



OFFICE OF MANAGEMENT & BUDGET

Office of Internal Audit

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April 27, 2023

Dorothy Z. Pascale, State Controller
Department of Administration
One Capitol Hill
Providence, RI 02908

Dear Controller Pascale:

The Office of Internal Audit (OIA) has completed its review of the Do Not Pay (DNP) eligibility analysis match results. The OIA reviewed report findings to determine if improper payments of federal funds were made to ineligible vendors on the United States Treasury Do Not Pay list. The audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in accordance with Rhode Island General Laws (RIGL) § 35-7.1-2(a) – Establishment of office of internal audit. The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL § 35-7.1-10(d), entitled Annual and interim reports, states that, “Within twenty (20) calendar days following the date of the issuance of the management-response copy of the draft audit report, the head of the department, agency, public body, or private entity audited shall respond, in writing, to each recommendation made in the audit report.” Accordingly, management submitted its response to the audit findings and recommendations on April 27, 2023, and such response is included in this report. Pursuant to this statute, the OIA may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the DOA’s staff for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,

Michael Sprague, CIA
Chief

Cc: Representative Marvin Abney, Chairman, House Committee on Finance
Senator Ryan Pearson, Chairman, Senate Committee on Finance
Steven Whitney, Senate Fiscal Advisor; Sharon Reynolds Ferland, House Fiscal Advisor

Audit Executive Summary

Why the Office of Internal Audit Did This Review

The Office of Internal Audit (OIA) conducted a continuous monitoring audit of Department of Administration (DOA). The purpose of this engagement is to evaluate the validity of the findings in Do Not Pay's (DNP) match report to ensure the State of RI did not pay an ineligible vendor federal funds.

Background Information

The Office of Internal Audit engaged DNP to perform a formally agreed upon analysis comparing the US Treasury Do Not Pay listing to all the vendors the State of RI has paid during a specific period. The match results and data quality findings identified from the DNP eligibility analysis was provided to the OIA to perform a detailed review.

To Strengthen Controls, the Office of Internal Audit recommends:

- Utilize DNP service to monitor payees' eligibility on a periodic or continuous basis.
- Correct data inconsistency found within database.

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Introduction

The United States Treasury utilizes Do Not Pay (DNP) as a resource dedicated to preventing and detecting improper payments. DNP is a US Treasury office that maintains a comprehensive listing of vendors who are excluded from receiving payments from the Federal Government. DNP provides a variety of data match and data analytics services to support agency programs to prevent and detect improper payments. DNP provides different agencies access to a secure online interface to check various data sources to verify the eligibility of a vendor, grantee, loan recipient, or beneficiary to receive federal payments.

DNP's mission is to assist agencies to make informed decisions in the identification, mitigation, and elimination of improper payments. To ensure the success of this mission, their primary goal is to provide innovative customer and data-driven solutions that reduce the improper payment footprint across federally funded and state administered programs.

Objective and Scope

The Office of Internal Audit (OIA) conducted a continuous monitoring audit of the Department of Administration (DOA). The purpose of this engagement is to evaluate the validity of the findings in DNP match report to ensure the State of Rhode Island (State) did not pay an ineligible vendor federal funds. The scope of this audit includes:

- 21,125 Federal funds payments totaling \$1,028,367,642 made by the State of Rhode Island to vendors during December 2021 – April 2022.

Methodology

As part of our audit, the OIA gained an understanding of DNP's eligibility analysis. To address our audit objective, we performed the following:

- Performed a detailed review of the match results and data quality findings identified in the DNP eligibility analysis workbook.
- Investigated and validated payees associated with suspected improper payments
- Validated data quality findings associated with inaccurate records including TINs or vendor names.

Recommendations and Management's Responses

The DNP Office reviewed in detail more than twenty-one thousand payments totaling in excess of \$1B. After a detailed review of all possible exceptions there were no incidents of improper payments identified, thereby confirming the State did not make improper payments to ineligible vendors.

Invalid Taxpayer Identification Number (TIN) Identified in State's Database

The DNP service performed a data quality review and analyzed each record focusing on Taxpayer Identification Numbers (TINs) for validity, risk, and conformity. DNP utilized the State provided TIN and vendor name for each payee and validated against IRS records.

There were 14 distinct payees identified with 950 payments worth \$3.8M which contained null/invalid TINs in which DNP was unable to match against the available eligibility sources.

One out of the 14 payees identified was found to have an incorrect TIN number in the State's database.

Investigation revealed the incorrect TIN on file was due to a manual input error. The presence of invalid or high-risk TINs within payee data can reduce the efficacy of eligibility screening which may increase the risk of improper payments. Using an automated verification process to verify a payee's eligibility and quality of data in the database prior to issuing payment will increase the likelihood payments issued are eligible.

Recommendations:

1. Correct the identified TIN discrepancy within the database.

Management's Response:

The vendor TIN has been corrected.

Responsible Party:

Linda Costa

Anticipated Completion Date:

Completed