



# OFFICE OF MANAGEMENT & BUDGET

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January 22, 2025

William Fazioli, Executive Director  
Rhode Island Infrastructure Bank  
275 Promenade Street, Suite 301  
Providence, RI 02908

Dear Executive Director Fazioli:

In accordance with Rhode Island General Laws (RIGL) § 42-155-7, the Office of Internal Audit (OIA) conducted its audit of Rhode Island Infrastructure Bank (RIIB). OIA assessed RIIB's adherence to the Quasi-Public Corporations Accountability and Transparency Act. Additionally, OIA completed a performance review of RIIB's bond issuance process, along with an evaluation of RIIB's payroll and purchasing card activities.

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 RIIB's staff for the cooperation and courtesy extended to the members of the OIA 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 Infrastructure Bank (RIIB). The review focused on assessing the 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 Infrastructure Bank'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 bond issuance process, as well as payroll and purchasing card (P-card) activities. Lastly, OIA collaborated with the U.S. Cybersecurity and Infrastructure Security Agency (CISA) to assess the agency's operational cyber resiliency. OIA has 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 findings, recommendations and management's responses (including the responsible party and anticipated completion date) relevant to the conducted audit.

## Background

The Rhode Island Infrastructure Bank is a public agency established in 1989 to provide financing and technical assistance to local governments and non-profit organizations for infrastructure projects throughout Rhode Island. RIIB's mission is to support sustainable infrastructure investments that improve the quality of life for residents, enhance economic development and promote environmental protection.

RIIB facilitates the funding of a wide range of projects, including water, sewer and stormwater systems as well as energy efficiency and renewable energy initiatives. Through its various programs, RIIB offers financial tools, such as low-interest loans, grants and bonds, to help municipalities, businesses and homeowners address infrastructure challenges and reduce long-term costs.<sup>2</sup> RIIB supports the state's efforts to address infrastructure needs by financing projects that promote environmental and economic sustainability.

To secure project funding, the loan process begins with loan origination, which involves the initial interactions with potential borrowers through the Business Development team. This team is primarily responsible for managing the loan origination process, which includes conducting an eligibility screening and collecting necessary documentation to evaluate the feasible loan amounts and terms. Once this information is collected, a comprehensive review of the borrower's financials conducted, assessing risks and preparing a detailed analysis to be presented to the Board of Directors for approval.

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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> <https://www.riib.org/about/who-we-are/>

Upon securing Board approval, the focus shifts to loan closing where a checklist is prepared to oversee the essential steps. These steps include drafting a Commitment Letter and finalizing the loan agreement with input from legal counsel and the Transaction and Compliance Analyst. The funding is then structured, scheduled and documented, ensuring both RIIB and borrower are aligned and informed throughout the entire lifecycle. Once the loan is closed, the Transaction and Compliance Analyst is responsible for tracking the compliance items outlined the loan agreement and ensuring they are met.

### Objective and Scope

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.

OIA conducted a limited-scope audit of RIIB with the objective of evaluating its adherence to the Quasi-Public Corporations Accountability and Transparency Act. Additionally, the audit aimed to evaluate the bond issuance process (including post-issuance requirement) and the internal controls surrounding RIIB's payroll process and P-card practices.

### 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 RIIB's compliance with the Quasi-Public Corporations Accountability and Transparency Act, bond issuance process, and the payroll and P-Card activities are detailed in this report.

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

The following steps were performed to evaluate compliance with the Quasi-Public Corporations Accountability and Transparency Act:

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

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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)

## Findings, Recommendations, and Management's Response

### *FINDING #1: Lack of Documented Review Process for Employee Credit Card Expenses*

Infrastructure Bank's policies and procedures specify that credit card purchases incurred by employees are to be reviewed monthly to ensure compliance with applicable policies. To assess adherence to these policies, OIA tested compliance by reviewing 50 transactions across two months.

For one out of the two months, 23 transactions were marked with tick marks, suggesting some form of review; however, there was no supporting documentation, such as a signature or an email, indicating who reviewed or formally approved the transactions for that month. This lack of documentation raises concerns about the adequacy of the review and verification process that the transactions were authorized. The implementation of a clear and documented review process would enhance oversight, improve compliance and provide a reliable audit trail for approver reviews.

### *RECOMMENDATION:*

#1A: Implement a review and approval method for credit card expenses on all monthly credit card statements via sign-off by the employee and supervisor. Additionally, ensure that procedures are in place to address special circumstances, such as instances where a review is completed but formal approval is delayed pending receipt of outstanding documentation.

#1B: Update the policy to incorporate the revised transaction review and approval method.

### *MANAGEMENT'S RESPONSE:*

RIIB's credit card holders are limited to senior staff members; the Executive Director, Chief Financial Officer/Chief Operating Officer, and the Deputy Chief Financial Officer. All monthly statements are sent directly to the Chief Financial Officer/Chief Operating Officer and the Deputy Financial Officer. RIIB has established a review and approval process to ensure proper documentation for all credit card transactions. This process includes the following steps:

1. Receipt and Statement Review: The Accountant ensures that all receipts corresponding to credit card transactions are attached to the monthly credit card statement and signed by the appropriate employee.
2. Approval by Deputy Chief Financial Officer (CFO): Once the monthly statement and receipts have been compiled and verified, the Deputy Chief Financial Officer reviews the documents. They will then sign the credit card statement to confirm their approval. If there is a case where the Deputy Chief Financial Officer is awaiting a pending receipt, they may sign and approve the statement with a notation of the outstanding documentation. Once they receive the documents, they can attach them to the monthly statement.

Additionally, we will update our internal policy to formalize and reflect this revised transaction review and approval method, ensuring consistency and accountability in our financial operations.

**RESPONSIBLE PARTY:**

Deputy Chief Financial Officer

**ANTICIPATED COMPLETION DATE:**

#1A is completed and #1B will be completed by April 1, 2025

**FINDING #2: Missing Required Payroll Modification Form**

OIA evaluated RIIB's process for approving and validating the accuracy of selected pay cycles. This review encompassed the authorization and verification of submitted timesheets, as well as required documentation for processing any payroll changes. During the review, it was noted that Personnel Action Forms (PAFs) were missing from the files for each newly hired employee.

RIIB's current policies and procedures require that completed PAFs be submitted to the Chief Operating Officer (COO) for review before payroll changes, including the addition of personnel, are communicated to the payroll vendor. While it has been communicated to OIA that a signed offer letter, along with all original documents signed by the employee, serves as an equivalent to a PAF, deviating from established policy without proper documentation or approval can lead to confusion, inconsistency and potential payroll inaccuracies.

Maintaining clear and up-to-date policies is essential to ensure that all staff members understand their roles in the payroll process, thereby reducing the risk of potential errors and ensuring consistent and accurate payroll practices.

**RECOMMENDATION:**

#2A: Revise the policies and procedures to reflect the procedures currently followed for the payroll process.

**MANAGEMENT'S RESPONSE:**

RIIB will revise the policies and procedures to reflect our current practices to include using the offer letter and original documents signed by the employee as the appropriate documentation for adding a new employee to payroll. These documents will be entered into the payroll system by the Office Manager and reviewed by the Chief Financial Officer/Chief Operating Officer before being approved by the Executive Director at the end of the payroll process.

As of July 1, 2024, RIIB had already instituted a master payroll spreadsheet developed by the Chief Financial Officer/Chief Operating Officer and approved by the Executive Director that includes all new pay rates and title changes (if any). The policy will reflect that all payroll changes made for employees throughout the year will use a Payroll Action Form and will be viewed and signed off by the Chief Financial Officer/Chief Operating Officer before payroll is approved by the Executive Director. We recognize the importance of ensuring compliance with established policies and maintaining clear documentation to avoid confusion and ensure accuracy in payroll processing.

**RESPONSIBLE PARTY:**

Chief Financial Officer/Chief Operating Officer

**ANTICIPATED COMPLETION DATE:**

May 1, 2025

**FINDING #3: Insufficient Segregation of Duties in Timesheet Approval Process**

One of RIIB's significant recurring expenditures is the bi-weekly payment to employees for salaries and benefits; therefore, maintaining a suitable control environment over the recording and processing of payroll-related activities is critical. OIA reviewed RIIB's payroll approval process and identified a lack of segregation of duties.

The current payroll process involves RIIB's Chief Financial Officer (CFO) reviewing and approving all timesheets prior to their submission to payroll. However, the organization's policies and procedures indicate that the COO is responsible for this task. Regardless, if the same individual is currently handling both steps of the process, this creates a potential control weakness. No single individual should be responsible for overseeing the entire payroll process, nor for approving their own timesheet.

Additionally, the policies and procedures state that the COO is responsible for reconciling the vendor's payroll register file to an internal Excel spreadsheet (which tracks employee amounts, weekly breakdowns, deductions, etc.). In actuality, the office manager performs this reconciliation. This misalignment between policy and practice further highlights the need for stronger controls and clearer role definitions.

To mitigate risk of errors or fraud, there must be a clear segregation of duties, where different people handle the review, approval and timesheet submission to payroll. Allowing a single person to control the entire payroll process increases the risk of payroll discrepancies, including potential fraud, overpayments and underpayments. Segregating these responsibilities and adding an additional approval layer ensures that each step in the payroll process is independently verified, enhancing accuracy and reducing the risk of mismanagement.

**RECOMMENDATION:**

- #3A: Implement a clear separation of roles and duties to ensure the same person is not responsible for both reviewing and approving timesheets for all employees.
- #3B: Update the policies and procedures to accurately reflect current practices of the payroll reconciliation process.

**MANAGEMENT'S RESPONSE:**

The only employees who are hourly and require the use of a time sheet are the Interns (when we have them), the Receptionist, and the Office Manager. In the current process, the CFO/COO reviews and approves the Finance Interns while the Office Manger approves the Administrative Assistant, and the Executive Director approves the Office Manager's timesheet.

RIIB agrees that ensuring clear distinctions between reviewing and approving timesheets is a best practice to minimize any potential risks. In response to recommendation 3A, we will formalize and document a clear separation of duties to ensure that no one individual is responsible for both reviewing and approving timesheets. We will revise our internal process to assign distinct individuals to each step in the approval chain, ensuring a clear division of responsibilities.

Additionally, regarding recommendation 3B, we agree that updating our policies and procedures is needed. We will revise our policies to ensure they accurately reflect the roles and responsibilities involved in timesheet approval and payroll reconciliation. Specifically, we will clarify the roles of the individuals involved in these processes and ensure the documentation aligns with actual practices.

**RESPONSIBLE PARTY:**

Office Manager and Chief Financial Officer/Chief Operating Officer

**ANTICIPATED COMPLETION DATE:**

May 1, 2025

**FINDING #4: Unmet Compliance Requirements for Bond Agreements**

Loan disbursements are closely monitored by the agency to track the progress of project completion. RIIB's Transaction and Compliance Analyst holds overall responsibility for the Bank's loan compliance program, which focuses on meeting the compliance requirements outlined in the bond agreement. This information is tracked and recorded in EnABLE, RIIB's tracking system. Compliance tracking includes several key items such as:

- Audited financial statements
- Operating budget
- Analysis of operating revenues and expenses

Each compliance item in EnABLE is assigned a due date based on the client's fiscal year-end. To ensure timely submission, email notifications are sent to the client at two initial stages: 45 and 15 days prior to the due date; then, if the client fails to submit the requested information by the due date, a third and final reminder is sent 15 days afterward. The compliance items must be reviewed, approved and marked as complete by the Transaction and Compliance Analyst to confirm full adherence to the bond's agreement requirements.



One project review revealed that management had not completed 9 of the 14 compliance requirements listed in EnABLE. RIIB informed OIA during this audit that the previous Finance Director, from whom the compliance items had been requested, had left her position. Despite follow-up attempts by RIIB, the completion of these requirements could not be verified by the established due date. As of the close of this audit, the items remain unresolved.

**RECOMMENDATION:**

#4A: Work with the new Finance Director (or the employee now responsible of these tasks) to ensure all compliance requirements are addressed and completed promptly.

#4B: Establish more frequent internal reviews and checkpoints for compliance items to ensure timely completion and proactively address any delays.

#4C: Develop a contingency plan outlining steps to promptly resolve delayed or incomplete documentation. For instance, RIIB could request two or three alternate contacts for follow-up purposes in the event that a primary contact is unavailable or unresponsive.

**MANAGEMENT'S RESPONSE:**

RIIB does collaborate with our clients to ensure that all compliance requirements are addressed and completed. However, when there is staff turnover among our borrowers or other unforeseen instances, there may be delays with our clients completing their annual audit, adopting a budget, or producing revenue vs. expenditure analysis. When these delays occur, we seek out external documentation to let us know when those items will be completed, such as an extension granted by the Auditor General for the audit. RIIB does have language in our loan agreements to declare all or any portion of the loan immediately due and payable, however the Bank does not choose to enforce this clause currently due to the financial condition of the borrower. Woonsocket, the client, is working towards fulfilling its reporting obligations. They are making periodic calls with the Auditor General to ensure that the audit report will be completed within the next month or two. In the absence of audited financial statements RIIB's trustee does prepare a debt service coverage certificate to ensure that bond covenants are still being met.

As of January 13, 2025, the City of Woonsocket has given us their Operating Budget for FY2025, and they have informed us that they expect their FY2023 audit to be completed by the end of January 2025. They also expect the audit firm to move to completing the FY2024 audit in the upcoming months.

**RESPONSIBLE PARTY:**

Director and Head of Operations, Compliance and Transaction Management

**ANTICIPATED COMPLETION DATE:**

Unknown at this time

**FINDING #5: Non-compliance to the RIGL § 42-155 Quasi-Public Corporations Accountability and Transparency Act**

RIIB proved adherence to most of the requirements of the Quasi-Public Corporations Accountability and Transparency Act. However, OIA identified the following issues:

- There are no documented policies and procedures for marketing and lobbying expenses.
- Performance measures have not been established, leading to the absence of any evaluation of performance measures over the past three years, as required by the Quasi Act.
- There are no board meeting minutes indicating the approval of written policies and procedures, which were last updated on February 1, 2020.

The lack of documented policies and procedures for marketing and lobbying expenses poses a risk of mismanagement and misuse of funds, which could result in wasteful expenditures. Additionally, the absence of clear procedures creates uncertainty regarding the limits and expectations for these expenses, potentially leading to inconsistent practices.

Next, established performance measures are essential for assessing the effectiveness and efficiency of programs and services, and for ensuring accountability and transparency in government operations. Without performance measures, it becomes challenging to evaluate progress, identify areas for improvement and allocate resources effectively.

Lastly, obtaining board approval for updated written policies and procedures is critical to ensuring formal, collective oversight of the organization's governance framework. This practice aligns operational processes with strategic objectives and serves to reinforce the board's commitment to good governance, ethical standards and the overall effectiveness of the organization.

**RECOMMENDATION:**

#5A: Formally document policies and procedures for marketing and lobbying expenses.

#5B: Develop written performance measures to evaluate the organization, and reevaluate those performance measures every three years.

#5C: Obtain and document the board's approval within the footnotes or appendices of all policies and procedures.

**MANAGEMENT'S RESPONSE:**

We will develop and formally document policies and procedures for marketing and lobbying expenses. The Bank has not actively engaged in hiring a lobbyist, instead we use our legal counsel to track legislation that may affect us. Our quarterly legal invoice notes an amount of "Legislative counsel services." As for our marketing expenses, we use one firm to assist us with press releases and they promote RIIB using social media and we provide sponsorships of affiliate industry trade groups. RIIB does not pay for any media advertising and relies on

various no cost platforms to circulate news items regarding the Bank's programs. We recently issued an RFP for communication/marketing services and expect to be making a recommendation to our board within the first quarter of 2025.

We understand the value of clear performance measures in assessing our organizational effectiveness. We are committed to developing specific, measurable, and attainable performance metrics. Additionally, we will establish a formal process for the reevaluation of these metrics every three years to ensure they remain relevant and aligned with our strategic goals.

We fully recognize the importance of board oversight and approval in the creation and maintenance of all policies and procedures. Going forward, we will ensure that all policies, including those relating to marketing, lobbying, and performance evaluation, are formally approved by the board, and clearly documented in the footnotes or appendices.

***RESPONSIBLE PARTY:***

Director

***ANTICIPATED COMPLETION DATE:***

June 1, 2025