency disclosures.
- Evaluated and identified if each document provided satisfied statutes under the Quasi-Public Corporations Accountability and Transparency Act.

### Scholarship Selection Process Review

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

- Conducted interviews with relevant personnel from RISLA to gain an understanding of their background and operating processes.
- Reviewed policies, procedures, laws and regulations relevant to RISLA's scholarship selection process.
- Obtained and reviewed a sample total of 5,643 scholarship applicants (2,598 for KFCS and 3,045 for the RI Scholarship) from a four-month period, specifically selected between September 2023 and May 2024.

### Findings, Recommendations, and Management's Response

#### *FINDING #1: Non-Compliant to the Rhode Island Student Loan Authority Scholarship Policy*

A well-defined set of policies and procedures for scholarship selection is essential to provide a framework that ensures the process is consistent, transparent and fair. Clear guidelines help minimize the risk of bias, ensuring all applicants are evaluated on the same criteria. Additionally, structured policies help maintain accountability, build trust in the program and ensure compliance with legal requirements and organizational standards.

RISLA implemented a scholarship policy, last revised in August 2024, illustrating the scholarship issuance process from eligibility to selection and disbursement, deferment and additional scholarship opportunities. However, OIA noted the policy lacks sufficient details to effectively manage the awardee selection process outlined for the RI Scholarship and the Knowledge for College Scholarship (KFCS). Specifically, the policy does not address the filtering of data prior to the selection process. OIA identified three instances where multiple entries were included for the same individual in the random drawing of an award winner for the RI Scholarship. There were, however, no instances of multiple entries by the same individual found in the testing for the KFCS.

The duplicate entries found in the RI Scholarship were submitted with slight variations, such as one including an apartment number in their address while the other did not. This allowed those registrants multiple opportunities to be selected, creating an unfair advantage. Such discrepancies undermine the integrity of the scholarship programs and increase the risk of compliance violations, especially if selection criteria are not uniformly applied to all registrants.

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<sup>3</sup> [webserver.rilin.state.ri.us/Statutes/TITLE42/42-155/42-155-6.htm](http://webserver.rilin.state.ri.us/Statutes/TITLE42/42-155/42-155-6.htm)

*RECOMMENDATION:*

#1A: Implement stricter data validation by introducing procedures to filter out duplicate entries and ensure consistent and accurate applicant information before the selection process begins.

#1B: Strengthen the application process to automatically detect and prevent duplicate or invalid entries.

#1C: Revise the scholarship policy to clearly outline the data filtering process and criteria for eligibility to prevent discrepancies.

#1D: Implement a system where two or more individuals are involved in the selection of awardees and are required to formally attest that they have completed the process.

#1E: Perform periodic checks to ensure compliance with the revised policy and prevent future issues.

*MANAGEMENT'S RESPONSE:*

The limited scope review performed by the Office of Internal Audit (OIA) included the evaluation of policies and procedures relevant to the process of awarding scholarships for two different Scholarship programs.

The first program is the Knowledge for College Scholarship (KFCS) which is awarded monthly and on an annual basis totals \$100,000 in scholarships for fifty winners. There were 2,598 applicants reviewed, and no discrepancies were found by the auditors for the KFCS program.

The second program is the RI Scholarship which awards one winner per year in the amount of \$1,000. There were 3,045 applicants reviewed that resulted in three applicants that applied twice by making minor changes to their reported address, which amounts to a variance rate of less than 1/10th of one percent. In addition, none of the three applicants with duplicate entries won the annual \$1,000 scholarship.

*RESPONSIBLE PARTY:*

Kevan McAleer, CFO

*ANTICIPATED COMPLETION DATE:*

January 1, 2025