
January 2014

Performance Audit
Recommendations and Corrective
Actions for Audit: 10-4

Vermont Employment Growth
Incentive:

Performance Audit of Claims
Review Process

Dated: 08/23/2010

Overview

The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, auditees or the General Assembly must implement these recommendations although we cannot require them to do so. Nevertheless, a measure of the quality and persuasiveness of our performance audits is the extent to which these recommendations are accepted and acted upon. The greater the number of recommendations that are implemented, the more benefit will be derived from our audit work.

In 2010, the SAO began to follow-up on the recommendations issued in our performance audits. Experience has shown that it takes time for some recommendations to be implemented. For this reason, we perform our follow-up activities two and four years after the calendar year in which the audit report is issued (e.g., we followed up on recommendations contained in audit reports issued in calendar year 2008 in 2010 and 2012). Our annual performance reports summarize whether we are meeting our recommendation implementation targets.

Act 155 (2012) required that we post on our website “a summary of significant recommendations arising out of the...audit reports... and the dates on which corrective actions were taken related to these recommendations. Recommendation follow-up shall be conducted at least biennially and for at least four years from the date of the audit report.”

This report addresses the requirements of Act 155 to post the results of our recommendation follow-up work on our website. The report does not include follow-up on recommendations issued as part of the state’s financial statement audit and the federally mandated Single Audit, which are performed by a contractor. However, our new contract for this work requires the contractor to provide the results of its recommendation follow-up in the future. Accordingly, we expect that future reports will contain this data.

Audit No., Name & Date	Rec #	Recommendation	Follow- Up Date	Status & Date	Review Comments
10-4 Vermont Employment Growth Incentive: Performance Audit of Claims Review Process 8/23/2010	1	The Department of Taxes (DOT) should develop written procedures and controls over the activities required in the event recapture of a prior payment is required.	6/27/2012	Implemented 2/09/2012	DOT has updated its written procedures to include the processes involved once a claim has been identified for recapture as defined in 32 V.S.A. §5930b(c)(9-11) and 32 V.S.A. §5930b(d). Included in the procedures is the process to initiate notification of the supervisor and Tax Department management responsible for review of potential incentive recaptures.
	2	The Department of Taxes (DOT) should develop written standards for the level of data validation that should be performed over information submitted by claimants in order to support approval or denial of a claim.	6/27/2012	Partially Implemented 2/1/2011	DOT has written standards for data validation and procedures for reviewing the information submitted by claimants, including a sampling program for reviewing the payroll data for large employers, but the procedures could be strengthened regarding the data validation process for qualifying capital investment claims.
	3	The Department of Taxes (DOT) should implement additional controls surrounding management review to ensure systematic review of the tax examiner's work. These should include documenting when supervisory review is required and developing mechanisms to evidence supervisory review.	6/27/2012	Implemented 2/1/2011	We reviewed DOT's updated procedures and noted that a VEGI claim checklist was created which documents both the dates the examiner has completed the steps in the review process and the date the supervisor has reviewed the work.