



**STATE OF VERMONT**

Auditors' Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
*Government Auditing Standards* and Related Information

Year ended June 30, 2013

## STATE OF VERMONT

Auditors' Reports as Required by Office of  
Management and Budget (OMB) Circular A-133 and  
*Government Auditing Standards* and Related Information

### Table of Contents

	<b>Page(s)</b>
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1–2
Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i>	3–6
Schedule of Expenditures of Federal Awards	7–14
Schedule of Expenditures of Federal Awards by Vermont State Agency	15–19
Notes to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards by Vermont State Agency	20–23
Schedule of Findings and Questioned Costs	24–174



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**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With *Government Auditing Standards***

The Speaker of the House of Representatives,  
President Pro-Tempore of the Senate  
And the Governor of the State of Vermont:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Vermont (the State) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 18, 2013. Our report includes a reference to other auditors who audited the financial statements of certain discretely presented component units identified in note IA of the State's basic financial statements, the Vermont Lottery Commission, the Special Environmental Revolving Fund, the Vermont Energy Efficiency Utility Fund, the Vermont Universal Service Fund, or the Tri-State Lotto Commission, as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs finding 2013-001 to be a material weakness.



A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs findings 2013-002 and 2013-003 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The State's Response to Findings**

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**KPMG LLP**

Colchester, Vermont  
December 18, 2013



KPMG LLP  
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**Independent Auditors' Report on Compliance for Each Major Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations***

The Speaker of the House of Representatives,  
President Pro-Tempore of the Senate  
And the Governor of the State of Vermont:

**Report on Compliance for Each Major Federal Program**

We have audited the State of Vermont's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State of Vermont's major federal programs for the year ended June 30, 2013. The State of Vermont's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

As described in note 1(a) of the schedule of expenditures of federal awards and schedule of expenditures of federal awards by Vermont State Agency (the schedules), the State of Vermont's basic financial statements includes the operations of certain entities whose federal awards are not included in the accompanying schedules for the year ended June 30, 2013. Our audit described below, did not include the operations of the entities identified in note 1(a) to the schedules, because those entities had separate audits in accordance with OMB Circular A-133, if required.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the State of Vermont's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Vermont's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the State of Vermont's compliance.



***Basis for Qualified Opinion on Certain Major Federal Programs***

As described in the accompanying schedule of findings and questioned costs, the State of Vermont did not comply with certain requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the State of Vermont to comply with requirements applicable to the identified major federal programs.

**Table 1**

<b>State agency/ department name</b>	<b>Federal program name</b>	<b>Compliance requirements</b>	<b>Finding number</b>
Agency of Education	Child Nutrition Cluster	Eligibility	2013-006
Agency of Education	Child Nutrition Cluster	Subrecipient Monitoring	2013-008
Agency of Commerce and Community Development	Community Development Block Grant Cluster	Subrecipient Monitoring	2013-010
Agency of Education	Title I Cluster	Subrecipient Monitoring	2013-016
Agency of Education	Special Education Cluster	Subrecipient Monitoring	2013-018
Agency of Education	Special Education Cluster	Allowability	2013-019
Agency of Education	Twenty-First Century Community Learning Centers	Subrecipient Monitoring	2013-020
Agency of Education	Improving Teacher Quality State Grants	Subrecipient Monitoring	2013-023
Agency of Education	School Improvement Grants Cluster	Subrecipient Monitoring	2013-025
Agency of Human Services	TANF Cluster	Allowability, Eligibility	2013-030
Agency of Human Services	Foster Care – Title IV-E	Eligibility	2013-034
Agency of Human Services	Foster Care – Title IV-E	Allowability	2013-035
Agency of Human Services	Adoption Assistance	Allowability	2013-036
Agency of Human Services	Social Services Block Grant	Earmarking	2013-037
Agency of Human Services	Medicaid Cluster	Allowability	2013-040
Agency of Human Services	Medicaid Cluster	Subrecipient Monitoring	2013-041
Agency of Human Services	Medicaid Cluster	Allowability, Eligibility	2013-043
Agency of Human Services	Medicaid Cluster	Matching	2013-044
Agency of Human Services	Medicaid Cluster	Matching	2013-045

***Qualified Opinions on Major Federal Programs***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Certain Major Federal Programs* paragraph, the State of Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs listed in Table 1 above for the year ended June 30, 2013.



### ***Unmodified Opinion on Each of the Other Major Federal Programs***

In our opinion, the State of Vermont complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs for the year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures also disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2013-005, 2013-007, 2013-009, 2013-011, 2013-012, 2013-013, 2013-014, 2013-015, 2013-017, 2013-021, 2013-022, 2013-024, 2013-026, 2013-027, 2013-028, 2013-029, 2013-031, 2013-033, 2013-038, 2013-042 and 2013-046. Our opinion on each major federal program is not modified with respect to these matters.

The State of Vermont's responses to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The State of Vermont's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Management of the State of Vermont is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Vermont's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Vermont's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-006, 2013-008, 2013-010, 2013-016, 2013-018, 2013-019, 2013-020, 2013-023, 2013-025, 2013-030, 2013-032, 2013-034, 2013-035, 2013-036, 2013-037, 2013-039, 2013-040, 2013-041, 2013-043, 2013-044, and 2013-045 to be material weaknesses.



A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-005, 2013-007, 2013-009, 2013-011, 2013-012, 2013-013, 2013-014, 2013-015, 2013-017, 2013-021, 2013-022, 2013-024, 2013-026, 2013-027, 2013-028, 2013-029, 2013-031, 2013-033, 2013-038, 2013-042 and 2013-046 to be significant deficiencies.

The State of Vermont's responses to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The State of Vermont's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of Vermont, as of and for the year ended June 30, 2013 and related notes to the financial statements which collectively comprise the State of Vermont's basic financial statements. We issued our report thereon dated December 18, 2013, which referred to the use of the reports of other auditors and which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and schedule of expenditures of federal awards by Vermont State Agency are presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and schedule of expenditures of federal awards by Vermont State Agency are fairly stated in all material respects in relation to the basic financial statements as a whole.

**KPMG LLP**

Colchester, Vermont  
March 26, 2014

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
Direct grants:				
Monetary awards:				
U.S. Department of Agriculture:				
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 227,054	—	—
10.156	Federal-State Marketing Improvement Program	8,730	—	6,500
10.163	Market Protection and Promotion	6,000	—	—
10.169	Specialty Crop Block Grant Program	273,662	—	210,508
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	473,516	—	—
10.551	Supplemental Nutrition Assistance Program	26,664,852	—	—
10.555	National School Lunch Program	19,122,302	32,454	19,071,776
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	13,694,981	—	—
10.558	Child and Adult Care Food Program	5,522,275	—	5,433,079
10.559	Summer Food Service Program for Children	976,368	—	934,921
10.560	State Administrative Expenses for Child Nutrition	468,235	—	1,500
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10,044,906	—	2,101,352
10.565	Commodity Supplemental Food Program	233,683	—	233,682
10.568	Emergency Food Assistance Program (Administrative Costs)	107,031	—	107,031
10.572	WIC Farmers' Market Nutrition Program (FMNP)	118,662	—	—
10.574	Team Nutrition Grants	118,006	—	19,000
10.575	Farm to School	33,390	—	33,390
10.576	Senior Farmers Market Nutrition Program	116,167	—	78,769
10.578	ARRA – WIC Grants To States (WGS)	294,261	—	—
10.582	Fresh Fruit and Vegetable Program	1,803,516	—	1,637,103
10.664	Cooperative Forestry Assistance	1,313,931	—	452,130
10.665	Schools and Roads – Grants to States	424,922	—	424,922
10.672	Rural Development, Forestry, and Communities	12,215	—	12,216
10.676	Forest Legacy Program	1,319,047	—	—
10.776	Agriculture Innovation Center	277,800	—	235,510
10.902	Soil and Water Conservation	13,295	—	—
10.912	Environmental Quality Incentive Program	305,656	—	80,889
10.914	Wildlife Habitat Incentive Program	56,186	—	—
10.999	Long Term Standing Agreements for Storage, Transportation, and Lease	297,886	—	30,558
		84,328,535	32,454	31,104,836
U.S. Department of Commerce:				
11.113	ITA Special Projects	162,619	—	100,210
11.555	Public Safety Interoperable Communications Grant Program	112,966	—	112,055
		275,585	—	212,265
U.S. Department of Defense:				
12.002	Procurement Technical Assistance For Business Firms	421,370	—	92,633
12.100	Aquatic Plant Control	296,569	—	154,350
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	4,890	—	—
12.401	National Guard Military Operations and Maintenance (O&M) Projects	19,087,539	—	—
12.404	National Guard ChalleNGe Program	483,655	—	—
		20,294,023	—	246,983
U.S. Department of Housing and Urban Development:				
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	9,226,364	—	8,765,720
14.231	Emergency Solutions Grants Program	753,100	—	718,266
14.239	Home Investment Partnerships Program	3,324,582	—	3,289,301
14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	134,956	—	111,256
14.255	ARRA – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, Recovery Act	1,269	—	—
14.999	Office of Fair Housing-Assistance Grant	71,824	—	—
		13,512,095	—	12,884,543
U.S. Department of Interior:				
15.605	Sport Fish Restoration Program	3,654,093	—	9,291
15.608	Fish and Wildlife Management Assistance	53,263	7,500	19,002
15.611	Wildlife Restoration and Basic Hunter Education	2,483,649	—	23,052
15.615	Cooperative Endangered Species Conservation Fund	151,273	—	5,400
15.616	Clean Vessel Act	24,153	—	24,153

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
15.622	Sportfishing and Boating Safety Act	\$ 52,661	—	52,500
15.626	Enhanced Hunter Education and Safety Program	170,345	—	17,601
15.631	Partners for Fish and Wildlife	33,451	—	—
15.633	Landowner Incentive Program	632,699	—	—
15.634	State Wildlife Grants	520,494	—	265,824
15.657	Endangered Species Conservation-Recovery Implementation Funds	22,000	—	—
15.810	National Cooperative Geologic Mapping Program	59,944	—	7,614
15.904	Historic Preservation Fund Grants-In-Aid	485,900	—	47,898
15.916	Outdoor Recreation – Acquisition, Development and Planning	26,910	—	26,810
15.929	Save America's Treasures	32,524	—	—
		<hr/> 8,403,359	<hr/> 7,500	<hr/> 499,145
	U.S. Department of Justice:			
16.017	Sexual Assault Services Formula Program	161,762	—	154,344
16.523	Juvenile Accountability Block Grants	248,963	—	—
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	586,881	—	586,881
16.541	Part E – Developing, Testing and Demonstrating Promising New Programs	497,497	—	47,917
16.554	National Criminal History Improvement Program (NCHIP)	31,600	—	—
16.560	National Institute of Justice Research, Evaluation and Development Project Grants	14,888	—	—
16.575	Crime Victim Assistance	1,289,266	654,232	611,449
16.576	Crime Victim Compensation	202,652	—	—
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	15,000	—	—
16.585	Drug Court Discretionary Grant Program	22,752	—	—
16.588	Violence Against Women Formula Grants	851,121	392,871	473,737
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	417,859	80,983	300,279
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	239,134	107,278	179,498
16.593	Residential Substance Abuse Treatment for State Prisoners	59,381	59,381	—
16.606	State Criminal Alien Assistance Program (SCAAP)	14,749	—	—
16.609	Project Safe Neighborhoods	47,014	—	—
16.710	Public Safety Partnership and Community Policing Grants	110,366	—	88,207
16.727	Enforcing Underage Drinking Laws Program	243,569	—	228,690
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	78,480	—	25,000
16.738	Edward Byrne Memorial Justice Assistance Grant Program	440,553	—	159,816
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	110,070	—	—
16.741	DNA Backlog Reduction Program	162,867	—	—
16.742	Paul Coverdell Forensic Science Improvement Grants Program	107,077	19,022	—
16.744	Anti-Gang Initiative	1,059	—	—
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	19,663	—	—
16.753	Congressionally Recommended Awards	498,895	21,403	—
16.803	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	742,855	—	—
16.810	ARRA – Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	117,866	—	—
16.812	Second Chance Act Prisoner Reentry Initiative	181,021	—	175,850
16.999	ATF Task Force	2,369	—	—
16.999	Bordergap	6,860	—	—
16.999	Drug Enforcement Administration – DEA	12,883	—	—
16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice and Treasury)	356,153	—	15,965
16.999	FBI Joint Terrorism Task Force	2,322	—	—
16.999	FBI Special Investigations	36,189	—	—
16.999	Marijuana Eradication	25,239	—	—
16.999	New England High-Intensity Drug Trafficking Areas (HIDTA)	20,690	—	—
16.999	US Marshall's District Fugitive Task Force	7,256	—	—
		<hr/> 7,984,821	<hr/> 1,335,170	<hr/> 3,047,633
	U.S. Department of Labor:			
17.002	Labor Force Statistics	718,773	—	—
17.005	Compensation and Working Conditions	31,496	—	—
17.207	Employment Service/Wagner – Peysner Funded Activities	2,615,975	—	—
17.225	Unemployment Insurance	122,598,463	—	—
17.235	Senior Community Service Employment Program	495,150	—	476,678
17.245	Trade Adjustment Assistance	413,500	—	—
17.258	WIA Adult Program	1,447,881	12,000	1,628
17.259	WIA Youth Activities	1,916,969	—	170,064

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
17.261	WIA Pilots, Demonstrations, and Research Projects	\$ 280,059	—	45,751
17.277	Workforce Investment Act (WIA) National Emergency Grants	1,228,491	—	—
17.278	WIA Dislocated Worker Formula Grant	840,436	—	—
17.503	Occupational Safety and Health – State Program	687,490	—	—
17.504	Consultation Agreements	424,952	—	—
17.600	Mine Health and Safety Grants	23,870	—	23,870
17.801	Disabled Veterans’ Outreach Program (DVOP)	143,719	—	—
17.804	Local Veterans’ Employment Representative Program	318,461	—	—
		<hr/>	<hr/>	<hr/>
		134,185,685	12,000	717,991
	U.S. Department of Transportation:			
20.106	Airport Improvement Program	3,405,307	—	78,082
20.205	Highway Planning and Construction	210,509,740	46,746	27,137,331
20.205	ARRA – Highway Planning and Construction	21,140	—	—
20.218	National Motor Carrier Safety	1,830,091	—	—
20.219	Recreational Trails Program	860,167	—	425,407
20.314	Railroad Development	466,661	—	—
20.319	ARRA – High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	6,836,729	—	—
20.500	Federal Transit – Capital Investment Grants	2,756,838	—	2,751,155
20.505	Metropolitan Transportation Planning	195,597	—	128,533
20.509	Formula Grants for Rural Areas	12,943,322	—	12,488,510
20.509	ARRA – Formula Grants for Rural Areas	15,738	—	—
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	133,348	—	158,222
20.514	Public Transportation Research	223,690	—	223,690
20.521	New Freedom Program	37,899	—	37,899
20.600	State and Community Highway Safety	1,379,471	3,614	648,134
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	495,561	147,246	38,284
20.602	Occupant Protection Incentive Grants	146,046	—	—
20.608	Minimum Penalties For Repeat Offenders For Driving While Intoxicated	2,064,900	1,245,106	339,882
20.609	Safety Belt Performance Grant	161,465	4,984	152,837
20.610	State Traffic Safety Information System Improvement Grants	501,413	187,959	—
20.612	Incentive Grant Program to Increase Motorcyclist Safety	99,524	99,524	—
20.613	Child Safety and Child Booster Seat Incentive Grants	71,593	—	71,593
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	86,569	—	39,348
20.720	State Damage Protection Programs	91,711	—	—
20.721	PHMSA Pipeline Safety Program One Call Grant	174,650	—	—
		<hr/>	<hr/>	<hr/>
		245,509,170	1,735,179	44,718,907
	U.S. Institute of Museum and Library Service:			
45.310	Grants to States	947,402	—	47,653
		<hr/>	<hr/>	<hr/>
		947,402	—	47,653
	U.S. Small Business Administration:			
59.061	State Trade and Export Promotion Pilot Grant Program	204,973	—	60,568
		<hr/>	<hr/>	<hr/>
		204,973	—	60,568
	U.S. Environmental Protection Agency:			
66.032	State Indoor Radon Grants	107,127	—	—
66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	159,319	—	—
66.040	State Clean Diesel Grant Program	743,754	—	709,663
66.042	Temporally Integrated Monitoring of Ecosystems (TIME) and Long-Term Monitoring (LTM) Program	111,488	—	—
66.202	Congressionally Mandated Projects	153,922	—	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
66.454	Water Quality Management Planning	\$ 104,665	—	44,432
66.458	Capitalization Grants for Clean Water State Revolving Funds	13,459,689	—	13,343,386
66.458	ARRA-Capitalization Grants for Clean Water State Revolving Funds	1,067,619	—	958,013
66.461	Regional Wetland Program Development Grants	173,457	—	—
66.468	Capitalization Grants for Drinking Water State Revolving Funds	10,188,761	—	8,609,949
66.468	ARRA-Capitalization Grants for Drinking Water State Revolving Funds	150,061	—	155,418
66.474	Water Protection Grants to the States	16,708	—	—
66.481	Lake Champlain Basin Program	609,844	—	221,357
66.605	Performance Partnership Grants	4,441,151	90,798	67,253
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	71,695	—	—
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	408,625	—	—
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	25,000	—	—
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	115,000	—	—
66.708	Pollution Prevention Grants Program	80,218	—	9,090
66.802	Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	63,508	—	—
66.804	Underground Storage Tank Prevention, Detection, and Compliance Program	339,375	—	—
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	409,146	—	—
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	109,423	—	—
66.817	State and Tribal Response Program Grants	516,146	—	85,000
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	48,761	—	34,745
		33,674,462	90,798	24,238,306
	U.S. Department of Energy:			
81.039	SHOPP (State Heating Oil and Propane Program)	5,000	—	—
81.041	State Energy Program	243,770	—	6,784
81.041	ARRA-State Energy Program	1,616,256	—	—
81.042	Weatherization Assistance for Low – Income Persons	447,003	—	447,003
81.042	ARRA-Weatherization Assistance for Low – Income Persons	169,856	—	169,856
81.119	State Energy Program Special Projects	327,648	—	—
81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	212,000	—	—
81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	1,895,103	—	301,876
81.999	Sustainable Energy for Homes and Businesses (Sanders)	405,308	—	394,720
		5,321,944	—	1,320,239
	U.S. Department of Education:			
84.002	Adult Education – Basic Grants to States	943,506	—	790,538
84.010	Title I Grants to Local Educational Agencies	33,748,138	—	33,254,057
84.011	Migrant Education – State Grant Program	671,528	—	595,712
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	527,087	521,369	—
84.027	Special Education – Grants to States	26,703,153	13,192	24,186,282
84.048	Career and Technical Education – Basic Grants to States	4,110,556	42,149	3,643,337
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	16,119,174	—	467,502
84.169	Independent Living – State Grants	221,149	—	145,525
84.173	Special Education – Preschool Grants	853,994	—	690,818
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	300,399	—	225,000
84.181	Special Education – Grants for Infants and Families	2,180,415	—	89,022
84.186	Safe and Drug-Free Schools and Communities – State Grants	10,874	—	—
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	395,115	—	—
84.196	Education for Homeless Children and Youth	120,422	—	89,778
84.224	Assistive Technology	431,552	—	—
84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training	213,554	—	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
84.287	Twenty-First Century Community Learning Centers	\$ 6,578,141	—	6,294,970
84.318	Educational Technology State Grants	20,166	—	11,490
84.323	Special Education – State Personnel Development	357,367	—	282,503
84.365	English Language Acquisition Grants	469,680	—	358,643
84.366	Mathematics and Science Partnerships	648,357	—	659,644
84.367	Improving Teacher Quality State Grants	10,777,035	—	10,472,818
84.369	Grants for State Assessments and Related Activities	1,973,940	—	—
84.372	Statewide Data Systems	12,747	—	—
84.377	School Improvement Grants	114,647	—	84,311
84.388	ARRA-School Improvement Grants, Recovery Act	1,997,965	—	1,997,965
84.410	Education Jobs Fund	8,889,922	1,729	8,888,193
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		119,390,583	578,439	93,228,108
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89.003	U.S. National Archives and Records Administration: National Historical Publications and Records Grant	72,854	—	—
		<hr/>	<hr/>	<hr/>
		72,854	—	—
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90.401	U.S. Election Assistance Commission: Help America Vote Act Requirements Payments	611,202	—	—
		<hr/>	<hr/>	<hr/>
		611,202	—	—
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	U.S. Department of Health and Human Services:			
93.041	Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation	23,939	—	23,939
93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	86,981	—	86,981
93.043	Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services	90,439	—	90,439
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	1,646,022	—	1,646,022
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services	3,029,098	—	3,029,098
93.048	Special Programs for the Aging – Title IV and Title II – Discretionary Projects	294,958	—	161,086
93.051	Alzheimer’s Disease Demonstration Grants to States	221,149	—	—
93.052	National Family Caregiver Support, Title III, Part E	680,687	—	487,454
93.053	Nutrition Services Incentive Program	728,808	—	728,808
93.069	Public Health Emergency Preparedness	2,233,217	—	—
93.070	Environmental Public Health and Emergency Response	1,082,342	—	48,349
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	2,888,443	—	—
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	296,113	—	164,156
93.103	Food and Drug Administration – Research	63,162	—	—
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	1,659,279	—	1,587,509
93.110	Maternal and Child Health Federal Consolidated Programs	527,730	—	111,643
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	160,671	—	—
93.127	Emergency Medical Services for Children	140,985	—	—
93.130	Cooperative Agreements to States/ Territories for the Coordination and Development of Primary Care Offices	123,072	—	3,000
93.136	Injury Prevention and Control Research and State and Community Based Programs	49,808	—	48,489
93.150	Projects for Assistance in Transition from Homelessness (PATH)	447,812	—	447,812
93.197	Childhood Lead Poisoning Prevention Projects – State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	334,879	—	—
93.217	Family Planning – Services	812,168	—	798,506
93.241	State Rural Hospital Flexibility Program	276,435	—	177,027
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	1,954,133	—	851,516
93.251	Universal Newborn Hearing Screening	268,683	—	223,757
93.268	Immunization Cooperative Agreements	1,875,251	—	—
93.270	Adult Viral Hepatitis Prevention and Control	92,481	—	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	\$ 4,441,745	—	372,797
93.296	State Partnership Grant Program to Improve Minority Health	198,379	—	47,555
93.301	Small Rural Hospital Improvement Grants Program	87,272	—	78,453
93.414	ARRA – State Primary Care Offices	4,190	—	4,190
93.500	Pregnancy Assistance Fund Program	1,000,221	—	957,328
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	594,340	—	—
93.507	Strengthening the Nation’s Public Health System through a National Voluntary Accreditation Program for State, Tribal, Local and Territorial Health Departments	770,583	—	126,822
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	1,134,854	—	—
93.517	Affordable Care Act – Aging and Disability Resource Center	229,199	—	98,177
93.518	Affordable Care Act – Medicare Improvements for Patients and Providers	2,797	—	2,797
93.519	Affordable Care Act – Consumer Assistance Program Grants	184,736	—	—
93.520	Centers for Disease Control and Prevention – Affordable Care Act (ACA) – Communities Putting Prevention to Work	33,363	—	33,363
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	1,057,081	—	154,771
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)’s Exchanges	23,419,712	—	—
93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds	850,921	—	337,091
93.539	PPHF 2012 – Prevention and Public Health Fund (Affordable Care Act) – Capacity Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	198,109	—	—
93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	242,360	—	—
93.550	Transitional Living for Homeless Youth	190,573	—	172,568
93.556	Promoting Safe and Stable Families	695,838	—	345,709
93.558	Temporary Assistance for Needy Families	29,298,916	—	87,750
93.563	Child Support Enforcement	8,392,877	—	—
93.566	Refugee and Entrant Assistance – State Administered Programs	754,455	—	280,994
93.568	Low Income Home Energy Assistance	19,688,546	—	181,703
93.569	Community Services Block Grant	3,635,034	—	3,478,640
93.575	Child Care and Development Block Grant	12,262,937	—	2,696,102
93.576	Refugee and Entrant Assistance – Discretionary Grants	215,495	—	203,076
93.586	State Court Improvement Program	209,896	—	—
93.590	Community – Based Child Abuse Prevention Grants	234,250	—	234,250
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7,154,088	—	806,269
93.597	Grants to States for Access and Visitation Programs	103,593	—	102,041
93.599	Chafee Education and Training Vouchers Program (ETV)	59,920	—	59,920
93.600	Head Start	91,109	—	—
93.609	The Affordable Care Act – Medicaid Adult Quality Grants	24,700	—	—
93.617	Voting Access for Individuals with Disabilities – Grants to States	56,800	—	46,097
93.624	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance	2,125	—	—
93.630	Developmental Disabilities Basic Support and Advocacy Grants	336,029	—	182,621
93.643	Children’s Justice Grants to States	77,886	—	—
93.645	Stephanie Tubbs Jones Child Welfare Services Program	553,980	—	—
93.658	Foster Care – Title IV-E	10,133,301	—	—
93.659	Adoption Assistance	8,198,733	—	—
93.667	Social Services Block Grant	8,052,862	—	635,769
93.669	Child Abuse and Neglect State Grants	46,343	—	—
93.671	Family Violence Prevention and Services/Grants for Battered Women’s Shelters – Grants to States and Indian Tribes	718,484	—	711,270
93.674	Chafee Foster Care Independence Program	625,000	—	—
93.708	ARRA – Head Start	270,591	—	—
93.719	ARRA – State Grants to Promote Health Information Technology	1,020,146	—	—
93.723	ARRA – Prevention and Wellness-State, Territories and Pacific Islands	9,919	—	—
93.767	Children’s Health Insurance Program	12,314,323	—	—
93.775	State Medicaid Fraud Control Units	832,652	—	—
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	1,499,246	—	—
93.778	Medical Assistance Program	843,800,067	—	—
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	222,725	—	216,125

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
93.791	Money Follows the Person Rebalancing Demonstration	\$ 1,650,933	—	—
93.889	National Bioterrorism Hospital Preparedness Program	784,385	—	574,303
93.913	Grants to States for Operation of Offices of Rural Health	181,515	—	54,680
93.917	HIV Care Formula Grants	670,265	—	—
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	203,957	67,359	16,286
93.940	HIV Prevention Activities – Health Department Based	1,312,681	—	470,796
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	92,377	—	—
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	170,778	—	—
93.958	Block Grants for Community Mental Health Services	800,357	—	108,522
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,465,153	—	1,928,450
93.977	Preventive Health Services – Sexually Transmitted Disease Control Grants	199,978	—	13,440
93.982	Mental Health Disaster Assistance and Emergency Mental Health	455,725	—	455,725
93.991	Preventive Health and Health Services Block Grant	197,567	—	27,000
93.994	Maternal and Child Health Services Block Grant to the States	1,387,358	—	695,045
		<u>1,041,895,075</u>	<u>67,359</u>	<u>27,714,086</u>
	U.S. Corporation for National Community Service:			
94.003	State Commissions	148,406	—	—
94.006	AmeriCorps	1,148,389	—	1,136,841
94.007	Program Development and Innovation Grants	40,307	—	—
94.009	Training and Technical Assistance	27,604	—	1,890
94.013	Volunteers in Service to America	18,600	—	—
		<u>1,383,306</u>	<u>—</u>	<u>1,138,731</u>
	U.S. Social Security Administration:			
96.001	Social Security – Disability Insurance	5,240,541	—	—
96.008	Social Security-Work Incentives Planning and Assistance Program	2,115	—	—
		<u>5,242,656</u>	<u>—</u>	<u>—</u>
	U.S. Department of Homeland Security:			
97.012	Boating Safety Financial Assistance	600,243	123,847	34,448
97.023	Community Assistance Program – State Support Services Element (CAP – SSSE)	158,062	—	—
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	49,826,841	4,311,190	36,356,437
97.039	Hazard Mitigation Grants	2,046,151	73,617	1,877,874
97.041	National Dam Safety Program	97,766	—	—
97.042	Emergency Management Performance Grants	2,482,081	72,397	658,105
97.043	State Fire Training Systems Grants	16,216	—	—
97.045	Cooperating Technical Partners	113,035	—	—
97.047	Pre-Disaster Mitigation	56,377	41,542	14,862
97.052	Repetitive Flood Claims	360,323	360,323	—
97.055	Interoperable Emergency Communications	6,960	—	—
97.056	Port Security Grant Program	21,291	—	—
97.067	Homeland Security Grant Program	10,256,267	219,807	4,121,522
97.082	Earthquake Consortium	25,347	—	10,000
97.088	Disaster Assistance Projects	1,700,628	—	1,583,073
97.090	Law Enforcement Officer Reimbursement Agreement Program	48,385	—	38,560
97.999	FEMA Admin Training Procurement	189	—	—
		<u>67,816,162</u>	<u>5,202,723</u>	<u>44,694,881</u>
	Total direct monetary awards	<u>1,791,053,892</u>	<u>9,061,622</u>	<u>285,874,875</u>
	Nonmonetary programs:			
	U.S. Department of Agriculture:			
10.551	Supplemental Nutrition Assistance Program – EBT	122,083,833	—	—
10.560	State Administrative Expenses for Child Nutrition – Commodities	1,985,498	—	—
10.565	Commodity Supplemental Food Program – Commodities	773,660	—	—
10.569	Emergency Food Assistance Program (Food Commodities)	803,789	—	—
	Total U.S. Department of Agriculture	<u>125,646,780</u>	<u>—</u>	<u>—</u>
	Buildings and General Services:			
39.003	Donation of Federal Surplus Personal Property	1,540,257	—	—
		<u>1,540,257</u>	<u>—</u>	<u>—</u>
	U.S. Dept of Health and Human Services:			
93.268	Immunization Cooperative Agreements – Vaccines	6,939,890	—	—
		<u>6,939,890</u>	<u>—</u>	<u>—</u>
	Total direct nonmonetary federal assistance	<u>134,126,927</u>	<u>—</u>	<u>—</u>

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2013

<u>CFDA number</u>	<u>Federal agency/program type</u>	<u>Expenditures</u>	<u>Amounts transferred to State agencies</u>	<u>Amounts passed through to subrecipients</u>
	Indirect Federal Grants			
11.558	ARRA – State Broadband Data and Development Grant Program	\$ 39,654	—	—
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	78,567	—	—
16.746	Capital Case Litigation	28,019	—	—
17.261	WIA Pilots, Demonstrations, and Research Projects	45,234	—	7,850
64.005	Grants to States for Construction of State Home Facilities	14,214	—	—
81.087	ARRA – Renewable Energy Research and Development	69,021	—	—
93.767	Children’s Health Insurance Program	137,782	—	—
	Total indirect federal grants	<u>412,491</u>	<u>—</u>	<u>7,850</u>
	Total direct federal grants	<u>1,925,180,819</u>	<u>9,061,622</u>	<u>285,874,875</u>
	Total federal financial aid expended	<u>\$ 1,925,593,310</u>	<u>9,061,622</u>	<u>285,882,725</u>

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures by Vermont State Agency.

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2013

VT agency/department	CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
Administration Secretary	84.410	Education Jobs Fund	\$ 8,889,922	1,729	8,888,193
Administration Secretary total			8,889,922	1,729	8,888,193
Agriculture	10.025	Plant and Animal Disease, Pest Control, and Animal Care	227,054	—	—
Agriculture	10.156	Federal-State Marketing Improvement Program	8,730	—	6,500
Agriculture	10.163	Market Protection and Promotion	6,000	—	—
Agriculture	10.169	Specialty Crop Block Grant Program	273,662	—	210,508
Agriculture	10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	473,516	—	—
Agriculture	10.575	Farm to School	33,390	—	33,390
Agriculture	10.776	Agriculture Innovation Center	277,800	—	235,510
Agriculture	10.912	Environmental Quality Incentive Program	271,599	—	80,889
Agriculture	10.999	Long Term Standing Agreements for Storage, Transportation, and Lease	267,328	—	—
Agriculture	66.700	Consolidated Pesticide Enforcement Cooperative Agreements	408,625	—	—
Agriculture total			2,247,704	—	566,797
Attorney General	93.775	State Medicaid Fraud Control Units	703,455	—	—
Attorney General total			703,455	—	—
Buildings & General Services	39.003	Donation of Federal Surplus Personal Property	1,540,257	—	—
Buildings & General Services	64.005	Grants to States for Construction of State Home Facilities	14,214	—	—
Buildings & General Services total			1,554,471	—	—
Commerce	10.999	Long Term Standing Agreements for Storage, Transportation, and Lease	30,558	—	30,558
Commerce	11.113	ITA Special Projects	162,619	—	100,210
Commerce	12.002	Procurement Technical Assistance For Business Firms	421,370	—	92,633
Commerce	14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	9,226,364	—	8,765,720
Commerce	14.239	Home Investment Partnerships Program	3,324,582	—	3,289,301
Commerce	14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants	112,456	—	111,256
Commerce	14.255	ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, Recovery Act	1,269	—	—
Commerce	15.904	Historic Preservation Fund Grants-In-Aid	485,900	—	47,898
Commerce	15.929	Save Americas Treasures	32,524	—	—
Commerce	59.061	State Trade and Export Promotion Pilot Grant Program	204,973	—	60,568
Commerce	66.818	Brownfields Assessment and Cleanup Cooperative Agreements	48,761	—	34,745
Commerce total			14,051,376	—	12,532,889
Criminal Justice Trng Council	93.775	State Medicaid Fraud Control Units	129,197	—	—
Criminal Justice Trng Council total			129,197	—	—
Ctr. for Crime Victims Svcs.	16.017	Sexual Assault Services Formula Program	161,762	—	154,344
Ctr. for Crime Victims Svcs.	16.575	Crime Victim Assistance	1,289,266	654,232	611,449
Ctr. for Crime Victims Svcs.	16.576	Crime Victim Compensation	202,652	—	—
Ctr. for Crime Victims Svcs.	16.588	Violence Against Women Formula Grants	851,121	392,871	473,737
Ctr. for Crime Victims Svcs.	16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	417,859	80,983	300,279
Ctr. for Crime Victims Svcs.	16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	239,134	107,278	179,498
Ctr. for Crime Victims Svcs.	93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	718,484	—	711,270
Ctr. for Crime Victims Svcs. total			3,880,278	1,235,364	2,430,577
Education	10.555	National School Lunch Program	19,122,302	32,454	19,071,776
Education	10.558	Child and Adult Care Food Program	5,522,275	—	5,433,079
Education	10.559	Summer Food Service Program for Children	976,368	—	934,921
Education	10.560	State Administrative Expenses for Child Nutrition	382,391	—	1,500
Education	10.574	Team Nutrition Grants	118,006	—	19,000
Education	10.582	Fresh Fruit & Vegetable Program	1,803,516	—	1,637,103
Education	16.541	Part E - Developing, Testing and Demonstrating Promising New Programs	457,834	—	8,254
Education	84.002	Adult Education - Basic Grants to States	943,506	—	790,538
Education	84.010	Title I Grants to Local Educational Agencies	33,748,138	—	33,254,057
Education	84.011	Migrant Education - State Grant Program	671,528	—	595,712
Education	84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	527,087	521,369	—
Education	84.027	Special Education - Grants to States	26,703,153	13,192	24,186,282
Education	84.048	Career and Technical Education - Basic Grants to States	4,110,556	42,149	3,643,337
Education	84.173	Special Education - Preschool Grants	853,994	—	690,818
Education	84.196	Education for Homeless Children and Youth	120,422	—	89,778
Education	84.287	Twenty First Century Community Learning Centers	6,578,141	—	6,294,970
Education	84.318	Education Technology State Grants	20,166	—	11,490
Education	84.323	Special Education - State Personnel Development	357,367	—	282,503
Education	84.365	English Language Acquisition Grants	469,680	—	358,643
Education	84.366	Mathematics and Science Partnerships	648,357	—	659,644
Education	84.367	Improving Teacher Quality State Grants	10,777,035	—	10,472,818
Education	84.369	Grants for State Assessments and Related Activities	1,973,940	—	—
Education	84.372	Statewide Data Systems	12,747	—	—
Education	84.377	School Improvement Grants	114,647	—	84,311
Education	84.388	ARRA-School Improvement Grants, Recovery Act	1,997,965	—	1,997,965
Education	93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	203,957	67,359	16,286
Education total			119,215,078	676,523	110,534,785
Financial Regulation	93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	1,134,854	—	—
Financial Regulation	93.519	Affordable Care Act - Consumer Assistance Program Grants	184,736	—	—
Financial Regulation total			1,319,590	—	—
Human Rights Commission	14.999	Office of Fair Housing-Assistance Grant	71,824	—	—
Human Rights Commission total			71,824	—	—
Human Services	10.551	Supplemental Nutrition Assistance Program - Cash	26,664,852	—	—
Human Services	10.551	Supplemental Nutrition Assistance Program - EBT	122,083,833	—	—
Human Services	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children - Commodities	13,694,981	—	—
Human Services	10.560	State Administrative Expenses for Child Nutrition	85,844	—	—
Human Services	10.560	State Administrative Expenses for Child Nutrition - Commodities	1,985,498	—	—
Human Services	10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10,044,906	—	2,101,352
Human Services	10.565	Commodity Supplemental Food Program	233,683	—	233,682
Human Services	10.565	Commodity Supplemental Food Program - Commodities	773,660	—	—
Human Services	10.568	Emergency Food Assistance Program (Administrative Costs)	107,031	—	107,031
Human Services	10.569	Emergency Food Assistance Program (Food Commodities)	803,789	—	—
Human Services	10.572	WIC Farmers' Market Nutrition Program (FMNP)	118,662	—	—
Human Services	10.576	Senior Farmers Market Nutrition Program	116,167	—	78,769
Human Services	10.578	ARRA - WIC Grants To States (WGS)	294,261	—	—
Human Services	14.231	Emergency Solutions Grants Program	753,100	—	718,266
Human Services	14.251	Economic Development Initiative-Special Project, Neighborhood Initiative and	22,500	—	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2013

VT agency/department	CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
		Miscellaneous Grants			
Human Services	16.523	Juvenile Accountability Block Grants	\$ 248,963	—	—
Human Services	16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	586,881	—	586,881
Human Services	16.541	Part E – Developing, Testing and Demonstrating Promising New Programs	39,663	—	39,663
Human Services	16.606	State Criminal Alien Assistance Program (SCAAP)	14,749	—	—
Human Services	16.710	Public Safety Partnership and Community Policing Grants	64,180	—	48,596
Human Services	16.727	Enforcing Underage Drinking Laws Program	243,569	—	228,690
Human Services	16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	78,480	—	25,000
Human Services	16.740	Statewide Automated Victim Information Notification (SAVIN) Program	110,070	—	—
Human Services	16.812	Second Chance Act Prisoner Reentry Initiative	181,021	—	175,850
Human Services	17.235	Senior Community Service Employment Program	495,150	—	476,678
Human Services	17.261	WIA Pilots, Demonstrations, and Research Projects	234,308	—	—
Human Services	66.032	State Indoor Radon Grants	107,127	—	—
Human Services	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	25,000	—	—
Human Services	66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	115,000	—	—
Human Services	81.042	Weatherization Assistance for Low – Income Persons	447,003	—	447,003
Human Services	81.042	ARRA-Weatherization Assistance for Low – Income Persons	169,856	—	169,856
Human Services	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	16,119,174	—	467,502
Human Services	84.169	Independent Living – State Grants	221,149	—	145,525
Human Services	84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	300,399	—	225,000
Human Services	84.181	Special Education – Grants for Infants and Families	2,180,415	—	89,022
Human Services	84.186	Safe and Drug-Free Schools and Communities – State Grants	10,874	—	—
Human Services	84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	395,115	—	—
Human Services	84.224	Assistive Technology	431,552	—	—
Human Services	84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training	213,554	—	—
Human Services	93.041	Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation	23,939	—	23,939
Human Services	93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	86,981	—	86,981
Human Services	93.043	Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services	90,439	—	90,439
Human Services	93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	1,646,022	—	1,646,022
Human Services	93.045	Special Programs for the Aging – Title III, Part C -Nutrition Services	3,029,098	—	3,029,098
Human Services	93.048	Special Programs for the Aging – Title IV and Title II – Discretionary Projects	294,958	—	161,086
Human Services	93.051	Alzheimer’s Disease Demonstration Grants to States	221,149	—	—
Human Services	93.052	National Family Caregiver Support, Title III, Part E	680,687	—	487,454
Human Services	93.053	Nutrition Services Incentive Program	728,808	—	728,808
Human Services	93.069	Public Health Emergency Preparedness	2,233,217	—	—
Human Services	93.070	Environmental Public Health and Emergency Response	1,082,342	—	48,349
Human Services	93.074	Hospital Preparedness Program (HPP) and Public Health Emergency	2,888,443	—	—
Human Services	93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	296,113	—	164,156
Human Services	93.103	Food and Drug Administration – Research	63,162	—	—
Human Services	93.104	Comprehensive Community Mental Health Services for Children with Emotional Disturbances (SED)	1,659,279	—	1,587,509
Human Services	93.110	Maternal and Child Health Federal Consolidated Programs	527,730	—	111,643
Human Services	93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	160,671	—	—
Human Services	93.127	Emergency Medical Services for Children	140,985	—	—
Human Services	93.130	Cooperative Agreements to States/Territories for the Coordination and of Primary Care Offices	123,072	—	3,000
Human Services	93.136	Injury Prevention and Control Research and State and Community Based Programs	49,808	—	48,489
Human Services	93.150	Projects for Assistance in Transition from Homelessness (PATH)	447,812	—	447,812
Human Services	93.197	Childhood Lead Poisoning Prevention Projects – State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	334,879	—	—
Human Services	93.217	Family Planning – Services	812,168	—	798,506
Human Services	93.241	State Rural Hospital Flexibility Program	276,435	—	177,027
Human Services	93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	1,693,225	—	851,516
Human Services	93.251	Universal Newborn Hearing Screening	268,683	—	223,757
Human Services	93.268	Immunization Cooperative Agreements	1,875,251	—	—
Human Services	93.268	Immunization Cooperative Agreements – Vaccine	6,939,890	—	—
Human Services	93.270	Adult Viral Hepatitis Prevention and Control	92,481	—	—
Human Services	93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	4,441,745	—	372,797
Human Services	93.296	State Partnership Grant Program to Improve Minority Health	198,379	—	47,555
Human Services	93.301	Small Rural Hospital Improvement Grants Program	87,272	—	78,453
Human Services	93.414	ARRA – State Primary Care Offices	4,190	—	4,190
Human Services	93.500	Pregnancy Assistance Fund Program	1,000,221	—	957,328
Human Services	93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	594,340	—	—
Human Services	93.507	Strengthening the Nation’s Public Health System through a National Voluntary Accreditation Program for State, Tribal, Local and Territorial Health Departments	770,583	—	126,822
Human Services	93.517	Affordable Care Act – Aging and Disability Resource Center	229,199	—	98,177
Human Services	93.518	Affordable Care Act – Medicare Improvements for Patients and Providers	2,797	—	2,797
Human Services	93.520	Centers for Disease Control and Prevention – Affordable Care Act (ACA) – Communities Putting Prevention to Work	33,363	—	33,363
Human Services	93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	1,057,081	—	154,771
Human Services	93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)’s Exchanges	23,419,712	—	—
Human Services	93.531	PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds	850,921	—	337,091
Human Services	93.539	PPHF 2012 – Prevention and Public Health Fund (Affordable Care Act) – Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds	198,109	—	—
Human Services	93.544	The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorizes Coordinated Chronic Disease Prevention and Health Promotion Program	242,360	—	—
Human Services	93.550	Transitional Living for Homeless Youth	190,573	—	172,568
Human Services	93.556	Promoting Safe and Stable Families	695,838	—	345,709
Human Services	93.558	Temporary Assistance for Needy Families	29,298,916	—	87,750
Human Services	93.563	Child Support Enforcement	8,392,877	—	—
Human Services	93.566	Refugee and Entrant Assistance – State Administered Programs	754,455	—	280,994
Human Services	93.568	Low Income Home Energy Assistance	19,688,546	—	181,703
Human Services	93.569	Community Services Block Grant	3,635,034	—	3,478,640
Human Services	93.575	Child Care and Development Block Grant	12,262,937	—	2,696,102
Human Services	93.576	Refugee and Entrant Assistance – Discretionary Grants	215,495	—	203,076
Human Services	93.590	Community – Based Child Abuse Prevention Grants	234,250	—	234,250
Human Services	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	7,154,088	—	806,269
Human Services	93.597	Grants to States for Access and Visitation Programs	103,593	—	102,041
Human Services	93.599	Chafee Education and Training Vouchers Program (ETV)	59,920	—	59,920
Human Services	93.600	Head Start	91,109	—	—
Human Services	93.609	The Affordable Care Act – Medicaid Adult Quality Grants	24,700	—	—
Human Services	93.624	ACA – State Innovation Models: Funding for Model Design and Model Testing	2,125	—	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2013

VT agency/department	CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
		Assistance			
Human Services	93.630	Developmental Disabilities Basic Support and Advocacy Grants	\$ 336,029	—	182,621
Human Services	93.643	Children's Justice Grants to States	77,886	—	—
Human Services	93.645	Stephanie Tubbs Jones Child Welfare Services Program	553,980	—	—
Human Services	93.658	Foster Care – Title IV-E	10,133,301	—	—
Human Services	93.659	Adoption Assistance	8,198,733	—	635,769
Human Services	93.667	Social Services Block Grant	8,052,862	—	—
Human Services	93.669	Child Abuse and Neglect State Grants	46,343	—	—
Human Services	93.674	Chafee Foster Care Independence Program	625,000	—	—
Human Services	93.708	ARRA – Head Start	270,591	—	—
Human Services	93.719	ARRA – State Grants to Promote Health Information Technology	1,020,146	—	—
Human Services	93.723	ARRA – Prevention and Wellness-State, Territories and Pacific Islands	9,919	—	—
Human Services	93.767	Children's Health Insurance Program	12,314,323	—	—
Human Services	93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	1,499,246	—	—
Human Services	93.778	Medical Assistance Program	843,800,067	—	—
Human Services	93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	222,725	—	216,125
Human Services	93.791	Money Follows the Person Rebalancing Demonstration	1,650,933	—	—
Human Services	93.889	National Bioterrorism Hospital Preparedness Program	784,385	—	574,303
Human Services	93.913	Grants to States for Operation of Offices of Rural Health	181,515	—	54,680
Human Services	93.917	HIV Care Formula Grants	670,265	—	—
Human Services	93.940	HIV Prevention Activities – Health Department Based	1,312,681	—	470,796
Human Services	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	92,377	—	—
Human Services	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	170,778	—	—
Human Services	93.958	Block Grants for Community Mental Health Services	800,357	—	108,522
Human Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,465,153	—	1,928,450
Human Services	93.767	Children's Health Insurance Program	137,782	—	—
Human Services	93.977	Preventive Health Services – Sexually Transmitted Disease Control Grants	199,978	—	13,440
Human Services	93.982	Mental Health Disaster Assistance and Emergency Mental Health	455,725	—	455,725
Human Services	93.991	Preventive Health and Health Services Block Grant	197,567	—	27,000
Human Services	93.994	Maternal and Child Health Services Block Grant to the States	1,387,358	—	695,045
Human Services	94.003	State Commissions	148,406	—	—
Human Services	94.006	AmeriCorps	1,148,389	—	1,136,841
Human Services	94.007	Program Development and Innovation Grants	40,307	—	—
Human Services	94.009	Training and Technical Assistance	27,604	—	1,890
Human Services	94.013	Volunteers in Service to America (VISTA)	18,600	—	—
Human Services	96.001	Social Security – Disability Insurance	5,240,541	—	—
Human Services	96.008	Social Security-Work Incentives Planning and Assistance Program	2,115	—	—
Human Services	97.088	Disaster Assistance Projects	1,700,628	—	1,583,073
			<u>1,254,513,069</u>	<u>—</u>	<u>36,026,603</u>
Human Services total					
Judiciary	16.585	Drug Court Discretionary Grant Program	22,752	—	—
Judiciary	16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	19,663	—	—
Judiciary	16.746	Capital Case Litigation	28,019	—	—
Judiciary	16.753	Congressionally Recommended Awards	15,253	—	—
Judiciary	93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	260,908	—	—
Judiciary	93.586	State Court Improvement Program	209,896	—	—
			<u>556,491</u>	<u>—</u>	<u>—</u>
Judiciary total					
Labor	17.002	Labor Force Statistics	718,773	—	—
Labor	17.005	Compensation and Working Conditions	31,496	—	—
Labor	17.207	Employment Service/Wagner – Peysor Funded Activities	2,615,975	—	—
Labor	17.225	Unemployment Insurance	122,598,463	—	—
Labor	17.245	Trade Adjustment Assistance	413,500	—	—
Labor	17.258	WIA Adult Program	1,447,881	12,000	1,628
Labor	17.259	WIA Youth Activities	1,916,969	—	170,064
Labor	17.261	WIA Pilots, Demonstrations, and Research Projects	45,234	—	7,850
Labor	17.277	Workforce Investment Act (WIA) National Emergency Grants	1,228,491	—	—
Labor	17.278	WIA Dislocated Workers Formula Grants	840,436	—	—
Labor	17.503	Occupational Safety and Health – State Program	687,490	—	—
Labor	17.504	Consultation Agreements	424,952	—	—
Labor	17.600	Mine Health and Safety Grants	23,870	—	23,870
Labor	17.801	Disabled Veterans' Outreach Program (DVOP)	143,719	—	—
Labor	17.804	Local Veterans' Employment Representative Program	318,461	—	—
			<u>133,455,710</u>	<u>12,000</u>	<u>203,412</u>
Labor total					
Libraries	45.310	Grants to States	947,402	—	47,653
			<u>947,402</u>	<u>—</u>	<u>47,653</u>
Libraries total					
Military	12.401	National Guard Military Operations and Maintenance (O&M) Projects	19,087,539	—	—
Military	12.404	National Guard Challenge Program	483,655	—	—
			<u>19,571,194</u>	<u>—</u>	<u>—</u>
Military total					
Natural Resources-DEC	12.100	Aquatic Plant Control	296,569	—	154,350
Natural Resources-DEC	12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	4,890	—	—
Natural Resources-DEC	15.608	Fish and Wildlife Management Assistance	53,263	7,500	19,002
Natural Resources-DEC	15.631	Partners for Fish and Wildlife	33,451	—	—
Natural Resources-DEC	15.810	National Cooperative Geologic Mapping Program	59,944	—	7,614
Natural Resources-DEC	66.042	Temporally Integrated Monitoring of Ecosystems (TIME) and Long-Term Monitoring (LTM) Program	111,488	—	—
Natural Resources-DEC	66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	159,319	—	—
Natural Resources-DEC	66.040	State Clean Diesel Grant Program	743,754	—	709,663
Natural Resources-DEC	66.202	Congressionally Mandated Projects	153,922	—	—
Natural Resources-DEC	66.454	Water Quality Management Planning	104,665	—	44,432
Natural Resources-DEC	66.458	Capitalization Grants for Clean Water State Revolving Funds	13,459,689	—	13,343,386
Natural Resources-DEC	66.458	ARRA Capitalization Grants for Clean Water State Revolving Funds	1,067,619	—	958,013
Natural Resources-DEC	66.461	Regional Wetland Program Development Grants	173,457	—	—
Natural Resources-DEC	66.468	Capitalization Grants for Drinking Water State Revolving Funds	10,188,761	—	8,609,949
Natural Resources-DEC	66.468	ARRA Capitalization Grants for Drinking Water State Revolving Funds	150,061	—	155,418
Natural Resources-DEC	66.474	Water Protection Grants to the States	16,708	—	—
Natural Resources-DEC	66.481	Lake Champlain Basin Program	609,844	—	221,357
Natural Resources-DEC	66.605	Performance Partnership Grants	4,441,151	90,798	67,253
Natural Resources-DEC	66.608	Environmental Information Exchange Network Grant Program and Related Assistance	71,695	—	—
Natural Resources-DEC	66.708	Pollution Prevention Grants Program	80,218	—	9,090
Natural Resources-DEC	66.802	Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	63,508	—	—
Natural Resources-DEC	66.804	Underground Storage Tank Prevention, Detection, and Compliance Program	339,375	—	—
Natural Resources-DEC	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	409,146	—	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2013

VT agency/department	CFDA number	Federal agency/program type	Expenditures	Amounts transferred to State agencies	Amounts passed through to subrecipients
Natural Resources-DEC	66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	\$ 109,423	—	—
Natural Resources-DEC	66.817	State and Tribal Response Program Grants	516,146	—	85,000
Natural Resources-DEC	81.087	ARRA – Renewable Energy Research and Development	69,021	—	—
Natural Resources-DEC	97.023	Community Assistance Program – State Support Services Element (CAP – SSSE)	158,062	—	—
Natural Resources-DEC	97.041	National Dam Safety Program	97,766	—	—
Natural Resources-DEC	97.045	Cooperating Technical Partners	113,035	—	—
Natural Resources-DEC	97.082	Earthquake Consortium	25,347	—	10,000
Natural Resources-DEC total			<u>33,881,297</u>	<u>98,298</u>	<u>24,394,527</u>
Natural Resources-F&W	10.902	Soil and Water Conservation	13,295	—	—
Natural Resources-F&W	10.912	Environmental Quality Incentives Program	34,057	—	—
Natural Resources-F&W	10.914	Wildlife Habitat Incentive Program	56,186	—	—
Natural Resources-F&W	15.605	Sport Fish Restoration Program	3,654,093	—	9,291
Natural Resources-F&W	15.611	Wildlife Restoration and Basic Hunter Education	2,483,649	—	23,052
Natural Resources-F&W	15.615	Cooperative Endangered Species Conservation Fund	151,273	—	5,400
Natural Resources-F&W	15.616	Clean Vessel Act	24,153	—	24,153
Natural Resources-F&W	15.622	Sportfishing and Boating Safety Act	52,661	—	52,500
Natural Resources-F&W	15.626	Enhanced Hunter Education and Safety Program	170,345	—	17,601
Natural Resources-F&W	15.633	Landowner Incentive Program	632,699	—	—
Natural Resources-F&W	15.634	State Wildlife Grants	520,494	—	265,824
Natural Resources-F&W	15.657	Endangered Species Conservation-Recovery Implementation Funds	22,000	—	—
Natural Resources-F&W total			<u>7,814,905</u>	<u>—</u>	<u>397,821</u>
Natural Resources-FPR	10.664	Cooperative Forestry Assistance	1,313,931	—	452,130
Natural Resources-FPR	10.672	Rural Development, Forestry, and Communities	12,215	—	12,216
Natural Resources-FPR	10.676	Forest Legacy Program	1,319,047	—	—
Natural Resources-FPR	15.916	Outdoor Recreation – Acquisition, Development and Planning	26,910	—	26,810
Natural Resources-FPR	20.219	Recreational Trails Program	860,167	—	425,407
Natural Resources-FPR total			<u>3,532,270</u>	<u>—</u>	<u>916,563</u>
Public Safety	11.555	Public Safety Interoperable Communications Grant Program	112,966	—	112,055
Public Safety	16.554	National Criminal History Improvement Program (NCHIP)	31,600	—	—
Public Safety	16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	14,888	—	—
Public Safety	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	15,000	—	—
Public Safety	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	78,567	—	—
Public Safety	16.593	Residential Substance Abuse Treatment for State Prisoners	59,381	59,381	—
Public Safety	16.609	Project Safe Neighborhoods	47,014	—	—
Public Safety	16.710	Public Safety Partnership and Community Policing Grants	46,186	—	39,611
Public Safety	16.738	Edward Byrne Memorial Justice Assistance Grant Program	440,553	—	159,816
Public Safety	16.741	DNA Backlog Reduction Program	162,867	—	—
Public Safety	16.742	Paul Coverdell Forensic Science Improvement Grants Program	107,077	19,022	—
Public Safety	16.744	Anti-Gang Initiatives	1,059	—	—
Public Safety	16.753	Congressionally Recommended Awards	398,937	21,403	—
Public Safety	16.803	ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	742,855	—	—
Public Safety	16.810	ARRA – Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	117,866	—	—
Public Safety	16.999	ATF Task Force	2,369	—	—
Public Safety	16.999	Bordergap	6,860	—	—
Public Safety	16.999	Drug Enforcement Administration – DEA	12,883	—	—
Public Safety	16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice and Treasury)	347,448	—	15,965
Public Safety	16.999	FBI Joint Terrorism Task Force	2,322	—	—
Public Safety	16.999	FBI Special Investigations	36,189	—	—
Public Safety	16.999	Marijuana Eradication	25,239	—	—
Public Safety	16.999	New England High-Intensity Drug Trafficking Areas (HIDTA)	20,690	—	—
Public Safety	16.999	U.S. Marshall's District Fugitive Task Force	7,256	—	—
Public Safety	17.261	WIA Pilots, Demonstrations, and Research Projects	45,751	—	45,751
Public Safety	20.600	State and Community Highway Safety	1,379,471	3,614	648,134
Public Safety	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	495,561	147,246	38,284
Public Safety	20.602	Occupant Protection Incentive Grants	146,046	—	—
Public Safety	20.608	Minimum Penalties For Repeat Offenders For Driving While Intoxicated	2,064,900	1,245,106	339,882
Public Safety	20.609	Safety Belt Performance Grant	161,465	4,984	152,837
Public Safety	20.610	State Traffic Safety Information System Improvement Grants	501,413	187,959	—
Public Safety	20.612	Incentive Grant Program to Increase Motorcyclist Safety	99,524	99,524	—
Public Safety	20.613	Child Safety and Child Booster Seat Incentive Grants	71,593	—	71,593
Public Safety	20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	86,569	—	39,348
Public Safety	97.012	Boating Safety Financial Assistance	600,243	123,847	34,448
Public Safety	97.039	Hazard Mitigation Grants	2,046,151	73,617	1,877,874
Public Safety	97.042	Emergency Management Performance Grants	2,482,081	72,397	658,105
Public Safety	97.043	State Fire Training Systems Grants	16,216	—	—
Public Safety	97.047	Pre-Disaster Mitigation	56,377	41,542	14,862
Public Safety	97.052	Repetitive Flood Claims	360,323	360,323	—
Public Safety	97.055	Interoperable Emergency Communications	6,960	—	—
Public Safety	97.056	Port Security Grant Program	21,291	—	—
Public Safety	97.067	Homeland Security Grant Program	10,256,267	219,807	4,121,522
Public Safety	97.999	FEMA Admin Training Procurement	189	—	—
Public Safety total			<u>23,736,463</u>	<u>2,679,772</u>	<u>8,370,087</u>
Public Service Board	81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	190,396	—	—
Public Service Board total			<u>190,396</u>	<u>—</u>	<u>—</u>
Public Service Dept	11.558	ARRA – State Broadband Data and Development Grant Program	39,654	—	—
Public Service Dept	20.720	State Damage Protection Programs	91,711	—	—
Public Service Dept	20.721	PHMSA Pipeline Safety Program One Call Grant	174,650	—	—
Public Service Dept	81.039	SHOPP (State Heating Oil and Propane Program)	5,000	—	—
Public Service Dept	81.041	State Energy Program	243,770	—	6,784
Public Service Dept	81.041	ARRA-State Energy Program	1,616,256	—	—
Public Service Dept	81.119	State Energy Program Special Projects	327,648	—	—
Public Service Dept	81.122	ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis	21,604	—	—
Public Service Dept	81.128	ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)	1,895,103	—	301,876

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2013

<u>VT agency/department</u>	<u>CFDA number</u>	<u>Federal agency/program type</u>	<u>Expenditures</u>	<u>Amounts transferred to State agencies</u>	<u>Amounts passed through to subrecipients</u>
Public Service Dept	81.999	Sustainable Energy for Homes and Businesses (Sanders)	\$ 405,308	—	394,720
Public Service Dept total			4,820,704	—	703,380
Secretary of State's Office	89.003	National Historical Publications and Records Grant	72,854	—	—
Secretary of State's Office	90.401	Help America Vote Act Requirements Payments	611,202	—	—
Secretary of State's Office	93.617	Voting Access for Individuals with Disabilities – Grants to States	56,800	—	46,097
Secretary of State's Office total			740,856	—	46,097
State Treasurer	10.665	Schools and Roads – Grants to States	424,922	—	424,922
State Treasurer total			424,922	—	424,922
State's Attorneys & Sheriffs	16.753	Congressionally Recommended Awards	84,705	—	—
State's Attorneys & Sheriffs	16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice and Treasury)	8,705	—	—
State's Attorney's & Sheriffs total			93,410	—	—
Transportation	20.106	Airport Improvement Program	3,405,307	—	78,082
Transportation	20.205	Highway Planning and Construction	210,509,740	46,746	27,137,331
Transportation	20.205	ARRA-Highway Planning and Construction	21,140	—	—
Transportation	20.218	National Motor Carrier Safety	1,830,091	—	—
Transportation	20.314	Railroad Development	466,661	—	—
Transportation	20.319	ARRA-High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants	6,836,729	—	—
Transportation	20.500	Federal Transit – Capital Investment Grants	2,756,838	—	2,751,155
Transportation	20.505	Metropolitan Transportation Planning	195,597	—	128,533
Transportation	20.509	Formula Grants for Rural Areas	12,943,322	—	12,488,510
Transportation	20.509	ARRA – Formula Grants for Rural Areas	15,738	—	—
Transportation	20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	133,348	—	158,222
Transportation	20.514	Public Transportation Research	223,690	—	223,690
Transportation	20.521	New Freedom Program	37,899	—	37,899
Transportation	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	49,826,841	4,311,190	36,356,437
Transportation	97.090	Law Enforcement Officer Reimbursement Agreement Program	48,385	—	38,560
Transportation total			289,251,326	4,357,936	79,398,419
Grand total			\$ 1,925,593,310	9,061,622	285,882,725

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of federal awards by Vermont State Agency.

## STATE OF VERMONT

### Notes to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards by Vermont State Agency

June 30, 2013

#### (1) Summary of Significant Accounting Policies

The accounting and reporting policies of the State of Vermont (the State) applied in the preparation of the schedule of expenditures of federal awards and the schedule of expenditures of federal awards by Vermont State Agency (the Schedules) are set forth below:

##### (a) *Single Audit Reporting Entity*

For purposes of complying with the Single Audit Act Amendments of 1996, the State includes all entities that are considered part of the primary government, as described in the basic financial statements as of and for the year ended June 30, 2013. The Schedules do not include component units identified in the notes to the basic financial statements.

The entities listed below are Discretely Presented Component Units in the State's basic financial statements, which received federal financial assistance for the year ended June 30, 2013. Each of these entities is subject to separate audits in compliance with Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

The federal transactions of the following entities are not reflected in these Schedules:

Vermont Student Assistance Corporation	Vermont Municipal Bond Bank
University of Vermont and State Agricultural College	Vermont Center for Geographic Information
Vermont State College System	Vermont Sustainable Jobs Fund, Inc.
Vermont Educational and Health Buildings Financing Agency	Vermont Transportation Authority
Vermont Housing and Conservation Board	Vermont Veterans' Home
Vermont Economic Development Authority	Vermont Rehabilitation Corporation
	Vermont Telecommunications Authority
	Vermont Housing Finance Agency

##### (b) *Basis of Presentation*

The information in the accompanying Schedules is presented in accordance with OMB Circular A-133.

1. *Federal Awards* – Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal awards are defined as assistance that nonfederal entities receive or administer in the form of grants, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, food commodities, direct appropriations, or other assistance and, therefore, are reported on the Schedules. Federal awards do not include direct federal cash payments to individuals.
2. *Type A and Type B Programs* – OMB Circular A-133 establishes the levels of expenditures to be used in defining Type A and Type B federal programs. Type A programs for the State are those programs, or clusters of programs, which equal or exceed \$5,776,780 in expenditures, distributions, or issuances for the fiscal year ended June 30, 2013.

**STATE OF VERMONT**

Notes to Schedule of Expenditures of Federal Awards and  
Schedule of Expenditures of Federal Awards by Vermont State Agency

June 30, 2013

**(c) Basis of Accounting**

The accompanying Schedules were prepared on the modified accrual basis of accounting.

**(d) Matching Costs**

Matching costs, i.e., the nonfederal share of certain program costs, are not included in the accompanying Schedules.

**(2) Categorization of Expenditures**

The categorization of expenditures by program included in the Schedules is based upon the Catalog of Federal Domestic Assistance (CFDA). Changes in the categorization of expenditures occur based upon revisions to the CFDA.

**(3) Relationship to Federal Financial Reports**

The regulations and guidelines governing the preparation of federal financial reports vary by federal agency and among programs administered by the same agency.

**(4) Unemployment Insurance (CFDA #17.225)**

State unemployment tax revenues must be deposited to the Unemployment Trust Fund in the U.S. Treasury and may only be used to pay benefits under the federally approved State unemployment law. OMB *Circular A-133 Compliance Supplement* requires that State Unemployment Insurance Funds, as well as federal funds, be included in the total expenditures of CFDA #17.225. Unemployment insurance expenditures are classified as follows:

State	\$ 108,934,343
Federal	<u>13,664,120</u>
	<u>\$ 122,598,463</u>

**(5) Airport Improvement Program (CFDA #20.106)**

The State receives Federal Aviation Administration (FAA) funds from the U.S. Department of Transportation. The State excludes from its schedule FAA funds received on behalf of the City of Burlington, Vermont (the City) because the State does not perform any program responsibilities or oversight of these funds. Rather, its sole function is to act as a conduit between the federal awarding agency and the City, who owns and operates the airport.

## STATE OF VERMONT

### Notes to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards by Vermont State Agency

June 30, 2013

#### (6) **Nonmonetary Federal Financial Assistance**

The State is the recipient of federal programs that do not result in cash receipts or disbursements. Noncash awards included in the Schedules are as follows:

##### (a) ***Supplemental Nutrition Assistance Program (SNAP) (CFDA #10.551)***

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 7.79% of USDA's total expenditure for SNAP benefits in the federal fiscal year ended September 30, 2012.

##### (b) ***State Administrative Expenses for Child Nutrition (CFDA #10.560)***

The State Administrative Expenses for Child Nutrition provides states with funds for administrative expenses in supervising and giving technical assistance to local schools, school districts and institutions in their conduct of child nutrition programs. States administer the distribution of USDA donated commodities to schools or child institutions which are also provided with these funds. Total federal expenditures included in the Schedules for the State Administrative Expenses for Child Nutrition represent the federal government's acquisition value of the food commodities provided to the State for distribution.

##### (c) ***Commodity Supplemental Food Program (CFDA #10.565)***

The Commodity Supplemental Food Program provides food and administrative grants to improve the health and nutritional status of low-income pregnant, postpartum and breastfeeding women, infants and children up to, and including, age 5, and elderly persons age 60 years and older through the donation of supplemental USDA foods. Total federal expenditures included in the Schedules for the Commodity Supplemental Food Program represent the federal government's acquisition value of the food commodities provided to the State.

## STATE OF VERMONT

### Notes to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards by Vermont State Agency

June 30, 2013

**(d) *Emergency Food Assistance Program (Food Commodities) (CFDA #10.569)***

The Emergency Food Assistance Program helps supplement the diets of low-income Americans by providing them with food and nutrition assistance at no cost. Under this program, commodity foods are made available by the U.S. Department of Agriculture to States. States provide the food to locally agencies selected, usually food banks, which in turn distribute the food to soup kitchens and pantries that directly serve the public. Total federal expenditures included in the Schedules for the Emergency Food Assistance Program represent the federal government's acquisition value of the food commodities provided to the State.

**(e) *Donation of Federal Surplus Personal Property (CFDA #39.003)***

The State obtains surplus property from various federal agencies at no cost. The property is then sold by the State to eligible organizations for a nominal service charge. Total federal expenditures included in the Schedules for Donation of Federal Surplus Personal Property represent the federal government's acquisition value of the federal property sold by the State.

**(f) *Immunization Cooperative Agreements (CFDA #93.268)***

To assist in establishing and maintaining preventive health service programs to immunize individuals against vaccine-preventable diseases, the State provides vaccines to local healthcare providers throughout the year in an effort to ensure that all residents have been properly immunized. Total federal expenditures included in the Schedules for Immunization Cooperative Agreements represent the federal government's acquisition value of the vaccines provided to the State.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**(1) Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:	Unmodified		
Internal control over financial reporting:			
• Material weakness(es) identified?	<u>  x  </u>	yes	<u>        </u> no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	<u>  x  </u>	yes	<u>        </u> none reported
Noncompliance material to the financial statements noted?	<u>        </u>	yes	<u>  x  </u> no

***Federal Awards***

Internal control over major programs:			
• Material weakness(es) identified?	<u>  x  </u>	yes	<u>        </u> no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	<u>  x  </u>	yes	<u>        </u> none reported
Type of auditors' report issued on compliance for major programs:	Unmodified except for:		

***Modified Opinion***

- Child Nutrition Cluster (CFDA #10.555 and #10.559)
- Community Development Block Grant Cluster (CFDA #14.228 and #14.225)
- Title I Cluster (CFDA #84.010)
- Special Education Cluster (CFDA #84.027 and #84.173)
- Twenty-First Century Community Learning Centers (CFDA #84.287)
- Improving Teacher Quality State Grants (CFDA #84.367)
- School Improvement Grants Cluster (CFDA #84.377 and #84.338)
- TANF Cluster (CFDA #93.558)
- Foster Care – Title IV-E (CFDA #93.658)
- Adoption Assistance (CFDA #93.659)
- Social Services Block Grant (CFDA #93.667)
- Medicaid Cluster (CFDA #93.775, #93.777 and #93.778)

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	<u>  x  </u>	yes	<u>        </u> no
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**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Identification of Major Programs***

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
Child Nutrition Cluster:	
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
Community Development Block Grant Cluster:	
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
14.255	ARRA – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Recovery Act Funded)
Fish and Wildlife Cluster:	
15.605	Sport Fish Restoration Program
15.611	Wildlife Restoration and Basic Hunter Education
WIA Cluster:	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.278	WIA Dislocated Worker Formula Grants
Highway Safety Cluster:	
20.600	State and Community Highway Safety
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I
20.602	Occupant Protection Incentive Grants
20.609	Safety Belt Performance Grants
20.610	State Traffic Safety Information System Improvement Grants
20.612	Incentive Grant Program to Increase Motorcyclist Safety
20.613	Child Safety and Child Booster Seat Incentive Grants
Title I, Part A Cluster:	
84.010	Title I Grants to Local Educational Agencies

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

<u>CFDA number</u>	<u>Name of federal program or cluster</u>
Special Education Cluster:	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
School Improvement Grant Cluster:	
84.377	School Improvement Grants
84.388	ARRA – School Improvement Grants, Recovery Act
Aging Cluster:	
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services
93.053	Nutrition Services Incentive Program
TANF Cluster:	
93.558	Temporary Assistance for Needy Families
Medicaid Cluster:	
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program
Other programs:	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
12.401	National Guard Military Operations and Maintenance (O&M) Projects
14.231	Emergency Solutions Grants Program
20.319	ARRA – High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants
84.181	Special Education – Grants for Infants and Families
84.287	Twenty-First Century Community Learning Centers
84.367	Improving Teacher Quality State Grants
84.410	Education Jobs Fund
93.268	Immunization Cooperative Agreements
93.525	State Planning and Establishment Grants for the Affordable Care Act(s) (ACA)’s Exchanges
93.568	Low Income Home Energy Assistance
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
93.767	Children’s Health Insurance Program
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Dollar threshold used to distinguish between  
type A and type B programs:

\$5,776,780

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      x   no

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### (2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*

##### 2013-001 – Review and Analysis of Financial Data

###### *Background*

The State's accounting process is very decentralized and relies heavily on the individual departments and agencies to properly and accurately record activity on a timely basis in the State's VISION accounting system as well as to provide year-end closing information to the Department of Finance and Management (Finance) in the form of the year end closing packages. Finance provides the individual departments and agencies with annual guidance on generally accepted accounting principles and the form and content of the information that is required in the year end closing packages; but relies on the individual departments and agencies to completely and accurately compile the data.

###### *Finding*

Finance has been working with individual departments and agencies for several years to improve the financial reporting process and reduce the number of data errors and adjustments. In fact, Finance successfully accelerated its reporting timetable to enable the CAFR to be issued 10 days earlier than last year. However, adjustments to the financial statements continue to be identified through the external audit. The cause of these adjustments is in part due to personnel changes in the individual departments and agencies, of the need for more financial reporting knowledge in the individual departments and agencies, and departments and agencies not having adequate control procedures over the recording of financial data. The significant adjustments identified and corrected during the fiscal 2013 audit are as follows:

- 1) General Fund: \$2.2 million increase in expenditures and accounts payable due to invoices identified during our search for unrecorded liabilities that had not been properly accrued for by the Department of Vermont Health Access (DVHA).
- 2) Transportation Fund: \$1.1 million decrease in intergovernmental receivables and federal grant revenue due to improper receivables being recognized at year end. The Agency of Transportation (AOT) had recognized amounts owed and earned from a FEMA grant; however it had not received approval from FEMA, and therefore should not have recorded that amount in the 2013 receivable balance.
- 3) Special Fund: \$0.4 million increase in expenditures and accounts payable due to an invoices identified during our search for unrecorded liabilities that had not been properly accrued for by the Department of Buildings and General Services (BGS).
- 4) Global Commitment Fund: \$0.04 million increase in expenditures and accounts payable due to invoices identified during our search for unrecorded liabilities that had not been properly accrued for by the Department of Vermont Health Access (DVHA).
- 5) Unemployment Compensation Trust Fund: \$0.3 million decrease in federal grants revenue and claims expense due to the Short Term Compensation program expenses and revenues being double counted.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

In addition to the above corrected misstatement, several other adjustments were noted that did not materially impact the State's financial statements and therefore were not corrected.

While Finance is primarily responsible for the preparation of the State's financial statements, responsibility for the underlying data and activity resides in the departments and agencies. These adjustments indicate the continued need for oversight and review of data submitted by the individual departments and agencies to ensure that the States financial statements are complete and accurate.

#### ***Recommendation***

Finance should continue to work with State departments and agencies to provide them with the knowledge and guidance relating to financial accounting and reporting concepts, including internal controls, to help ensure that the State's financial statements are complete and accurate. Finance should also evaluate its procedures for spot-checking year end closing packages and for analyzing data for completeness and accuracy of financial information received.

#### ***Management's Response***

The Department of Finance & Management concurs with the finding and recommendation. The Department will continue to work with State agencies and departments to improve their knowledge relating to financial accounting and reporting, and internal controls to help ensure the data which they provide is complete and accurate. The Department will provide updated guidance on accruals in the Internal Controls Newsletter and in the Year-End Closing Instructions. In addition, the Department is planning on providing additional detailed communications on accounts payables and receivables accrual procedures to each department to better explain how the agencies should be treating these accrual items. The Department has added additional steps for reviewing year end information received from the departments to improve completeness and accuracy. The Department will especially concentrate on those items that have been problematic in the past; vouchers that appear to cross over the year end and include costs for both June and July that need to be allocated, and vouchers that need to be accrued for expenditures that have a related receivable.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### **2013-002 – Unemployment Compensation Trust Fund – Financial Reporting**

##### ***Background***

The Unemployment Compensation Trust Fund (the Fund) is a major enterprise fund reported in the State's financial statements. The financial activity for this fund is managed by the Vermont Department of Labor (the DOL).

##### ***Finding***

During our audit of the Unemployment Compensation Trust Fund, we identified two audit misstatements. We further noted that there were similar audit misstatements identified during the prior fiscal year audit. The cause of these adjustments appears to be due to inadequate internal control procedures over the recording of financial data, as well as a result of personnel changes in the Department in the last few years. The adjustments identified during the fiscal year 2013 audit are as follows:

- 1) Unemployment Compensation Trust Fund: \$0.4 million increase in taxes receivable, net of the allowance for uncollectible receivables, and revenue due to an error in the Department's spreadsheet used to calculate the allowance for doubtful accounts. During our review of the Department's calculation we noted that receivables related to one of the Federal programs was inadvertently excluded from the spreadsheet resulting in an overstatement of the receivables being reserved for.
- 2) Special Fund: \$0.1 million increase in cash and revenue due to the transfer from the Unemployment Compensation Trust Fund to the Catamount Fund, a Special Fund, not being recorded in the Special Fund.

##### ***Recommendation***

We recommend that the Department of Labor review its internal documentation to ensure that written policies and procedures exist over the recording and preparation of financial transactions to help ensure that activity is properly recorded and reviewed for completeness and accuracy.

##### ***Management Response***

In reference to the Recommendations, VDOL has reviewed our policies and procedures regarding preparing and recording financial transactions and have implemented the following changes; as outlined below.

- 1) In reviewing the doubtful accounts from the ETA 227 report it was identified that TEUC data had not transferred to the report when the report was populated, resulting in a \$0.4 million increase in receivables. This omission was immediately corrected and submitted to KPMG for review. In efforts to ensure this omission does not reoccur, the Unemployment Insurance Division has created an internal tracking devise that is managed directly by the Program Integrity Chief. This tracking system includes the comprehensive array of Unemployment Insurance Programs (inclusive of TEUC). In addition, the annual submission for the allowance for doubtful accounts will undergo two additional internal reviews prior to federal submission. The Assistance Unemployment Insurance Director will review and initial the report and the Unemployment Insurance Director will review and authorize the report for release.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

- 2) Emails are received from the Cashier's Office regarding the date and dollar amount of every health care transfer. Another email is received from the Treasurer's Office verifying the transfer. Verification of both emails are made and then saved.

As part of the month-end reconciliation done in Fiscal, these emails are matched to the spreadsheet of the totals and a VISION query that everything has been sent, received, and entered correctly. The emails are attached to the corresponding VISION entry backup and the VISION query and corresponding section of the spreadsheet are filed with the previous backup.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**2013-003 –Information Technology Controls**

***Background***

The State relies heavily on its information technology (IT) systems to process, account for and report on its financial activities. The State’s VISION system serves as the State’s principal financial system and is used to prepare the State’s financial statements. Although the VISION system is the State’s principal financial system, many of the actual financial activities are originated in other departmental managed systems. During the previous three fiscal year audits IT general controls (ITGC) reviews were performed over certain critical IT systems. The purpose of a review of IT controls is to gain an understanding of the controls that are in place and to the test the design and operating effectiveness of those controls. During the ITGC review the following control objectives were reviewed: access to programs and data; program changes; program development; and computer operations. These ITGC reviews indicated numerous control deficiencies of varying severity.

As part of the fiscal year 2013 audit the prior year findings were followed up on to ascertain if the identified control deficiencies had been corrected. The following computer systems were part of this follow up:

Findings and Recommendations	
1.	<p><b>Application Name:</b> State Network &amp; Data Center</p> <p><b>Responsible Agency:</b> Department of Innovation and Information (DII)</p> <p><b>Purpose:</b> State-wide local area network.</p>
a.	<p>The initial control deficiency related to the fact that the complexity for password parameters was disabled. Weak password constructs increase the risk that computer application access will be compromised leading to a misuse or misappropriation of confidential and sensitive information. As of fiscal year 2013 they increased the minimum length to 8 alpha-numeric characters for all clients except the Agency of Human Services’ ACCESS system.</p> <p>Currently the minimum password length is set to 8 alpha-numeric characters for all clients except for AHS ACCESS.</p> <p>We recommend that DII continue to work towards enabling the complexity for the RACF password parameters.</p>
b.	<p>The Agency/Department notifies DII when user access is to be removed. DII has written procedures requiring the DII RACF Administrator to acquire and review the HR termination list to determine if any access has inappropriately been retained. DII reviews a lock-out report for anomalies, such as hacking attempts, but does not distribute it to departmental RACF Administrators because it is not user friendly. A program has been written to address this problem, but it has not yet been implemented. Absence or lack of prompt communication to responsible IT staff regarding employee terminations could result in the continuance of unauthorized gateways into key systems or application and may lead to the compromise of key systems, application and data assets by unauthorized persons.</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>We recommend that DII establish a review process, and determine a process to begin the lock out report process.</p> <p>c. The initial control deficiency related to the fact that backup restoration testing is periodically performed; however, no formal backup or restoration policy existed. Without appropriate and periodic restoration tests, assurance cannot be placed on the reliability of backup media to recover key systems, applications and data assets in the event of an emergency. As of fiscal year 2013 a disaster recovery plan was in draft form, but had not been finalized, and no disaster recovery was performed to ensure the recoverability of the data.</p> <p>We recommend that DII create and implement a policy for backup restoration testing that includes the timing of restoration tests, the scope of the restoration, and the retention of the results of the restoration test.</p> <p><b>Management Response</b></p> <p>a. RACF Complex Password – We cannot implement complex password at this time. There are 3rd party system software that are unable to accept complex password.</p> <p>b. RACF Report – We have implemented a new reporting system. The customers have been receiving weekly RACF reports; they will receive daily report starting, 3/1/2014. These reports will include information on RACF accounts such as failed attempts, and last log in.</p> <p>c. The mainframe has backup and restore procedures in place. We have updated the procedures for the Virtual Tape Library (VTL).</p>
2.	<p><b>Application Name:</b> VISION Financials</p> <p><b>Responsible Agency:</b> Department of Finance and Management</p> <p><b>Purpose:</b> State-wide accounting system</p>
	<p>a. The initial control deficiency related to a variety of segregation of duties issues, including:</p> <ul style="list-style-type: none"> <li>• users have superuser_no_sec, vendor processing, and manager roles that allow them to add a vendor, enter a voucher, and approve a voucher.</li> <li>• users have superuser_no_sec and manager roles.</li> <li>• users have been granted the manager role that allows them to enter a voucher and approve a voucher.</li> </ul> <p>In addition, there is no edit in VISION that would preclude a user from entering a voucher and approving this same voucher. This is particularly important since State employees are commonly listed as vendors in VISION in order to receive certain reimbursements. Ineffective segregation of duties may permit inappropriate access that leads to the creation and approval by a single</p>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>individual of fraudulent transactions that compromise the financial integrity of the system.</p> <p>We recommend that Finance, in conjunction with DII, establish and enforce a segregation of duties policy that restricts developers from having added and change access to data. If this policy allows for limited or emergency access, then such access should be monitored. Finance, in conjunction with DII, should reduce the access of certain staff that can perform each of the roles of adding a vendor, entering a voucher, and approving a voucher. Finance, in conjunction with DII, should expeditiously implement a control in VISION to preclude a user from both entering and approving the same voucher. Finance, in conjunction with DII, should evaluate the current role structure in VISION to ensure that the system enforces segregation of duties.</p> <p>b. The initial control deficiency related to the fact that a comprehensive change management policy for the VISION environment did not exist. Moreover, the VISION change management process is not fully documented. The lack of a change management policy with appropriate outlines of approval increase the risk that unauthorized and inappropriate software changes could be put into production leading to the compromise of key applications and data assets. As of the end of fiscal year 2013, a policy was in draft form and Finance &amp; Management was working with DII to implement an overarching change management process with DII.</p> <p>We recommend that Finance, in conjunction with DII, expeditiously document its VISION change management policy and process.</p> <p><b>Management Response</b></p> <p>The Department of Finance and Management strongly agrees that segregation of duties is a powerful tool against fraudulent transactions. We have made segregation of duties a key element of our accounts payable and internal control guidance, emphasizing the importance of separating key functions within that process. We also have incorporated this concept into our annual self-assessment of internal controls survey. Although the current configuration of PeopleSoft security has the entry and approval process imbedded in the same role, we have always encouraged manual approval and sign off of invoices be someone different than the person that does the data entry. Additionally, within VISION, entering and approving a voucher does not make that voucher available for payment. To have a voucher move from an approved status to a payable status it still needs to be budget checked. This is the process that actually commits the funds for payment. We strongly encourage that this final step also be performed by someone other than the person that enters and approves. Additionally, there are several accounts payable management reports that are available to departments and widely used that provide insight to payment being made and to whom. Monitoring through reports is a great way to identify fraudulent payments as well.</p> <p>Within the next few months we will be embarking on an upgrade of the VISION Financials Application from version 8.8 to 9.2. During that upgrade we will review our security roles with an eye toward separating the function of data entry and approval within the same security level. We will also be reviewing the enhanced workflow functionality.</p> <p>Over the past several months we have implemented a new employee travel and expense reimbursement</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>module. We went live with this new module during May 2013. This module has allowed us to remove all employees from our master vendor file and pay them as employees through our expense module, not the accounts payables module. This has allowed us to remove employees from our vendor file and helped us eliminate the opportunity for employees to process checks to themselves or to coworkers through the account payable module.</p> <p>A Change Management framework, inclusive of a Director-level panel for approval, has been in place and continuing to evolve since mid-2013.</p>
3.	<p><b>Application Name:</b> ETM</p> <p><b>Responsible Agency:</b> Department of Taxes</p> <p><b>Purpose:</b> State Tax System.</p>
	<p>a. The State of Vermont’s IT Security Policy has not been updated since May 2009. An updated or reviewed IT Security Policy provides the end user with comprehensive and up to date information related to IT policies and procedures in place. Lack of an updated policy could result in outdated information being provided to end users and consequently increase risk to security.</p> <p>We recommend that the IT Security policies and procedures be reviewed and updated at least on an annual basis to address all relevant systems and applications and to address new security threats.</p> <p>b. No formal user access review by the business owners of the ETM application is conducted to identify potential separation of duties conflicts. However, on a quarterly basis, Department of Taxes reviews the inactive network accounts to determine that access to ETM was appropriately deactivated. The absence of periodic management reviews of the key application user access increases the risk that active staff may retain processing capability that exceeds their job requirements and undermines a prudent separation-of-duties.</p> <p>We recommend that Department of Taxes management:</p> <ul style="list-style-type: none"> <li>• Develop, publish and enforce a policy to require business application owners to limit staff access privileges to those necessary to perform their jobs and to ensure an appropriate separation of duties.</li> <li>• Review user access privileges on a periodic basis and take steps to identify and remove unnecessary or inappropriate application functionality or privileges.</li> </ul> <p>c. No formal change management policy/procedure exists for the ETM application environment. A generic change management policy for Department of Taxes exists that was last updated on September 13, 2007. The lack of a formal and enforced Change Management Policy that documents steps to be followed, approvals required, testing to be conducted and acceptance sign-offs to be required for changes to ETM, increases the risk that unauthorized and/or</p>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>inappropriate software changes could be intentionally or accidentally be placed into production.</p> <p>We recommend that an ETM specific Change Management policy and procedure be documented that describes the software change management process from initiation through migration to production and documents the roles and responsibilities of all parties including the business owners for development, testing and migration.</p> <p>d. While one (1) user has been designated as the primary migrator of software changes, currently ten (10) users have "SYSADM" level access that grants them access to develop and migrate changes to production. Of these 10 users, 2 are vendors from CGI/Oracle. Based on our discussion with the Department of Taxes, we noted that no mitigating or compensating controls exist that could be used to prevent or detect unauthorized changes being made to production. The risk of the introduction of inappropriate software changes is commensurate to the number of persons with the access privileges that support this activity.</p> <p>We recommend that Department of Taxes IT management review current support access and:</p> <ul style="list-style-type: none"><li>• Limit privileged support access to the minimum needed to support the application in production.</li><li>• Enforce an appropriate separation of duties between software development staff and those migrating software into.</li></ul> <p>We further recommend that periodic reviews of changes moved to production be conducted to discourage and to identify any unauthorized changes.</p> <p>e. The initial control deficiency related to the fact that no restorations from tape have been conducted for ETM since it went live in August 2010. The lack of periodic restoration of data from backup tapes increases the risk that when needed critical data may not be available to restore business operations. During fiscal year 2013 the Department of Taxes stopped using tape backups for ETM and the systems are now backed up via Net Backup to two data domains. A procedure document has been put in place detailing the steps and processes to follow for restoring data files from Net Backup and three restorations were done during FY 2013, however no documentation was provided evidencing that the restorations took place.</p> <p>We recommend that the Department of Taxes IT periodically test restoration of data from tape to ensure the integrity and completeness of the data and that the backup process and equipment is working as expected.</p> <p>f. ETM currently has no formal, documented or tested Disaster Recovery or Business Continuity Plan. The lack of a comprehensive and tested Disaster Recovery Plan (DRP) and complementary Business Continuity Plan (BCP) increases the risk that in the event of a serious environmental event affecting ETM's operations could be disrupted for an extended period of time.</p> <p>We recommend that Department of Taxes business and IT management take appropriate steps to bring the DRP up to date and augment it with an appropriate BCP and provide resources to ensure</p>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>an appropriate recovery capability. We further recommend that the DRP and its associated BCP be treated as a living document subject to ongoing revision and that it be tested at least annually.</p> <p>g. No daily operations log/checklist is maintained to capture information on daily production such as job processing, backups taken, abends and issues noted. Depending on the specific job schedule, a text message is sent to the Operations group and Department of Taxes notifying if a job ran successfully or not. If error/issues occurred, support personnel are required to follow up and may be required to raise a support ticket if necessary. A formal daily computer operations log/checklist provides evidence that all appropriate processes were completed and if error or abends occurred they were followed up and resolved in an appropriate manner. An appropriate log can also serve as the basis for conducting root cause analysis when dealing with reoccurring issues.</p> <p>We recommend that a documented log/checklist of daily computer operations be introduced. The log should be retained to provide evidence that batch jobs and backups processed to completion and also as a means to identify recurring issues.</p> <p><b>Management Response</b></p> <p>a. VDT agrees. Will endeavor to review annually and update as needed and will distribute annually as well. Will be covered as part of the deliverables of a contract for a vendor to come in and help the Department create and implement all the policies and procedures identified in a, b, c as well as others identified as part of the IRS Safeguards audit conducted in the fall of 2012.</p> <p>b. VDT will establish a process to review user access of ETM on a quarterly basis. Will be covered as part of the deliverables of a contract for a vendor to come in and help the Department create and implement all the policies and procedures identified in a, b, c as well as others identified as part of the IRS Safeguards audit conducted in the fall of 2012.</p> <p>c. VDT will review and update our current change management policy and within it call out any specific differences regarding ETM vs. Advantage Revenue. Will be covered as part of the deliverables of a contract for a vendor to come in and help the Department create and implement all the policies and procedures identified in a, b, c as well as others identified as part of the IRS Safeguards audit conducted in the fall of 2012.</p> <p>d. VDT will review access and adjust access to those required to support the application.</p> <p>VDT will take separation of duties between software development staff and those migrating software under advisement for future implementation however given current resource constraints this separation is not feasible at this time.</p> <p>VDT agrees that periodic reviews of production changes is a good practice and will look into the feasibility of implementing this recommendation. Has progressed to the point that database changes to the application are now done by the DII ERP group thus separating those duties. Also, there are fewer 'developers' who are able to migrate application changes to production. Lastly, ETM is now only in break/fix mode since it is being replaced by a system called GenTax. There</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>are no new functional changes planned to ETM.</p> <p>e. VDT will strive to implement this recommendation however please note that multiple DB refreshes have been conducted from backups since ETM go live.</p> <p>f. VDT will review and update the business continuance plan within the next 12 months. The Continuity of Operations Plan (COOP) is being updated.</p> <p>g. VDT will take this under advisement to augment our current operational batch processing logs. There is an online ETM system log that shows all the runs of all the batch jobs.</p>
4.	<p><b>Application Name:</b> STARS</p> <p><b>Responsible Agency:</b> Agency of Transportation</p> <p><b>Purpose:</b> Project Cost Accounting System for Transportation Construction Projects</p>
	<p>a. The initial control deficiency related to the fact that assets from backup media are only restored when required for Operational reasons and there was no documented Disaster Recovery Plan or activity to restore systems to test recovery procedures. Restoration tests of off-site data backups are performed on a regular basis to determine the usability and integrity of the files. Documentation of the testing results is retained. During fiscal year 2013 AOT performed restorations from the main site using backup tapes successfully; however restores from the backup media at the disaster recovery site have not yet been performed successfully.</p> <p>We recommend that AOT continue to work towards successfully restoring the backup media at the disaster recovery site.</p> <p><b>Management Response</b></p> <p>May 9, 2013 DR Testing Results:</p> <ol style="list-style-type: none"> <li>1. Successfully restored a PRE-IEU production backup created on 5/2/2013.</li> <li>2. Successfully created a database backup on 5/9/2013.</li> </ol> <p>Note: on 5/21/2013, we successfully restored the backup created at the DR Site into our TEST environment at the Main site.</p> <ol style="list-style-type: none"> <li>3. Batch processing (IEU, VI10, FR01, and ADABAS Utility) completed successfully.</li> <li>4. STARS Online functionality worked as expected.</li> <li>5. TLMS was functional.</li> </ol>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>6. Both COBOL and NATURAL compiled successfully</p> <p>7. CONSTRUCT was not operational.</p> <p>8. FTP (GET and PUT) were unsuccessful.</p> <p>Note: DII reported the product was active, but different servers have firewalls on, blocking the IP at the DR site.</p> <p>9. Created a tape dataset successfully. Deleted the tape dataset successfully.</p> <p>Note: modification of the tape dataset was unsuccessful; DII reported on 10/1/2013 that the issue had been resolved.</p> <p><b>Summary</b></p> <p>Overall our testing was a success. We were able to restore our database at the DR site using a production backup created at the main site. STARS functionality, both online and batch were successful. The tools we use to support the STARS application were available to us. We were able to successfully compile both NATURAL and COBOL programs and promote from TEST to DEMO to PROD. Concerning CONSTRUCT, we will address the issue the next time the DR site is made available to us.</p>
5.	<p><b>Application Name:</b> FARS, VABS and CATS</p> <p><b>Responsible Agency:</b> Department of Labor (DOL)</p> <p><b>Purpose:</b> FARS is the Department’s financial accounting system; VABS is the Unemployment Insurance Benefit and Eligibility System; and CATS is the Employer Contribution Tax System.</p>
	<p><b>FARS:</b></p> <p>a. Reliance is placed on the policies established by the State of VT DII and no specific policies exist for the DOL in regard to the FARS application and support. Lack of established information security function reduces focus on information security and results in inconsistencies with execution of statewide policies and processes.</p> <p>We recommend that the DOL develop a security policy in relation to the FARS application and support which is consistent with DII statewide policy.</p> <p>b. The initial control deficiency related to the fact that access to the computer room required knowledge of the key punch code to open either of the two doors. We observed that the door was left open by the admin desk for people to come and go instead of using the key punch access, as multiple people come into the room to pick up reports during the day and are not IT staff. Additionally, one of the two doors key punch lock was not functioning during our initial visit. Absence of controls over privileged access, powerful utilities and system manager facilities increases the risk of compromise to key IT systems, applications and data assets. As of the 2013</p>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>fiscal year end, we observed that the door was shut to access the computer room and clocked by slots that hold reports for employees and the other door requires a key to access. However if the door was not open it was unlocked during working hours and a person could climb over the 3 foot cubicle wall.</p> <p>We recommend that the DOL ensure that the door is locked at all times and that key codes are restricted to appropriate personnel.</p>
c.	<p>Reviews of the access to the computer room are performed by the Manager of IT or their delegate and are completed on a quarterly basis, however this review is not documented.</p> <p>We recommend that the DOL IT Management request and review on a quarterly basis a list of people/contractors with access to the computer room.</p>
d.	<p>No policy exists stating that a periodic review of FARS access should be performed and no periodic review is performed by Business on active users and their privileges. Currently, an ad hoc review is done as new employee or contractor is added or an existing person is changed. The absence of periodic reviews of system or application access by appropriate Business and/or IT management increases the risk that unauthorized individuals may retain inappropriate access to key systems, applications and data assets.</p> <p>We recommend business management and IT management develop and implement a policy requiring a regular access review to the FARS application at a minimum of an annual basis.</p>
e.	<p>The initial control deficiency related to the lack of policies for changes to the infrastructure or the operating system as well as an emergency change management policy for the FARS Application, which has not been vendor supported since 1991 and updates are performed by Roger Lowe. The absence of authorization over the change management of application software changes may result in the intentional or unintentional migration of invalid application changes into production that lead to the compromise of key systems, applications and data assets. As of 2013 fiscal year end, the Change Management Policy is in draft form and is applicable for Emergency Changes as well as covering infrastructure and operating system changes. This policy is pending updated data and additional input from the Configuration and Change Management Board.</p> <p>We recommend that the DOL develop, introduce and monitor a comprehensive change management policy that include emergency changes and that is consistent with the statewide DII policy.</p>
f.	<p>Changes to the system are not consistently made until after an appropriate level of testing is performed and approved, which is not always in writing. An absence of formal testing and appropriate sign-off by both information systems and user personnel increases the risk that unauthorized or untested changes may be migrated into production.</p> <p>We recommend that the DOL develop, introduce and monitor a comprehensive change</p>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>management policy that is consistent with the statewide DII policy.</p>
g.	<p>No segregation of duties exists for the FARS application as Roger Lowe and Joe Lucia have access to development and production. A lack of control over who has the ability to migrate software changes into production increases the risk that inappropriate and unauthorized changes could be made to software, moved undetected into production.</p> <p>We recommend that the DOL implement a process to segregate the migration of changes to production that would alternate between Roger Lowe and Joe Lucia. This would accomplish the segregation without adding another resource.</p>
h.	<p>Restoration of backup data is performed on an as needed basis; however, no regular tests or policy exists. Without appropriate and periodic restoration tests, assurance cannot be placed on the reliability of backup media to recover key systems, application and data assets in the event of an emergency.</p> <p>We recommend that the DOL develop and document the process to test on a regular basis restoral of data from tapes. The regularity of the test should be documented and maintained for the State's retention period.</p> <p><b>VABS and CATS:</b></p>
i.	<p>DOL applications (VABS and CATS) had weak password syntax with a minimum of 3 and maximum of 6 character required. Weak password parameters create weaknesses that can be exploited to gain unauthorized access leading to the compromise of key systems, applications and data assets.</p> <p>The current VSE/ESA system limits passwords from 3 to 6 characters in length.</p> <p>We recommend that the DOL IT upgrade to a newer version of IBM o/s that supports longer passwords.</p>
j.	<p>The initial control deficiency related to the fact that reviews of Access Lists indicated that there was no regular, periodic review of the DOL user access rights to the IBM systems supporting VABS and CATS. The absence of periodic reviews of system or application access by appropriate Business and/or IT management increases the risk that unauthorized individuals may retain inappropriate access to key systems, applications and data assets. As of the 2013 fiscal year end, the DOL rescinds user access as their status changes daily through the Helpstar tracking system and reviews are performed quarterly. However, we were unable to obtain evidence to substantiate that quarterly reviews are performed for VABS/CATS.</p> <p>We recommend the DOL IBM Support Group (with input from the DOL HR) conduct a quarterly review of the DOL staff with access to DOL's IBM mainframe and deactivate inactive users pending further review with HR and should remove access from accounts for terminated</p>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>employees and maintain documentation of this review.</p>
k.	<p>The initial control deficiency related to the fact that there was no periodic review of the DOL user access rights to the DOL network. The absence of periodic reviews of system or application access by appropriate Business and/or IT management increases the risk that unauthorized individuals may retain inappropriate access to key systems, applications and data assets. As of the 2013 fiscal year end, the DOL rescinds user access as their status changes daily through the Helpstar tracking system and reviews are performed quarterly. However, we were unable to obtain evidence to substantiate that quarterly reviews are performed for VABS/CATS.</p> <p>We recommend the DOL Network group (with input from HR) conduct a quarterly review of the DOL staff with access to the DOL's network assets and deactivate inactive users pending further review and should remove access from accounts for terminated employees and maintain documentation of this review.</p>
l.	<p>The initial control deficiency related to the fact that there is no periodic review by business management of functional DOL user access to the VABS &amp; CATS applications. The lack of a periodic review of functional access to applications by Business Management may result in the continued and inappropriate access to application functionality by individuals and increases the risk that inappropriate transactions can be processed. As of the 2013 fiscal year end, the DOL rescinds user access as their status changes daily through the Helpstar tracking system and reviews are performed quarterly. However, we were unable to obtain evidence to substantiate that quarterly reviews are performed for VABS/CATS.</p> <p>We recommend the DOL IT develop and generate every quarter a detailed report by User-ID that lists Functional capability within both the VABS &amp; CATS applications. We further recommend that the DOL UI Business Management review the report every quarter to ensure that user access is current and appropriate and the DOL IT take immediate steps to remove application access no longer authorized by UI Management. Documentation of the review by the UI Business Management should be maintained.</p>
m.	<p>The initial control deficiency related to the fact that requests for VABS and/or CATS changes are informal and IT staff receive verbal requests and e-mails detailing small changes; however more complex requests may be discussed at staff meetings. The absence of authorization over the change management of application software changes may result in the intentional or unintentional migration of invalid application changes into production that lead to the compromise of key systems, applications and data assets. As of 2013 fiscal year end, the process for program changes has been documented within the Change Management Policy. However this policy is in draft form and is pending updated data and additional input from the Configuration and Change Management Board.</p> <p>We recommend that the DOL introduce a formal Change Request document that requires information on the change required and Management approval before work can be started.</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
n.	<p>The initial control deficiency related to the fact that software development, modification or error correction changes were informally managed. While testing of changes was undertaken in a test environment by development staff, unless the changes are complex, there was generally no business user participation in testing. Business user/management sign-off was not required or solicited by IT development. Due to lack of an IT manager, IT sign-off was not formally conducted. The absence of authorization over the change management of application software changes may result in the intentional or unintentional migration of invalid application changes into production that lead to the compromise of key systems, applications and data assets. As of 2013 fiscal year end, the process for program changes has been documented within the Change Management Policy. However this policy is in draft form and is pending updated data and additional input from the Configuration and Change Management Board.</p> <p>We recommend that one business signoff be required on an appropriately initiated Change Request form to confirm that testing was appropriate and successfully completed. We further recommend that the software change not be put into Production (by appropriate IT Operations staff) unless there is Business approval and sign-off.</p>
o.	<p>The initial control deficiency related to the fact that there was no DOL policy or procedure detailing with VABS and CATS Change Management. A lack of control over who has the ability to migrate software changes into production increases the risk that inappropriate and unauthorized changes could be made to software, moved undetected into production. As of 2013 fiscal year end, the Change Management Policy has been documented for the DOL. However this policy is in draft form and is pending updated data and additional input from the Configuration and Change Management Board.</p> <p>We recommend that the DOL develop, introduce, and monitor a comprehensive DOL Change Management Policy for application software which is consistent with any statewide DII policy on Change Management.</p>
p.	<p>Due to the small size of the DOL’s IT staff, developers are permitted to migrate software into production. An ability of IT development staff to migrate application software into production risks the introduction of inappropriate code changes.</p> <p>We recommend that access to and migration of software into the production environment should be restricted to Production Control/Operations staff only.</p>
q.	<p>Business management is rarely involved in testing or authorizing of application changes including configuration changes. All VABS and CATS application configuration changes are tested by application development staff but are not required to be validated by the business. An absence of appropriate testing and approvals by IT and Business personnel over application configuration changes may lead to the introduction into production of inappropriate and unauthorized changes that could adversely affect the results of financial application processing.</p> <p>We recommend that all changes to production software including configuration changes should be</p>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>formally approved and authorized by appropriate Business owners.</p>
r.	<p>There is no policy or procedure to handle Emergency Changes. A lack of emergency change procedures that document changes made to production applications and jobs makes follow-up and future avoidance difficult and increases the risk that inappropriate or incorrect changes go undetected. Written policies and procedures also provide for continuity of operation during times of staff transition.</p> <p>We recommend that the DOL develop, introduce, and monitor a comprehensive DOL Emergency Change Policy which is consistent with any statewide DII policy on Change Management. It is further recommended that a statewide policy on dealing with Emergency Production changes be written and introduced by DII.</p>
s.	<p>Notification of emergency changes to Management is informal and not mandatory. There is no requirement for retrospective review and authorization. The absence of management reviews of emergency changes risks that inappropriate or incorrect modifications to applications could be introduced and remain undetected.</p> <p>We recommend that all emergency changes to batch runs should be documented and notified to Business and appropriate IT management in a timely fashion.</p>
t.	<p>Assets from backup media are restored when required for Operational reasons. There is no documented Disaster Recovery Plan or activity to restore systems to test recovery procedures. Without appropriate and periodic restoration tests, assurance cannot be placed on the reliability of backup media to recover key systems, applications and data assets in the event of an emergency.</p> <p>We recommend that VDOL IT should immediately develop and document a Disaster Recovery Plan for recovering its IBM and related applications in the event of a data center disaster.</p>
	<p><b>Management Response</b></p>
a.	<p>DOL is in the process of creating a VABS/FARS/CATS specific security policy upon existing DII policy. Should have document and approvals by end 3<sup>rd</sup> QTR 2013. Policy will be implemented by end of 2<sup>nd</sup> quarter 2014.</p>
b.	<p>DOL Central Office is card access entry only. Non employees are escorted when they are admitted. The access door to the data center with key punch is now working, has been reinforced with a magnetic lock mechanism. The unlocked door allowing staff access to pick up print outs is protected by the fact that the building is locked down and that nonemployees are escorted. Defeating those two barriers an intruder could then if still undetected climb over the 3 foot barrier wall created behind the open door. Key codes to the key pad door are restricted and periodically reviewed and the door to print outs will remain unlocked to staff during normal working hours. The door keypad code is changed quarterly and a review of all staff with access is done at that time.</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
c.	Quarterly review by DOL Director of Admin Service and sign off is now documented.
d.	Will be referenced in VABS/CATS/FARS policy, see 5a response
e.	Change Management Policy will address this issue; implementation by end of 2nd Qtr. 2014.
f.	Change Management Policy will address this issue; implementation by end of 2nd Qtr. 2014.
g.	Change Management Policy will address this and be implemented by end of 2 <sup>nd</sup> Qtr. 2014, but regardless of the role currently played by programmers Lowe or Lucia, production sign off resides with IT Manager Patrick McCabe.
h.	DOL is developing this process and will have a formal policy.
i.	DOL follows the State of Vermont password policy network access <u>and</u> maintains in house AD settings that exceed that requirement. You can't get to VABS/CATS password screen without first complying with these standards.
j.	DOL runs a quarterly job for UI Director that prints as a 21 page green bar print out. It contains all employee names and lists their VABS/CATS access by category. We NOW require a sign off on this listing quarterly. We provided this file physically to KPMG in December 2012 at their request. Policy in effect now does not require that Business signs off and returns the printout quarterly. List is considered accurate if no change requests are filed within 10 days of list receipt by Business.
k.	DOL removes individual users access as they leave the department. Physical access cards are recovered or deactivated, domain access is removed, any dept equipment is recovered through the office of the Director of Admin Services working with DHR. We consider the quarterly review by UI Director as back up to this process for VABS/CATS.
l.	See response 5j., the quarterly review process and sign off serves this purpose. The list is provided by IT Administration to UI Business Management, signed off and returned.
m.	Change Management Policy in draft form as noted and will resolve the concern in this finding.
n.	Change Management Policy in draft form as noted and will resolve the concern in this finding.
o.	Change Management Policy in draft form as noted and will resolve the concern in this finding.
p.	Change Management Policy in draft form as noted and will resolve the concern in this finding.
q.	DOL would argue that Business management is always involved but their involvement is not documented, we will correct that in Management Change Policy.
r.	DOL will review and consider Emergency Production Change policies when they are available. At this time, all emergency production changes are approved and documented by IT Manager

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>Patrick McCabe.</p> <p>s. Management Change Policy will address notice to Business and IT Admin.</p> <p>t. IT Disaster contingency Review began in Sept 2012 and documentation letter from BerryDunn was provided to KPMG December 13, 2012. We intend to follow up with an annual review after December 2013.</p>
6.	<p><b>Application Name:</b> Management System (WMS), Point of Sale (POS), and Sequoia</p> <p><b>Responsible Agency:</b> Division of Liquor Control</p> <p><b>Purpose:</b> Manages warehousing, inventory, purchasing, AP, tracking of sales/revenues, commission, licensing and GL. In addition, Point of Sale terminals which are owned by the State and are installed in each store.</p>
	<p>a. The Programmer and Developer have access to both the development and production environment for Sequoia and POS. A lack of control over who has the ability to migrate software changes into production increases the risk that inappropriate and unauthorized changes could be made to software, moved undetected into production.</p> <p>We recommend a clear separation of access be created to restrict developers from having production access. This can be implemented with different resources, or with a work around that logs changes made by a developer that require a Manager’s review and approval.</p> <p><b>Management Response</b></p> <p>As noted in our IT Change Management Policy (Version 1.0) instituted in October 2012 in response to previous auditor recommendations, these procedures are already in effect. In each of the two systems for which in-house development is still possible, the developer does not put changes into production. Due to limitations in staff, the specific role depends on the system. For Sequoia, the Systems Developer does development; putting changes into production is done by the IT Systems Administrator. For Point of Sale, development is done by the IT Systems Administrator; putting changes into production is done by the Systems Developer.</p> <p>In addition, in both cases, changes are logged in the Help Desk for review and a permanent record. All change logs are visible to all DLC staff members, including both IT and other staff up to and including the Commissioner.</p> <p>Development is not possible in the Warehouse Management System (WMS) since it is a commercial software package developed by a third party, so there is no development to manage or restrict. (Even there, the Help Desk is used to log issues, although those issues are resolved with calls to the software provider, since the Help Desk is used to log all IT activities, not just development).</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
7.	<p><b>Application Name:</b> BFIS</p> <p><b>Responsible Agency:</b> Agency of Human Services (AHS)</p> <p><b>Purpose:</b> A system for Human Services Child Care Subsidy Payments.</p>
	<p>a. Password parameters are weak with complexity disabled.</p> <p>We recommend that the Agency enable complexity of password parameters.</p> <p>b. No formalized policy or process exists to determine users who no longer require access to the application due to termination.</p> <p>We recommend that the Agency implement a process to utilize the State of VT HR listing on a scheduled basis (monthly/quarterly) to verify users that should be removed from BFIS.</p> <p>c. Although ad hoc reviews of user access were performed; the review is not formally documented or occurrence defined.</p> <p>We recommend that the Agency create and implement a formal process for a review of access rights to the application and appropriate sign off retention of the performance of the review should be retained.</p> <p>d. Without standard scheduled partial and full backups, data may be lost and not available for restoration should an event occur and data is lost. The Agency relies on DII to perform and store backup data; however, the Agency was not aware of what the backup schedules are.</p> <p>We recommend that the Agency document the backup schedule and periodically review to ensure that all data sets are being backed-up appropriately.</p> <p>e. The Agency does not have a formalized restoration process and testing schedule for ensuring that data from backups can be restored completely and accurately.</p> <p>We recommend that the Agency document the process and a standard testing cycle for restoral of data from backup tapes.</p> <p>f. No formalized process is defined or utilized to respond to problems and issues by receipt of an email or a helpdesk ticket.</p> <p>We recommend that the Agency develop and utilize a tool that allows them to identify and track all problems and issues for the application.</p> <p><b>Management Response</b></p> <p>a. The BFIS Upgrades project recently completed and the password changes have been implemented</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>as recommended.</p> <p>b. Quarterly BFIS Users Account is reviewed by BFIS Help Desk. A tracking sheet has been developed to document this activity. Ref: BFIS User Account Management Tracking Checklist. Ref: BFIS Monitoring User Protocol, All BFIS Users are reminded about Users responsibilities.</p> <p>c. Quarterly BFIS Users Account is reviewed by BFIS Help Desk. A tracking sheet has been developed to document this activity. Ref: BFIS User Account Management Tracking Checklist.</p> <p>d. There is documentation as of December 2012, and includes review of all data sets.</p> <p>e. This system has been moved to the DII Virtual Machine hosting environment and now falls under their backup and restoration testing procedures. With the new backup system, developers can now schedule regular restores/backups on servers.</p> <p>f. A tool is currently being evaluated (potentially JIRA already in use for other DCF applications) to track issues and resolutions. We will work with the new Operations Manager to develop a plan and rollout. The target date for the plan to be drafted is 6/30/2014.</p>
8.	<p><b>Application Name:</b> SSMIS</p> <p><b>Responsible Agency:</b> Agency of Human Services (AHS)</p> <p><b>Purpose:</b> A benefit and eligibility system for Foster Care, Adoption Assistance and Social Services Block Grant Programs.</p>
	<p>a. Password parameters are weak with no policies other than recommendations of data dictionary words that should not be used.</p> <p style="padding-left: 40px;">We recommend that the Agency create and implement a set of standard password parameters.</p> <p>b. SSMIS perform ad hoc reviews of user access; however, the review is not formally documented or occurrence defined.</p> <p style="padding-left: 40px;">We recommend that the Agency create and implement a formal process for a review of access rights to the application and appropriate sign off retention of the performance of the review should be retained.</p> <p>c. The Agency does not have formalized change management policy that outlines the requirements for making changes, obtaining approvals and the retention of the documents.</p> <p style="padding-left: 40px;">We recommend that the Agency create a change management policy should be developed and issued for SSMIS and communicated to the organization.</p> <p>d. There is no formalized change management policy that requires that testing and approvals are</p>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>obtained prior to migrating a change into production.</p> <p>We recommend that the Agency create a change management policy should be developed that defines the requirements for appropriate testing and approvals of testing prior to changes being migrated into production.</p>
e.	<p>SSMIS do not have a formalized restoration process and testing schedule for ensuring that data from backups can be restored completely and accurately.</p> <p>We recommend that the Agency document the process and a standard testing cycle for restoral of data from backup tapes.</p>
f.	<p>SSMIS respond to problems and issues by receipt of an email or a helpdesk ticket. No formalized process is defined or utilized.</p> <p>We recommend that the Agency develop and utilize a tool that allows them to identify and track all problems and issues for the application.</p>
	<p><b>Management Response</b></p>
a.	<p>Compliant password parameters are being implemented as part of the SSMIS Upgrade project. Originally planned for completion in the Spring of 2013, the project has been delayed due to key staff resignations. Work is now back underway as part of audit and ICD10 remediation to upgrade the platform and continue the plan. The new target date is Spring, 2014.</p>
b.	<p>A formal process for reviewing access rights to the application and appropriate sign off retention of the performance of the review is being created as part of the SSMIS Upgrade project. The new target date is Spring, 2014.</p>
c.	<p>Currently, JIRA is being used as the Change Request mechanism. AHS has a change control policy in place that includes changes to code as well as to the base system. We have implemented a process using a change request form. The DCF ISD Standards Committee will be developing a change management policy for the Department. As part of this work, processes and mechanisms for implementing the policy will also be developed. All work has a planned implementation date of Spring 2014.</p>
d.	<p>AHS has a change control policy in place that includes changes to code as well as to the base system. We have implemented a process utilizing code review by a supervisor or senior developer prior to code being put into production. The DCF ISD Standards Committee will be developing a change management policy for the Department. As part of this work, processes and mechanisms for implementing the policy will also be developed. All work has a planned implementation date of Spring 2014.</p>
e.	<p>This system has been moved to the DII Virtual Machine hosting environment and now falls under their backup and restoration testing procedures that no longer relies upon unreliable tape media.</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>With the new disk-to-disk-to-offsite disk backup system, developers can now schedule regular restores/backups.</p> <p>f. This is complete and was implemented in July, 2012.</p>
9.	<p><b>Application Name:</b> ACCESS</p> <p><b>Responsible Agency:</b> Agency of Human Services (AHS)</p> <p><b>Purpose:</b> Benefit and Eligibility System for Human Service Cash Assistance Programs.</p>
	<p>a. We noted that appropriate IT Security Policy exists and is communicated to employees via intranet. However, no evidence was provided to substantiate that the policies are reviewed periodically and updated by management. We noted that several of the policies have not been revised since more than a year.</p> <p>We recommend that IT Security Policies be reviewed on an annual basis to ensure compliance with new regulations as well as to address potential security threats.</p> <p>b. DII network Domain Administrator access should be appropriately restricted. KPMG was unable to obtain screens for the DII Domain Administrators. However, KPMG obtained and inspected the State of Vermont, Agency Department of Information and Innovation Organization chart to identify the Network and System Administrators. Without appropriate restrictions to the Domain Administrators group, applications and supporting infrastructure may be exposed to unauthorized access.</p> <p>We recommend that appropriate documentation is provided to identify the Domain Administrators for the ACCESS application and verify the job roles and responsibilities of the Domain Administrators to assure appropriateness of their access.</p> <p>c. Super User level access to the application should be limited to appropriate personnel and monitored to detect inappropriate activity. System access to add/change/delete user accounts should be limited to Security Administrators.</p> <p>KPMG noted that developers have Super User access to the production system. In addition, DBAs are allowed to create, edit and delete users and can grant roles. KPMG noted that a vacant account "D14" has both the "SSS" role and the "DBA" role which gives DBA an ability to add, modify or delete a user account or grant user role in the production system. KPMG also noted that there are 3 additional vacant accounts (D20, D70 and D80). No monitoring is in place over the use of these ids. KPMG was informed that if a worker tries to login with a RACF ID that is not associated with their user ID they cannot get into the system. However it was noted in the case of two (D14 and D80) out of the four vacant roles noted above, the RACF ID was tied to user ID</p> <p>We recommend that vacant accounts be removed to reduce the chance that the ID is misused. In addition, a monitoring process should be in place to assure against misuse of the super user</p>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>capability.</p>
d.	<p>On a periodic basis, business management reviews user access rights to the application to verify that access is appropriately aligned with users' job responsibilities and that terminated employees have not retained access. We were unable to substantiate periodic access review to assure that access is not retained for terminated employees and that access is appropriate for current users based on their job responsibilities.</p> <p>We recommend that management perform periodic review of user access for the ACCESS application. This will enable removal of inappropriate/inactive IDs in a timely manner and will reduce the possibility of malicious activity by unauthorized users. This review should be formally documented and evidence should be retained for audit purposes.</p>
e.	<p>A change management document was not provided for review. KPMG was notified that DCF ISD has formed a Standards Committee which will be working on the development of a formal written policy and procedure. These documents are to be completed by the end of calendar year 2013.</p> <p>We recommend that AHS develops processes and mechanisms to implement these policies as well.</p>
f.	<p>AHS does not have appropriate segregation of duties. Personnel who have development responsibilities currently have access to migrate changes to the production environment. KPMG was informed that AHS is currently going to a reorganization that will address the segregation of duties requirements.</p> <p>We recommend that conflicts of interest and concentration of power with any role be evaluated as part of the reorganization.</p>
g.	<p>No evidence was provided to substantiate that adequate backups were performed. Without appropriate backups, there is a risk that financially significant information may be lost in case of a disaster or hardware failure.</p> <p>We recommend that the Agency document the data backup and retention process and work with DII to monitor the effectiveness of backups. AHS should document the process and establish a standard testing cycle for restoral of data from backup tapes.</p>
h.	<p>We noted that no ticketing system is used to track issues. The current process is manual and the mainframe group keeps track of issues via a spreadsheet. In addition, there is no formally documented process for logging issues and tracking them to resolution. Without a formally documented process for logging issues as well as appropriate controls in place to ensure that all issues are logged and tracked through resolution, there is a risk that all issue may not be tracked or resolved in a timely manner.</p> <p>We recommend that the Agency utilize a ticketing system to manage the documentation of issues and problems to ensure proper management and resolution. A ticketing system provides</p>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>appropriate structure and control to ensure that all problems are managed to resolution. Furthermore a formally documented policies and procedures should be in place to include process of tracking, categorizing and resolving issues in a timely manner.</p> <p>i. We noted that the ACCESS system is not capable of enforcing the password complexity requirements as required by AHS Security Plan and System/Service Password Policy. Even though complexity is not enabled, the multi layer authentication process mitigates some of the risk associated with not having strong password parameters. In addition, password lockout is enabled.</p> <p>We recommend that the Agency investigate the possibility of enabling password complexity or a policy exception form should be obtained to document noncompliance with the AHS Security Policy requirements.</p> <p><b>Management Response</b></p> <p>a. AHS IT policies are currently still under review by the AHS Policy team which met last on 11/25/2013 (meets quarterly). A number of the policies have had updates but work remains to update the rest. AHS is also coordinating with the new State Chief Information Security Officer to implement as many policies at the State level to avoid duplication of work and ensure the broadest coverage.</p> <p>b. The ACCESS system is a mainframe application. Authentication is not handled by Active Directory; therefore, no Domain Administrators would have any access to the mainframe. There is full separation of duties and access between the Network/Active Directory environment and DII's hosted mainframe environment.</p> <p>c. It is true that a RACF ID must be associated with an ACCESS ID. For a user to get into the ACCESS system there is a further level of security with the password being removed/scrambled and the user access is revoked at both the RACF and ACCESS level. In ISD when a person leaves, we revoke access and scramble the passwords until such time as the position is either filled or a decision is made not to fill the position. If the position is not filled, then deletes are done and positions are marked vacant.</p> <p>d. The periodic review of user access for the ACCESS application will be conducted by the business. ESD has created a Business Application Support Unit (BASU) which has responsibility for creating and managing procedures for account review. DCF ISD sends them a quarterly report of all account for their review.</p> <p>e. The DCF ISD Standards Committee will be developing a change management policy for the Department. As part of this work, processes and mechanisms for implementing the policy will also be developed. This will include management and oversight by the newly implemented Business Application Support Unit (BASU) within ESD. All work has a planned implementation date of Spring 2014.</p> <p>f. Within our teams we strive to have separation of duties. A developer who has made changes to</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings and Recommendations	
	<p>programming does not migrate those changes to production without another developer reviewing the code. This is not a formal Policy, however, it is standard practice. As we continue to improve our internal work processes we will strive to improve in this area and will evaluate conflicts of interest and concentration of power with any role as part of our continuous efforts toward improvement.</p>
g.	<p>In the ACCESS system we have a full stand-alone backup that is created every Sunday. In addition we have 3 parallel backups that run on Monday, Wednesday, and Friday nights. We also have running what is called ‘protection logging’. All modifications to the database are logged in a separate file. This combination allows us to restore our databases back to any given point in time for the last week and to any backup time for a number of months in the past. This restore capability is routinely used and tested in our test environments. The mainframe application also has a disaster site where the mainframe disc files are mirrored on a real time basis. In the event of a disaster at our main facility, we can immediately move to the disaster site where a complete and usable copy of our mainframe system is maintained. We also keep another copy of most of our data that is copied to a SQL database on a real time basis. This SQL database is used to feed a number of satellite applications such as data warehouses, voice response units, and web applications. This has been documented and is monitored, per a Service Level Agreement with DII.</p>
h.	<p>A tool is currently being researched (potentially JIRA) and will be set up to track issues and resolutions. This will be in place by Spring 2014. BASU has created a request mailbox. All requests are sent via e-mail and tracked in this mailbox.</p>
i.	<p>Because the ACCESS application is not capable of providing the level of complexity required for passwords by our own policy, the ACCESS application has been granted an exemption from this requirement and risks associated with this decision have been accepted. As efforts are underway to eventually move all eligibility programs off the ACCESS application in the next 5-7 years, compliance requirements for password complexity will be included on any new platforms the Agency uses.</p>

***Management Response***

Responses are embedded in the above table.

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
June 30, 2013

**2013-004 – Not used.**

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**(3) Findings and Questioned Costs Relating to Federal Awards**

**Finding 2013-005**

U.S. Department of Agriculture

**Program Name and CFDA Number**

Child Nutrition Cluster:

National School Lunch Program (CFDA #10.555)  
Summer Food Service Program for Children (CFDA #10.559)

**Program Award Number and Year**

2013IL160344	7/1/2012 – 9/30/13
2103IN109044	7/1/2012 – 9/30/13
2013IN109744	7/1/2012 – 9/30/13
2013IN109844	7/1/2012 – 9/30/13
2013IN202044	7/1/2012 – 9/30/13
2013IN253344	7/1/2012 – 9/30/13

***Criteria***

Reimbursements requested by School Food Authorities are for allowable costs, at allowable rates, appropriately documented and submitted through the appropriate reporting mechanism.

***Condition Found***

School Food Authorities are required to submit a claim for reimbursement to the Agency of Education (the Agency) in order to receive reimbursement for meals served each month. Each claim for reimbursement is required to be certified as complete and accurate by an official of the School Food Authority. During our testwork over meal reimbursements made to School Food Authorities, we noted that for 3 of 40 payments selected for testwork, the claim for reimbursement was submitted by an Agency employee instead of the School Food Authority. As a result, we are unable to determine whether or not the claim was authorized by the School Food Authority and related to the reimbursement of actual meals served.

***Cause***

The cause of the condition found is related to the lack of written procedures and protocols regarding the reimbursement of claims or documentation to support assistance that the Agency may provide to the School Food Authority when assistance is needed in processing claims.

***Effect***

The effect of the condition found is the Agency does not have sufficient documentation to support that it has properly reimbursed costs requested from the School Food Authority.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### ***Questioned Costs***

Not determinable.

#### ***Recommendation***

We recommend the Agency develop written procedures and internal controls to ensure only authorized School Food Authority officials are submitting claims for reimbursement. Written procedures should also include a written policy surrounding assistance provided to a School Food Authority in submitting claims to ensure sufficient documentation is maintained to support these activities.

#### ***Management's Response and Corrective Action Plan***

The State Agency disagrees that this finding be considered systemic and a significant deficiency.

Claims are currently submitted by the SFA. Exceptions to this practice are rare and may occur under one of the following circumstances.

- 1) Claim adjustments for errors found during a review are completed by the finance office. Schools and SFAs are notified of fiscal action being conducted and the results of such FA. To ensure consistency, FA is done primarily by the accountant at the Finance Office following notice by an Education Consultant.
- 2) There are cases when a site or SFA requests a claim exception due to the claim being submitted past the 60 day timeline. The measure taken at that point is to determine if they are eligible for a claim exception and if they are, the Child Nutrition Programs director goes in to the ADMIN component of the program, indicates that a claim exception is being granted, leaves a note in the comments box and then approves and submits the claim that the exception has been requested for.
- 3) Schools that were certified to receive the 6 Cent reimbursement had their claims revised by SA staff to ensure they were receiving the proper payments. This was a one-time requirement and an unusual exception to standard procedures.
- 4) On some occasions, changes to the data reported, such as number enrolled or numbers of free and reduced price students are completed by an Education Consultant and the information does not create an adjusted or revised claim; it serves to correctly report the data. Notes are included by the consultant in the box at the bottom of the claim.

The revised program CNP Web program will provide a comments section so that any changes in claims or applications may be noted. With increased requirements, it is critical that an improved claiming process and program be implemented.

#### ***Scheduled Completion Date of Corrective Action Plan***

School year 2014-2015

#### ***Contact for Corrective Action Plan***

Laurie Colgan, Education Programs Coordinator, 802-479-1187

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Rejoinder***

We note that the Agency above does not agree that the finding is systemic in nature or is a significant deficiency in internal controls. As stated within the condition found, we noted that 3 out of 40 transactions, or 8% of the items sampled, represented claims submitted by the Agency itself and were not approved or authorized by the School Food Authority. Given the error rate, this would be indicative of a systemic issue and a significant deficiency in internal controls.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-006**

U.S. Department of Agriculture

**Program Name and CFDA Number**

Child Nutrition Cluster:

- National School Lunch Program (CFDA #10.555)
- Summer Food Service Program for Children (CFDA #10.559)

**Program Award Number and Year**

2013IL160344	7/1/2012 – 9/30/13
2103IN109044	7/1/2012 – 9/30/13
2013IN109744	7/1/2012 – 9/30/13
2013IN109844	7/1/2012 – 9/30/13
2013IN202044	7/1/2012 – 9/30/13
2013IN253344	7/1/2012 – 9/30/13

**Criteria**

Administering agencies may disburse program funds only to those organizations that meet eligibility requirements. Under the National School Lunch Program (NSLP), School Breakfast Program (SBP) and Special Milk Program (SMP), this means the definition of “school food authority” (SFA) as described at 7 CFR sections 210.2, 215.2, and 220.2, respectively. Eligible Summer Food Service Program For Children (SFSPC) organizations are described at 7 CFR section 225.2 under the definition of “sponsor.” Additional organizational eligibility requirements apply to the SFSPC, NSLP Afterschool Snacks, and the SBP at the school or site level.

**Condition Found**

The Agency of Education (the Agency) requires all organizations that wish to serve as a School Food Authority or a sponsor to submit a program application and provide contact information for at least two different officials within the organization. The application serves as the means for the Agency to document the eligibility criteria that must be met in order to serve as a School Food Authority or a sponsor. During our review over the Agency’s application process related to the eligibility process, we noted the following:

- A. For 23 of 40 subrecipients selected for testwork, the subrecipient used the same email address for multiple officials on the application, which is contrary to the application instructions. There was no evidence to support that the Agency had followed up with the subrecipient to correct the error prior to approving the application for participation.
- B. For 20 of 40 subrecipients selected for testwork, one or more sections of the application was not completed. The Agency approved each of the applications and there was no documentation to support that the Agency had contacted the subrecipient to provide the missing information prior to approving the application for participation.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

- C. For 1 of 40 subrecipients selected for testwork, there were two officials listed on the application however it was the same individual, contrary to the application instructions. There was no evidence to support that the Agency had followed up with the subrecipient to correct the error prior to approving the application for participation.
- D. For 25 of 40 subrecipients selected for testwork, the application form was created and/or modified by an Agency employee and there was no documentation to support that the subrecipient had approved the modifications made by the Agency.

#### ***Cause***

The cause of the condition found is the lack of written procedures for reviewing program applications to ensure they are complete and accurate prior to approving the application for participation.

#### ***Effect***

The effect of the condition found is the Agency may not perform the required follow up actions and obtain all pertinent information from the subrecipient as part of the application process and as a result may enter into agreements with applicants that do not meet all eligibility requirements to participate in the program.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

#### ***Questioned Costs***

None.

#### ***Recommendation***

We recommend the Agency develop written procedures for ensuring the accuracy and completeness of all program applications in order to ensure that all eligibility requirements have been met for all participating School Food Authorities and sponsors (subrecipients).

#### ***Management's Response and Corrective Action Plan***

The State Agency disagrees that this is a systemic issue and requests to see the SFA files that this finding is noting.

For critical designees the CNP Web system will not allow the same name to be entered for some roles at the SFA. We currently find that some of the School Food Service staff are not assigned e-mail addresses. For some schools that participate in the Seamless Summer Option of the program, they do not complete the SSO portion of the application until just before implementation of the program in late spring/early summer.

A review of application requirements and approval procedures will be conducted with SA staff prior to the renewal of program agreements and applications in late summer.

#### ***Scheduled Completion Date of Corrective Action Plan***

The training will be conducted in July 1, 2014 for School Year 2015.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Contact for Corrective Action Plan***

Laurie Colgan, Education Programs Coordinator, 802-479-1187

***Rejoinder***

After receiving the response from management, we forwarded to the Agency the listing of entities referred to in the above finding. No further information was provided to us from the Agency. Given the frequency of exceptions noted, the condition found does not appear to be isolated.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-007**

U.S. Department of Agriculture

**Program Name and CFDA Number**

Child Nutrition Cluster:

National School Lunch Program (CFDA #10.555)  
Summer Food Service Program for Children (CFDA #10.559)

**Program Award Number and Year**

2013IL160344	7/1/2012 – 9/30/13
2103IN109044	7/1/2012 – 9/30/13
2013IN109744	7/1/2012 – 9/30/13
2013IN109844	7/1/2012 – 9/30/13
2013IN202044	7/1/2012 – 9/30/13
2013IN253344	7/1/2012 – 9/30/13

**Criteria**

Since October 1, 2010, some recipients of federal grants, awards and contracts must meet specific reporting requirements under the Federal Funding Accountability and Transparency Act (FFATA). Under guidelines outlined in a memo to federal agencies in April 2010, the Office of Management and Budget (OMB) requires primary grant recipients to submit subgrant and subcontractor data using the FFATA Subaward Reporting System (FRSR) website. Primary grant recipients have until the end of the month in which the grant is made, plus 30 days, to submit data on subgrants and subcontracts.

**Condition Found**

The Agency of Education (the Agency) has entered into operating agreements with School Food Authorities (SFA) to operate a food service program. On February 28, 2013, the Agency implemented a procedure to monitor the SFA monthly meal reimbursements and for those SFAs that had met or exceeded the \$25,000 FFATA reporting threshold, a FFATA report was entered into the FRSR system. No subsequent follow up was performed by the Agency after this date to determine if any additional SFA had reached the reporting threshold. During our testwork over FFATA reporting, we noted that the Agency had not properly filed a FFATA report for 2 of 40 SFAs selected for testwork.

**Cause**

The cause of the condition found is due to insufficient procedures to monitor reimbursement balances for SFAs on a reoccurring basis to ensure all FFATA reports are filed timely.

**Effect**

The effect of the condition found is that amounts were not reported as required under the Federal Accountability and Transparency Act.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal control.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Questioned Costs***

None.

***Recommendation***

We recommend the Agency review its existing policy for reporting items under the Federal Funding Accountability and Transparency Act to ensure they are capturing and reporting reimbursements on a timely basis as required.

***Management's Response and Corrective Action Plan***

We have reviewed the two entities noted as being missing from FFATA reporting. We accept that there was an error made regarding these entity reports, however we strongly disagree that there is a systemic problem with our reporting 0.2 out of 40 indicates that 90% of our reporting was timely and accurate. A 90% success rate would not be indicative of a significant deficiency in internal controls. If this finding is going to remain, we would like to know at what break point an error becomes a significant finding.

There are no grant awards for CN since it is a reimbursement process. The FFATA requirement is to enter a grant award amount. In order to comply with the requirement that reimbursements be entered into FFATA, we created a labor intensive process to determine at what point each entity kicks over the \$25,000 reporting limit.

***Scheduled Completion Date of Corrective Action Plan***

This process identified above was established in FY 13 and continues today. No further action is considered necessary.

***Contact for Corrective Action Plan***

Kathy Flanagan, Financial Director, 802-479-1766

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-008**

U.S. Department of Agriculture

**Program Name and CFDA Number**

Child Nutrition Cluster:

National School Lunch Program (CFDA #10.555)  
Summer Food Service Program for Children (CFDA #10.559)

**Program Award Number and Year**

2013IL160344	7/1/2012 – 9/30/13
2103IN109044	7/1/2012 – 9/30/13
2013IN109744	7/1/2012 – 9/30/13
2013IN109844	7/1/2012 – 9/30/13
2013IN202044	7/1/2012 – 9/30/13
2013IN253344	7/1/2012 – 9/30/13

**Criteria**

A pass-through entity is responsible for:

- At the time of the subaward, identifying to the subrecipient the federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of federal awarding agency) and applicable compliance requirements.
- Monitoring the subrecipient’s use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that performance goals are achieved. This includes:
  - The performance of certification and validation reviews in accordance with Section 201 of the Healthy Hunger Free Kids Act of 2010.
  - Administrative, Follow Up and Additional Administrative Reviews in accordance with 7 CFR sections 210.18 and 210.19(a)(4) (School Breakfast Program (SBP) and National School Lunch Program (NSLP)), 7 CFR section 215.11 (Special Milk Program (SMP)), and 7 CFR section 225.7 (Summer Food Service Program for Children (SFSPC)).
- A State agency may, with Food Nutritional Services (FNS) approval, assume from Local Educational Agencies (LEAs) under its jurisdiction the responsibility for performing the verifications. If the LEA performs the verification function it must be in accordance with instructions provided by the State agency. The LEA must follow-up on children whose eligibility status has changed as the result of verification activities to put them in the correct category.
- Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

<http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

#### ***Condition Found***

The Agency of Education (the Agency), grants funds to School Food Authorities and sponsors to provide meals to eligible participants. During our testwork over the Agency's subrecipient monitoring process, we noted the following:

#### *Award Identification*

- A. For all 40 subrecipients selected for testwork, the Agency included only the National School Lunch Program CFDA number on the individual school food authority site application and no CFDA numbers were on the School Food Authority Application.

#### *Certification Reviews*

- B. For 2 of 40 certification reviews selected for testwork, there was no signature on the certification documents from the School Food Authority Official and/or Agency Official to document the certification review had been finalized.

#### *Verification Reviews*

- C. For 1 of 40 verification reviews selected for testwork, the file contained a review checklist that indicated the School Food Authority did not complete the confirmation review and there was no follow up performed by the Agency.

#### *Programmatic Monitoring (Administrative Reviews)*

- D. For 3 of 22 administrative reviews selected for testwork, the administrative review file was missing one or more of the Standard Section Forms used by the Agency to document the visit.
- E. For 17 of 22 administrative reviews selected for testwork, there was no documentation to support that paid lunch equity had been reviewed as part of the administrative review process.
- F. For all 22 administrative reviews selected for testwork, there was no documentation to support that school food accounts were reviewed as part of the administrative review process.

#### *Review over A-133 Audits*

- G. For 2 of 40 audit reports selected for testwork, we noted that the Agency issued a management decision letter concerning the audit report however the management decision letter was not issued within the required 6 month timeframe.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

- H. For 3 of 40 audit reports selected for testwork, the Agency has not issued a management decision letter concerning the annual audit and is delinquent in its response as the 6 month timeframe has elapsed.
- I. For 1 of 40 audit reports selected for testwork, the Agency did not received the audit report from the subrecipient within the required 9 month timeframe and there was no evidence to support that the Agency had followed up on the delinquent report.
- J. For 12 of 40 audit reports selected for testwork, the Agency did not enter the grant awards into the State of Vermont's VISION grant tracking module. As the grants were not entered into the VISION grant tracking module, no procedures were performed to determine whether or not each subrecipient was required to have an annual A-133 audit and therefore no A-133 audit reports were obtained or reviewed for these subrecipients.

***Cause***

The cause of the condition found is due to a lack of written procedures to ensure that subrecipient monitoring procedures performed are complete, sufficient to cover all unique compliance requirements specific to the program, and are performed consistently and timely.

***Effect***

The effect of the condition found is the Agency may not be properly communicating to its subrecipients the required award information. In addition, instances of noncompliance with federal regulations applicable to the program at the subrecipient level may not be identified and corrected timely.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

***Questioned Costs***

None.

***Recommendation***

We recommend the Agency review its existing fiscal and programmatic monitoring procedures and develop controls to ensure that all procedures are performed timely and are properly documented. The written procedures should ensure that all required documentation is compiled and maintained to support each monitoring visit as well as procedures performed and all A-133 reports are obtained and reviewed within the required time periods. A supervisory review should be conducted to ensure each file is complete prior to closure.

***Management's Response and Corrective Action Plan – Award Identification***

The State agency is working on a claim and application system revision and the CFDA numbers will be posted appropriately on the applications. SFAs are provided a handbook that provides the CFDA numbers.

The CNP Web program will be revised to include the CFDA number at the beginning of each site application.

***Scheduled Completion Date of Corrective Action Plan – Award Identification***

October 1, 2014

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Contact for Corrective Action Plan – Award Identification***

Laurie Colgan, Education Programs Coordinator, 802-479-1187

***Management's Response and Corrective Action Plan – Certification Reviews***

The State Agency will review its procedures and ensure that steps are taken to properly document the review of certification records.

The State Agency will review certification documents and ensure that all work is approved with the signature of the reviewer.

***Scheduled Completion Date of Corrective Action Plan – Certification Reviews***

February 18, 2014 – Staff Meeting

***Contact for Corrective Action Plan – Certification Reviews***

Laurie Colgan, Education Programs Coordinator, 802-479-1187

***Management's Response and Corrective Action Plan – Verification Reviews***

The State Agency disagrees with this finding being considered systemic and a material weakness. In some cases, if a school uses a computerized/electronic system to review and approve applications, the confirmation review is not required.

Child Nutrition staff will be apprised of the issue in a staff meeting to be held on 2/18/14 and reminded to complete forms correctly.

***Scheduled Completion Date of Corrective Action Plan – Verification Reviews***

February 18, 2014 – Staff Meeting

***Contact for Corrective Action Plan – Verification Reviews***

Laurie Colgan, Education Programs Coordinator, 802-479-1187

***Management's Response and Corrective Action Plan – Programmatic Monitoring (Administrative Reviews)***

Staff shortages have impacted our ability to cover all bases in document review. As the supervisor, I will review all documents for school year 2013-2014 to improve our efforts in completing reviews and ensuring documentation is complete.

***Scheduled Completion Date of Corrective Action Plan – Programmatic Monitoring (Administrative Reviews)***

July 1, 2014

***Contact for Corrective Action Plan – Programmatic Monitoring (Administrative Reviews)***

Laurie Colgan, Education Programs Coordinator, 802-479-1187

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Management's Response and Corrective Action Plan – Review over A-133 Reports***

The delinquent audit was discussed several times with Supervisory Union personnel but documentation of phone conversations was not maintained.

Now that OMB has issued new federal regulations the Agency will issue new audit policies and procedures to ensure compliance with federal standards. These updated policies and procedures have already begun to be drafted and will be completed prior to the effective date of the new federal requirements.

***Scheduled Completion Date of Corrective Action Plan – Review over A-133 Reports***

We will make every effort to get most of the compliance issues complete within a 6-month timeframe. We will change our process by June 30, 2014.

***Contact for Corrective Action Plan – Review over A-133 Reports***

Aaron Brodeur, Education Finance Manager, 802-479-1022

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-009**

U.S. Department of Defense

**Program Name and CFDA Number**

National Guard Military Operations and Maintenance (O&M) Projects (CFDA #12.401)

**Program Award Number and Year**

W912LN-10-2-1000                      3/1/10 – 3/1/15

***Criteria***

The National Guard is subject to the State of Vermont Agency of Administration Bulletin No. 3.5 for contracting procedures. According to 3 V.S.A. § 311(a)(10), the Attorney General (AG) must give prior written approval to any contract for services valued at over \$10,000 per year to determine if it is consistent with the intent of the classified service system.

***Condition Found***

During our testwork over procurement, we noted that the Department of Military (the Department) did not obtain the Attorney General’s approval for 2 of 25 contracts tested for testwork in which the Attorney General’s approval was required under Administration Bulletin 3.5, the State of Vermont’s procurement policy.

***Cause***

The cause of the condition found is related to a misunderstanding of the requirements of Administration Bulletin 3.5 concerning the dollar value associated with contracts requiring the Attorney Generals approval.

***Effect***

The effect of the condition found is that the Department may have entered into contracts that lacked proper approval.

The finding appears to be systemic in a nature and is considered to be a significant deficiency in internal controls.

***Questioned Costs***

None.

***Recommendation***

We recommend that the Department review its existing contracting procedures and ensure that all required approvals are obtained prior to executing a contract as outlined under Administrative Bulletin 3.5.

***Management’s Response and Corrective Action Plan***

The National Guard was notified by the Attorney General’s office prior to year end to change their policy to be consistent with State Bulletin 3.5. As the National Guard has changed their policy to be compliant with State Bulletin 3.5, KPMG has no further recommendation.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Scheduled Completion Date of Corrective Action Plan***

The National Guard changed their policy prior to year end.

***Contact for Corrective Action Plan***

Tiffany Davis, Financial Administrator II, State of Vermont Military Department, (802) 338-3310

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-010**

U.S. Department of Housing and Urban Development

**Program Name and CFDA Number**

Community Development Block Grant Cluster:

Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (CFDA #14.228)

ARRA – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Recovery Act Funded) (CFDA #14.255)

**Program Award Number and Year**

B-12-DC-50-0001                      7/1/12 – 6/30/13

***Criteria***

A primary pass-through entity is required to perform during the award monitoring over the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

A primary pass-through entity is required to (1) ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issue a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensure that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

***Condition Found***

The Agency of Commerce and Community Development (the Agency) monitors subrecipients on an annual basis. During our testwork over the Agency's monitoring procedures performed, we noted the following:

- A. For 1 of 15 subrecipients selected for testwork, a closure letter detailing the findings and recommendations was not sent to the subrecipient timely. The closure letter was sent approximately 5 months after the site visit had occurred.
- B. For 4 of 15 subrecipients selected for testwork, we noted that the Agency was the designated primary pass-through entity by the Department of Finance and Management. As the designated primary pass-through entity, the Agency was required obtain the subrecipients A-133 report, review the report and data enter the results of their review into the State of Vermont's VISION grant tracking module. Per review of the VISION grant tracking module, the Agency did not enter any information related to their review over the subrecipients A-133 report.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

- C. The Agency has an established policy whereby a management decision letter is issued for audit reports only in the event that findings are disclosed within the audit report. For 1 of 4 subrecipients in which the Agency was the designated primary pass-through entity as described in Bullet B above, the audit report disclosed several audit findings, however no management decision letter had been issued by the Agency. In addition, we were unable to find any audit evidence to support that the subrecipient audit report had been reviewed by the Agency.
- D. For 3 of 4 subrecipients in which the Agency was designated as the primary pass-through entity as described in Bullet B above, we noted that the Agency provided documentation to support that the Agency had reviewed the audit report, however there was no indication as to when the audit report had been reviewed. As a result, we are unable to determine whether or not the audit reports were reviewed in a timely manner.

#### *Cause*

The cause of the condition found is primarily due to the Agency receiving a significant increase in federal funding over the past several years. As a result of the increase in federal funding, the number of subrecipients has grown while the number of employees has remained the same.

#### *Effect*

The effect of the condition found is that the Agency may be unaware of material noncompliance or internal control deficiencies reported within a subrecipient's annual A-133 audit. As a result, the Agency is not able to follow up timely to seek corrective action from its subrecipients as necessary.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

#### *Questioned Costs*

None.

#### *Recommendation*

We recommend that the Agency review its existing procedures to ensure it obtains and reviews all of its subrecipient's annual A-133 audit. Once an A-133 reports is obtained, the Agency should review each A-133 report to determine whether or not there are any material compliance findings or internal control deficiencies related to programs funded by the Agency and seek corrective actions from the sub-recipient as necessary. In addition, all closure letters related to on-site visits should be issued timely to subrecipients so that they are aware of the results of the on-site visit that took place and timely corrective action can be taken if necessary.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### ***Management's Response and Corrective Action Plan***

We have reviewed and confirmed all of our procedures in light of these findings and as part of orienting and training new Grants Management staff. Now that we are once again fully staffed, our ability to manage our sub-recipient monitoring responsibilities has been restored. If material compliance findings or internal control deficiencies related to our programs are identified in the review of a subrecipient's A-133, the Agency will see corrective action. In all cases, closure letters will be timely issued. More specifically:

- A. We have a control process in place through our Intelligrants System to ensure timely issuance of monitoring letters upon completion of a visit.

With the status change upon return from a monitoring visit, there is a 5-day grace period for the subrecipient to provide any documentation that was unavailable at the time of the monitoring visit. At the end of the 5 days, the status is changed and the monitoring visit letter is issued either with findings and concerns or a clearance. Although this process was not fully utilized in the past, it is now part of our standard procedures and new staff have been fully trained in its implementation.

- B. We are pulling the audit reports (Winooski, West Rutland, Lyndon and VHFA) that we were assigned as Primary for FY2012, identifying the date received, and recording the information in the VISION system. Our staff is being trained to ensure that the results of every review are entered into VISION.
- C. The audit in question is the City of Winooski, FY 12. The Agency has reviewed the Findings and is now drafting a letter. The letter will be circulated among the other Agencies with the associated Findings for comment before a finalized letter is issued to the City for a corrective action plan.
- D. As per the State Bulletin 5 Issue Brief, the Agency only issues management decision letters if there are findings listed in the audit reports. The dates of the audit review referenced in this finding will be noted in the VISION system (VHFA, Lyndon and West Rutland).

#### ***Scheduled Completion Date of Corrective Action Plan***

- A. We are now completely current in issuing monitoring visit letters to subrecipients.
- B. We will finish entering the information into VISION by the end of March 2014.
- C. We will issue a management decision letter to the City of Winooski by the end of April 2014.
- D. We will finish entering the information into VISION by the end of March 2014.

#### ***Contact for Corrective Action Plan***

Ann Karlene Kroll, Director of Grants Management, 802-828-5225

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-011**

U.S. Department of Housing and Urban Development

**Program Name and CFDA Number**

Emergency Solutions Grants Program (CFDA #14.231)

**Program Award Number and Year**

E-12-DC-50-0010                      7/1/2012 – 9/30/13

E-11-DC-50-0001                      7/1/2011 – 9/30/12

***Criteria***

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) and report subaward data through FSRS. Subawards are to be reported no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

***Condition Found***

During our testwork over FFATA reporting, we noted that the Department for Children and Families (the Department) did not report 6 of 7 subgrants selected for testwork within the FSRS system as required.

***Cause***

The cause of the condition found is that the Department does not have sufficient written procedures in place to ensure that FFATA reporting requirements are met.

***Effect***

The effect of the condition found is that Department is not in compliance with the FFATA reporting requirements.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

***Questioned Costs***

None.

***Recommendation***

We recommend that the Department develop written procedures and implement controls to ensure to track the issuance date and amounts of all subawards to ensure that the all required FFATA reports are filed timely in accordance with federal regulations.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Management's Response and Corrective Action Plan***

The Department of Children & Families (DCF) agrees with the finding. However, DCF does have procedures in place within its contract unit to report efficiently and accurately. The above instances are oversites and will be corrected. For further corrective action, DCF staff will review its procedures and include a check for comparing FAIN numbers with grant dates on grant documents. Any discrepancies will be followed up with the originator of the grant agreement and DCF business office.

***Scheduled Completion Date of Corrective Action Plan***

June 30, 2014

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief, 802-871-3006

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
June 30, 2013

**Finding 2013-012**

U.S. Department of Housing and Urban Development

**Program Name and CFDA Number**

Emergency Solutions Grants Program (CFDA #14.231)

**Program Award Number and Year**

E-12-DC-50-0010                      7/1/2012 – 9/30/13

E-11-DC-50-0001                      7/1/2011 – 9/30/12

***Criteria***

A hard copy (or a pdf file if transmitted electronically) of the SF-425 report shall be submitted to the ESG recipient's local field office, which will review it for completeness and accuracy. The reporting frequency is the same as that previously required of the SF-272, i.e., quarterly. Quarterly FFRs must be submitted to the respective field office within 30 days after the end of the reporting period. The following reporting-period end dates shall be used for quarterly reports: 3/31, 6/30, 9/30, or 12/31.

***Condition Found***

During our testwork over the federal reporting process, we noted that the Agency of Human Services (the Agency) did not file the required quarterly SF-425 reports during the period of July 1, 2012 through June 30, 2013.

***Cause***

The cause of the condition found is that the Agency was unaware that the report was required to be filed.

***Effect***

The effect of the condition found is that the Agency is not in compliance with the financial reporting requirements.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal control.

***Questioned Costs***

None.

***Recommendation***

We recommend that the Agency develop written procedures to ensure that all federal grant award notices are reviewed to determine which federal reports are required to be filed so that all required reports are tracked to ensure that the reports are completed and submitted on a timely basis.

***Management's Response and Corrective Action Plan***

The DCF Business Office will put procedures into place to insure that SF-425 financial reporting requirement are met by designating an individual who will be responsible for the timely filing of the SF-425.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Scheduled Completion Date of Corrective Action Plan***

The SF-425 report due for March 31, 2014 will be timely filed.

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief, 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-013**

U.S. Department of Labor

**Program Name and CFDA Number**

WIA Cluster:

- WIA Adult Program (CFDA #17.258)
- WIA Youth Activities (CFDA #17.259)
- WIA Dislocated Worker Formula Grants (CFDA #17.278)

**Program Award Number and Award Year**

- AA-24125-13-55-A-50 4/1/13 6/30/16
- AA-22968-12-55-A-50 4/1/12 6/30/15
- AA-21428-11-55-A-50 4/1/11 6/30/14
- AA-20226-10-55-A-50 4/1/10 6/30/13

***Criteria***

A-102 Common Rule and OMB Circular A-110 (2 CFR par 215) require that nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. This includes establishing controls to provide reasonable assurance that only eligible individuals receive assistance under federal awards and the amounts provided to or on behalf of eligible individuals were calculated and are allowable in accordance with program requirements.

***Condition Found***

During our testwork over the State Department of Labor's (the Department) eligibility determination and benefit payment processes for the WIA Cluster, we noted that 1 of 40 participants lacked sufficient documentation to support that the participant was eligible to receive adult program services.

The Department indicated that this participant received public assistance benefits under other programs and as a result the participant was automatically eligible to receive services under the WIA Cluster. The Department provided a screen shot of an internal eligibility tracking system and a WIA form used by the case worker to document that the case worker had verified certain eligibility criteria, such as family size, income and the participants social security information. Both the screen shot and the WIA form had been signed by the case worker and the participant. Per review of the WIA form, the WIA form indicated that documentation to support the amounts verified was to be maintained within the participants file. We were unable to obtain this documentation and as a result, we were unable to reperform the eligibility determination performed by the case worker. In addition, while we noted that priority was given by the Department to those participants that receive public assistance under other programs, we were unable to verify that this resulted in an automatic eligibility determination for this program.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### ***Cause***

The cause of the condition found is due to a lack of supervisory review to ensure that eligibility determinations are adequately documented and that the case file is complete.

#### ***Effect***

The effect of the condition found is that payments could be made to participants that are not eligible to receive services resulting in unallowable costs being charged to the program.

This finding is considered to be systemic in nature and is considered to be a significant deficiency in internal controls.

#### ***Questioned Costs***

Not determinable.

#### ***Recommendation***

We recommend that the Department review its existing eligibility determination procedures to ensure that all required documentation to support its determinations is maintained in the participant case file. In addition, we recommend that the Department implement a quality control review process to ensure that case files are reviewed for accuracy and completeness.

#### ***Management's Response and Corrective Action***

I received documents that clearly indicate that the participant was eligible to receive Adult WIA services on the date that the participant was in the office, I have the WIA-1, signed by both the case manager & applicant, as well as the screen print, signed and dated by both, however, not exactly the ideal it is signed as true information and supporting document does verify that he met the eligibility criteria. This case was also during the time of former administration at VDOL & Management has been replaced in that office and clearly does review cases/files of all case managers.

WIA training has been done and formal training will be done again in Mid May 2014.

#### ***Scheduled Completion Date of Corrective Action Plan***

Mid-May 2014

#### ***Contact for Corrective Action Plan***

Rose Lucenti, Director Workforce Development VDOL, 802-828-4151

#### ***Rejoinder***

As part of our testwork, we were able to review an screen shot from within the eligibility tracking system which we were told was a WIA-1 form and a WIA form that was signed by the case manager and the applicant. We were unable to obtain the supporting documentation that was reviewed by the case worker as noted on the WIA form that was used to verify the participants eligibility requirements. As a result, we could not perform the eligibility determination.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-014**

U.S. Department of Transportation

**Program Name and CFDA Number**

Highway Safety Cluster:

- State and Community Highway Safety (CFDA #20.600)
- Alcohol Impaired Driving Countermeasures Incentive Grants I (CFDA #20.601)
- Occupant Protection Incentive Grants (CFDA #20.602)
- Safety Belt Performance Grant (CFDA #20.609)
- State Traffic Safety Information System Improvement Grants (CFDA #20.610)
- Incentive Grant Program to Increase Motorcyclist Safety (CFDA #20.612)
- Child Safety and Child Booster Seat Incentive Grants (CFDA #20.613)

**Program Award Number and Year**

PA-2012	10/1/11-9/30/12	PA-2013	10/1/12-9/30/13
OP-2012	10/1/11-9/30/12	OP-2013	10/1/12-9/30/13
PT-2012	10/1/11-9/30/12	PT-2013	10/1/12-9/30/13
TR-2012	10/1/11-9/30/12	TR-2013	10/1/12-9/30/13
K2-2012	10/1/11-9/30/12	K2-2013	10/1/12-9/30/13
K4-2012	10/1/11-9/30/12	K4-2013	10/1/12-9/30/13
K9-2012	10/1/11-9/30/12	K9-2013	10/1/12-9/30/13
K8-2012	10/1/11-9/30/12	K8-2013	10/1/12-9/30/13
K8PA-2012	10/1/11-9/30/12	K8PA-2013	10/1/12-9/30/13
K6-2012	10/1/11-9/30/12	K6-2013	10/1/12-9/30/13
K3-2012	10/1/11-9/30/12	K3-2013	10/1/12-9/30/13
164PA-2012	10/1/11-9/30/12	164PA-2013	10/1/12-9/30/13
164AL-2012	10/1/11-9/30/12	164AL-2013	10/1/12-9/30/13
164HE-2012	10/1/11-9/30/12	164HE-2013	10/1/12-9/30/13

**Criteria**

For *Incentive Grant Program to Increase Motorcyclist Safety* (CFDA 20.612), a State must maintain its aggregate expenditures from all other sources for motorcyclist safety training programs and motorcyclist awareness programs at or above the average level of such expenditures in fiscal years 2003 and 2004 (23 CFR part 1350).

For *Alcohol Impaired Driving Countermeasures Incentive Grants I* (CFDA 20.601), a State must maintain its aggregate expenditures from all other sources for alcohol traffic safety programs at or above the average level of such expenditures in fiscal years 2003 and 2004 (23 USC 410(a)(2)).

For *Occupant Protection Incentive Grants* (CFDA 20.602), a State must maintain its aggregate expenditures from all other sources for programs to reduce highway deaths and injuries resulting from individuals riding unrestrained or improperly restrained in motor vehicles at or above the average level of such expenditures in fiscal years 2003 and 2004 (23 USC 405(a)(2)).

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

For *State Traffic Safety Information System Improvements Grants* (CFDA 20.610), a State must maintain its aggregate expenditures from all other sources for highway safety data programs at or above the average level of such expenditures in fiscal years 2003 and 2004 (23 USC 408(e)(3)).

For *Child Safety and Child Booster Seat Incentive Grants* (CFDA 20.613), a State must maintain its aggregate expenditures from all other sources for child safety seat and child restraint programs at or above the average level of such expenditures in fiscal years 2003 and 2004 (Section 2011(b) of SAFETEA-LU).

#### ***Condition Found***

During our testwork over the level of effort requirement, we noted that the Department of Public Safety (the Department) does not track expenditures as required in order to ensure that it has maintained aggregate expenditures from all other sources at or above the level of such expenditures incurred in state fiscal years 2003 and 2004.

#### ***Cause***

The cause of the condition found is that the Department does not have a procedure in place to track and monitor the level of effort requirement.

#### ***Effect***

The effect of the condition found is that the Department may not meet the annual level of effort requirement and due to the lack of procedures would be unaware of the noncompliance.

The finding appears to be systematic and is considered to be a significant deficiency in internal controls.

#### ***Questioned Costs***

Not determinable.

#### ***Recommendation***

We recommend that the Department implement procedures to track and monitor expenditures annually each fiscal year for both state and local funds to ensure that it has met the annual level of effort requirement necessary to draw all federal funds awarded under this program.

#### ***Management's Response and Corrective Action***

DPS recognizes that tracking the Maintenance of Effort (MOE) is a requirement of the Highway Safety cluster. Highway Safety Programs cross many departments/agencies of State government, Municipal government, County Sheriffs, and non-profit organizations. It will be a labor intensive process to track the MOE of federal, state, local and in-kind sources across all of these entities in relation to Highway Safety Programs. In addition, it is difficult to establish a benchmark of the 2003-2004 level of expenditures of Highway Safety Programs that the MOE is measured against. We are currently in the process of working with our Federal Program Manager at the National Highway Traffic Safety Administration on MOE guidance so that we may become compliant with this requirement.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Scheduled Completion Date of Corrective Action Plan***

We are currently seeking guidance from our Federal Program Manager on best practices for monitoring MOE. We hope to have corrective action on this requirement by the close of the current federal fiscal year, 9/30/14.

***Contact for Corrective Action Plan***

Joanne Chadwick, Director of Administrative Services, 802-241-5496

Tracy O'Connell, Director of Grant Management Unit, 802-241-5574

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-015**

U.S. Department of Transportation

**Program Name and CFDA Number**

Highway Safety Cluster:

- State and Community Highway Safety (CFDA #20.600)
- Alcohol Impaired Driving Countermeasures Incentive Grants I (CFDA #20.601)
- Occupant Protection Incentive Grants (CFDA #20.602)
- Safety Belt Performance Grant (CFDA #20.609)
- State Traffic Safety Information System Improvement Grants (CFDA #20.610)
- Incentive Grant Program to Increase Motorcyclist Safety (CFDA #20.612)
- Child Safety and Child Booster Seat Incentive Grants (CFDA #20.613)

**Program Award Number and Year**

PA-2012	10/1/11-9/30/12	PA-2013	10/1/12-9/30/13
OP-2012	10/1/11-9/30/12	OP-2013	10/1/12-9/30/13
PT-2012	10/1/11-9/30/12	PT-2013	10/1/12-9/30/13
TR-2012	10/1/11-9/30/12	TR-2013	10/1/12-9/30/13
K2-2012	10/1/11-9/30/12	K2-2013	10/1/12-9/30/13
K4-2012	10/1/11-9/30/12	K4-2013	10/1/12-9/30/13
K9-2012	10/1/11-9/30/12	K9-2013	10/1/12-9/30/13
K8-2012	10/1/11-9/30/12	K8-2013	10/1/12-9/30/13
K8PA-2012	10/1/11-9/30/12	K8PA-2013	10/1/12-9/30/13
K6-2012	10/1/11-9/30/12	K6-2013	10/1/12-9/30/13
K3-2012	10/1/11-9/30/12	K3-2013	10/1/12-9/30/13
164PA-2012	10/1/11-9/30/12 164	PA-2013	10/1/12-9/30/13
164AL-2012	10/1/11-9/30/12 164	AL-2013	10/1/12-9/30/13
164HE-2012	10/1/11-9/30/12 164	HE-2013	10/1/12-9/30/13

**Criteria**

For *State and Community Highway Safety* (CFDA 20.600) – The State is required to contribute at least 20 percent, or the applicable sliding scale rate, as stated in the grant award, of the total cost of the program. The State is required to pay at least 50 percent of the costs for planning and administration (23 USC 120(b) and 402(d); 23 CFR section 1252.4).

For *Alcohol Impaired Driving Countermeasures Incentive Grants I* (CFDA 20.601), and *Occupant Protection Incentive Grants* (CFDA 20.602) States are required to match Federal funds at 25 percent for the first and second years, 50% for the third and fourth years, and 75% for the fifth and sixth years (23 USC 405 and 410; 23 CFR sections 1313.4(b) and 1345.4(a)).

For *Safety Belt Performance Grants* (CFDA 20.609) this program is 100% federally funded (23 USC 406(g)).

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

For *State Traffic Safety Information System Improvements Grants* (CFDA 20.610) and *Incentive Grant Program to Prohibit Racial Profiling* (CFDA 20.611) are 80% federally funded (Indian Nations and Territories are exempt from matching requirements and are 100% federally funded) (23 USC 408(e)(4); Section 1906(e)(2) of SAFETEA-LU).

For *Child Safety and Child Booster Seat Incentive Grants* (CFDA 20.613) – States are required to match Federal funds at 25% the first, second, and third years, and 50% the fourth year (Section 2011(c) of SAFETEA-LU).

Additional matching requirements may be specified in the grantee's highway safety plan to limit the maximum Federal share of an ambulance, helicopter, automated external defibrillators, or aircraft to 25%.

Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions). In order for costs to be acceptable for matching purposes, it must be verifiable from the nonfederal entity's records, not included as contributions for any other federally assisted project or program unless specifically allowed by federal program laws and regulations, are necessary and reasonable for proper and efficient accomplishment of program or program objectives, are allowed under the applicable cost principles, are not paid by the federal government under another award, except where authorized by federal statute to be allowable for cost sharing or matching, are provided for in the approved budget when required by the federal awarding agency, and conform to other applicable provisions of the A-102 Common Rule and OMB Circular A-110 and the laws, regulations, and provisions of contract or grant agreements applicable to the program.

#### ***Condition Found***

During our testwork over matching funds, we noted that the Department of Public Safety (the Department) used an indirect rate that has been disallowed by the National Highway Transportation Safety Agency (NHTSA) as one of its source of matching funds related to planning and administrative costs. As a result, it does not appear that the Department has met the necessary matching obligation.

#### ***Cause***

The cause of the condition found is that the Department does not have procedures and processes in place to ensure that it has sufficiently met its matching requirements from matching sources that are approved by NHTSA.

#### ***Effect***

The effect of the condition found is that Department has not met its matching obligation for its federal grants. As a result, it may have drawn down funds it was not eligible to receive as the required match was not provided.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

#### ***Questioned Costs***

Not determinable.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Recommendation***

We recommend that the Department review its existing procedures for tracking matching funds and continue to work with NHTSA to ensure it is tracking and documenting its source of matching funds in accordance with federal requirements and that the source of matching funds is allowable.

***Management's Response and Corrective Action***

DPS has been in constant contact with the National Highway Traffic Safety Administration (NHTSA) regarding the Planning and Administration Match. Up until 2012, our source of Planning & Administration Match had been accepted by NHTSA. During the 2012 Management Review of the Program, we were instructed that this source was no longer eligible. We offered a solution of using our federally approved indirect cost rate to meet the Match requirement. We have heard from our Federal Program Manager (verbally and thru email) that the NHTSA General Counsel will not accept our application of our federally-approved indirect rate as Match. We have asked for their ruling in writing. This request was made in November 2013. As of March 19, 2014, we have yet to receive a response. Once we receive their response in writing, we intend to file an official appeal.

***Scheduled Completion Date of Corrective Action Plan***

Awaiting an official ruling from NHTSA General Counsel

***Contact for Corrective Action Plan***

Joanne Chadwick, Director of Administrative Services, 802-241-5496

Tracy O'Connell, Director of Grant Management Unit, 802-241-5574

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-016**

U.S. Department of Education

**Program Name and CFDA Number**

Title I Cluster:

Title I Grants to Local Educational Agencies (CFDA #84.010)

**Program Award Number and Year**

S010A120045            7/1/2012 – 9/30/13

***Criteria***

A pass-through entity is responsible for:

- Monitoring the subrecipient’s use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that performance goals are achieved.
- Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

***Condition Found***

The Agency of Education (the Agency) enters into grant agreements with Local Education Agencies (LEAs) for the purposes of meeting the objectives of this program. As part of its subrecipient monitoring process, the Agency performs both fiscal and programmatic on-site monitoring reviews and reviews the subrecipients annual A-133 report. During our testwork over the Agency’s subrecipient monitoring process, we noted the following:

***Fiscal Monitoring Reviews***

- A. For 1 of 15 subrecipients selected for testwork, the Agency had not performed a fiscal monitoring review over the subrecipient within the last four years as required by the Agency’s fiscal monitoring policy.

***Programmatic Monitoring Reviews***

- B. For 2 of 15 subrecipients selected for testwork, the Agency had no record indicating the last time they had performed a programmatic monitoring visit and as a result, we were unable to verify that the subrecipient had been monitored.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

- C. For 2 of 15 subrecipients selected for testwork, the Agency had not performed a programmatic monitoring visit in the last 5 years as required by the Agency's programmatic monitoring policy.
- D. For 1 of 15 subrecipients selected for testwork, the Agency did not timely issue their programmatic monitoring report closure letter to the subrecipient. At the time of our testwork, 9 months after the monitoring visit, the monitoring report closure letter had not been issued.
- E. For 4 of 15 subrecipients selected for testwork, we noted that the programmatic monitoring report closure letters had not been sent due to the fact that there were unresolved issues with the programmatic monitoring visit that had been performed. At the time of our testwork, 6 months or more had passed since the programmatic monitoring visit had been performed.

#### *Review of A-133 Reports*

- F. For 1 out 15 subrecipients selected for testwork, an A-133 audit was not performed as required.
- G. For 1 of 15 subrecipients selected for testwork, an A-133 audit report was not received within 9 months of the reporting deadline. There was no documentation maintained to support that the Agency had followed up with the subrecipient concerning their delinquent reporting.

#### *Cause*

The cause of the condition found is due to a lack of written procedures to ensure that subrecipient monitoring activities related to during the award monitoring and review of A-133 reports are complete and performed consistently and timely.

#### *Effect*

The effect of the condition found is that instances of noncompliance with federal regulations applicable to the program at the subrecipient level may not be identified and corrected timely by the Agency.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

#### *Questioned Costs*

None.

#### *Recommendation*

We recommend the Agency review its existing fiscal and programmatic monitoring procedures and develop controls to ensure that all procedures are performed timely and are properly documented. The written procedures should ensure that all required documentation is compiled and maintained to support each monitoring visit and procedures performed and all A-133 reports are obtained and reviewed within the required time periods. A supervisory review should be conducted to ensure each file is complete prior to closure.

#### *Management's Response and Corrective Action Plan – Fiscal Monitoring Reviews*

We agree with and accept the finding. We choose to do on-site monitoring versus desk audits, and we choose to offer workshops throughout the year and intensive technical assistance on-site, and these activities arguably improve the quality of the fiscal monitoring at the expense of meeting an annual quota. Nonetheless we monitor

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

dozens of subrecipients in a six month period for fiscal compliance. FY 13 and FY 14 are the years in which we doubled the number of subrecipients we are monitoring in order to “catch up.”The subrecipient in question is scheduled to be monitored on May 14, 2014.

#### ***Scheduled Completion Date of Corrective Action Plan – Fiscal Monitoring Reviews***

Completion date for the LEA in question is May 14, 2014. By the end of FY 14, all monitoring will be on schedule.

#### ***Contact for Corrective Action Plan – Fiscal Monitoring Reviews***

Cathy Hilgendorf, Education Assistant Division Director, 802-479-7451

#### ***Management’s Response and Corrective Action Plan – Programmatic Monitoring Reviews***

Given current staffing, doing onsite, comprehensive monitoring for 12 LEAs each year is not possible and that is the number we would need to accomplish in a 5 year cycle. The current system of documenting progress on completion of monitoring works well. Some issues are not worked out within a 6 month time frame and we feel that is unrealistic. For instance, one of our common findings is that the NCLB required annual report card does not contain all the required elements. If they have just done their report card when we visit, we require a plan to make sure that the next one meets requirements but we do not close this out until the following year when we receive the next one. We feel it is cost and time prohibitive to ask schools to re-do what they have just done. We could close them out with just the plan but in the past, that has not proved effective in making sure the required changes are made.

We will revisit our policy and procedures for monitoring. We are proposing to change our process and cut the number of comprehensive onsite visits and do more focused issue monitoring as well as some focused desk reviews.

#### ***Scheduled Completion Date of Corrective Action Plan – Programmatic Monitoring Reviews***

We will make every effort to get most of the compliance issues complete within a 6-month timeframe. We will change our process by June 30, 2014.

#### ***Contact for Corrective Action Plan – Programmatic Monitoring Reviews***

Mary Mulloy, Education Programs Coordinator, 802-479-1226

#### ***Management’s Response and Corrective Action Plan – Review of A-133 Reports***

The delinquent audit was discussed several times with Supervisory Union personnel but documentation of phone conversations was not maintained.

Now that OMB has issued new federal regulations the Agency will be issuing new audit policies and procedures to ensure compliance with federal standards. These updated policies and procedures have already begun to be drafted and will be completed prior to the effective date of the new federal requirements.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Scheduled Completion Date of Corrective Action Plan – Review of A-133 Reports***

We will make every effort to get most of the compliance issues complete within a 6-month timeframe. We will change our process by June 30, 2014.

***Contact for Corrective Action Plan – Review of A-133 Reports***

Aaron Brodeur, Education Finance Manager, 802-479-1022

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
June 30, 2013

**Finding 2013-017**

U.S. Department of Education

**Program Name and CFDA Number**

Title I Cluster:

Title I Grants to Local Educational Agencies (CFDA #84.010)

**Program Award Number and Year**

S010A120045            7/1/2012 – 9/30/13

***Criteria***

The Department of Education provides Title 1, Part A, funds through each State Educational Agency (SEA) to local educational agencies (LEAs) through a statutory formula based primarily on the number of children ages 5 through 17 from low-income families.

If a State Educational Agency determines that a Local Educational Agency in the State is unable or unwilling to provide for the special educational needs of children who are living in institutions for neglected children as described in section 1124(C)(1)(B), the State Educational Agency shall, if such Agency assumes responsibility for the educational needs of such children, receive the portion of such local educational agency's allocation under sections 112, 112A, 1125 and 1125A that is attributable to such children.

***Condition Found***

During our testwork over subrecipient monitoring, we noted that for 1 of 15 subrecipients selected for testwork the subrecipient was not an LEA and was therefore not eligible to receive a Title 1 grant. Instead, the Agency of Education (the Agency) should have solicited a bid for services and entered into a contract for the services to be rendered.

***Cause***

The cause of the condition found is that Agency personnel utilized the incorrect agreement to enter into a service arrangement with the third party.

***Effect***

The effect of the condition found is the Agency is not in compliance with Title 1 requirements or Bulletin 3.5, the State of Vermont's procurement policy.

The finding appears to be isolated in nature and is considered to be a significant deficiency in internal controls.

***Questioned Costs***

Not determinable.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Recommendation***

We recommend the Agency review its procedures and implement controls to ensure that policies are established concerning the difference between grants and contracting for services so that only eligible entities receive a grant under this program.

***Management's Response and Corrective Action Plan***

This error will be corrected. We will approach the Supervisory Union about receiving a grant. If the Supervisory Union has changed their mind about accepting these funds, we will grant the funds to the Supervisory Union. If not, we will put the contract in place.

***Scheduled Completion Date of Corrective Action Plan***

This will be implemented immediately and finished by June 30, 2014.

***Contact for Corrective Action Plan***

Mary Mulloy, Education Programs Coordinator, 802-479-1226

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-018**

U.S. Department of Education

**Program Name and CFDA Number**

Special Education Cluster:

Special Education – Grants to States (CFDA #84.027)  
Special Education – Preschool Grants (CFDA #84.173)

**Program Award Number and Year**

H027A120098            7/1/2012 – 9/30/13  
H173A120106           7/1/2012 – 9/30/13

**Criteria**

A pass-through entity is responsible for:

- Monitoring the subrecipient’s use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that performance goals are achieved.
- Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

**Condition Found**

The Agency of Education (the Agency) enters into grant agreements with Local Education Agencies (LEAs) for the purposes of meeting the objectives of this program. As part of its subrecipient monitoring process, the Agency performs both fiscal and programmatic on-site monitoring reviews and reviews the subrecipients annual A-133 report. During our testwork over the Agency’s subrecipient monitoring process, we noted the following:

*Fiscal Monitoring Reviews*

- A. During our testwork over fiscal monitoring reviews, we noted that the Agency does not perform fiscal monitoring reviews over discretionary grants.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### *Programmatic Monitoring Reviews*

- B. For 3 of 4 programmatic monitoring reviews selected for testwork, there was no documentation maintained to support the monitoring procedures performed.

#### *Review of A-133 Reports*

- C. For 2 of 15 subrecipients selected for testwork, the Agency has not issued their management decision letter related to the annual audit within the required 6 months timeframe.
- D. For 1 of 15 subrecipients selected for testwork, the Agency had issued a management decision letter related to the annual audit, but the management decision letter was not issued within the 6 month required timeframe.
- E. For 1 of 15 subrecipients selected for testwork, the subrecipient annual audit report was not received within 9 months of the reporting deadline. There was no documentation maintained to support that the Agency had followed up with the subrecipient concerning their delinquent reporting.

#### *Cause*

The cause of the condition found is due to a lack of written procedures to ensure that subrecipient monitoring procedure activities related to during the award monitoring and review of A-133 reports are complete, and performed consistently and timely.

#### *Effect*

The effect of the condition found is that instances of noncompliance with federal regulations applicable to the program at the subrecipient level may not be identified and corrected timely by the Agency.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

#### *Questioned Costs*

None.

#### *Recommendation*

We recommend the Agency review its existing fiscal and programmatic monitoring procedures and develop controls to ensure that all procedures are performed timely and are properly documented. The written procedures should ensure that all required documentation is compiled and maintained to support each monitoring visit and procedures performed and all A-133 reports are obtained and reviewed within the required time periods. A supervisory review should be conducted to ensure each file is complete prior to closure.

#### *Management's Response and Corrective Action Plan – Fiscal Monitoring Reviews*

The grants were not monitored by the federal fiscal monitoring staff due to miscommunication: two teams of staff each thought the other team was covering the fiscal monitoring of those grants. However, following the premise of “substance over form”, these were in fact contracts even though the Agency used a grant format incorrectly. Therefore, the Agency may dispute that these contracts were even subject to grant subrecipient monitoring.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

This condition has been solved, because the Agency is no longer approving grants from the misnamed “discretionary” federal special education funds (our revenue codes 4227 and 4225). These funds are awarded under 20 USC § 1411(e)(2)(a) State-level activities and are not discretionary funds.

***Scheduled Completion Date of the Corrective Action Plan – Fiscal Monitoring Reviews***

None required – condition has been corrected.

***Contact for the Corrective Action Plan – Fiscal Monitoring Reviews***

Cathy Hilgendorf, Education Assistant Division Director, 802-479-7451

***Management’s Response and Corrective Action Plan – Programmatic Monitoring Reviews***

This condition has been solved, because the Agency is no longer approving grants from the misnamed “discretionary” federal special education funds (our revenue codes 4227 and 4225). These funds are awarded under 20 USC § 1411(e)(2)(a) State-level activities and are not discretionary funds.

***Scheduled Completion Date of Corrective Action Plan – Programmatic Monitoring Reviews***

None required – condition has been corrected.

***Contact for Corrective Action Plan – Programmatic Monitoring Reviews***

Karin Edwards, Division Director, 802-479-1407

***Management’s Response and Corrective Action Plan – Review of A-133 Reports***

The delinquent audit was discussed several times with Supervisory Union personnel but documentation of phone conversations was not maintained.

Now that OMB has issued new federal regulations the Agency will be issuing new audit policies and procedures to ensure compliance with federal standards. These updated policies and procedures have already begun to be drafted and will be completed prior to the effective date of the new federal requirements.

***Scheduled Completion Date of Corrective Action Plan – Review of A-133 Reports***

We will make every effort to get most of the compliance issues complete within a 6-month timeframe. We will change our process by June 30, 2014.

***Contact for Corrective Action Plan – Review of A-133 Reports***

Aaron Brodeur, Education Finance Manager, 802-479-1022

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-019**

U.S. Department of Education

**Program Name and CFDA Number**

Special Education Cluster:

Special Education – Grants to States (CFDA #84.027)

Special Education – Preschool Grants (CFDA #84.173)

**Program Award Number and Year**

H027A120098            7/1/2012 – 9/30/13

H173A120106           7/1/2012 – 9/30/13

***Criteria***

Allowable activities for State Educational Agencies are subgranting funds to Local Educational Agencies and State administration, and other State level activities.

***Condition Found***

During our testwork over payments made by the Agency of Education (the Agency), we noted that there was no documentation to support the Agency had approved or accepted funding application requests from all 4 discretionary grants selected for testwork.

***Cause***

The cause of the condition found is due to a lack of written procedures outlining the documentation that is required in approving discretionary grants for funding.

***Effect***

The effect of the condition found that the Agency may have inappropriately made a payment for unallowable costs.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

***Questioned Costs***

Not determinable.

***Recommendation***

We recommend the Agency review its existing procedures to ensure that all requests for funding are approved prior to authorizing a payment on behalf of a discretionary grant.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Management's Response and Corrective Action Plan***

This condition has been solved, because the Agency is no longer approving grants from the misnamed "discretionary" federal special education funds (our revenue codes 4227 and 4225). These funds are awarded under 20 USC § 1411(e)(2)(a) State-level activities and are not discretionary funds.

***Scheduled Completion Date of Corrective Action Plan***

None required – condition has been corrected.

***Contact for Corrective Action Plan***

Karin Edwards, Division Director, 802-479-1407

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-020**

U.S. Department of Education

**Program Name and CFDA Number**

Twenty-First Century Community Learning Centers (CFDA #84.287)

**Program Award Number and Year**

S287C120046            7/1/2012 – 9/30/13

***Criteria***

A pass-through entity is responsible for:

- Monitoring the subrecipient’s use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that performance goals are achieved.
- Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

***Condition Found***

The Agency of Education (the Agency) enters into grant agreements with Local Education Agencies (LEAs) for the purposes of meeting the objectives of this program. As part of its subrecipient monitoring process, the Agency performs both fiscal and programmatic on-site monitoring reviews and reviews the subrecipients annual A-133 report. During our testwork over the Agency’s subrecipient monitoring process, we noted the following:

***Programmatic Monitoring Visits***

- A. For 2 of 10 subrecipients selected for testwork, the programmatic monitoring file indicated that follow up items needed to be completed in order to finalize the programmatic monitoring visit, however the programmatic monitoring visit was performed over a year ago and no follow up actions have been recorded.
- B. For 5 of 10 subrecipients selected for testwork, there was no indication the corrective action plan submitted by the subrecipient had been accepted by the Agency.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

- C. For 1 of 10 subrecipients selected for testwork related to the Agency's independent and peer review process, we noted that a final letter was not sent to the subrecipient indicating that all funding conditions were met and that their application gained full approval.

#### *Review of A-133 Reports*

- D. For 2 of 10 subrecipients selected for testwork, the Agency did not issue a management decision letter related to the annual report within the required 6 month timeframe.
- E. For 1 of 10 subrecipients selected for testwork, the subrecipients annual audit report was not received within the 9 month filing deadline. There was no documentation to support that the Agency had followed up with the subrecipient concerning their delinquent reporting.
- F. For 1 of 10 subrecipients selected for testwork, the Agency was unaware if this subrecipient needed or had an A-133 audit performed. The Agency followed up when the missing report it brought to their attention.

#### *Cause*

The cause of the condition found is due to a lack of written procedures to ensure that subrecipient monitoring procedure activities related to during the award monitoring and review of A-133 reports are complete, and performed consistently and timely.

#### *Effect*

The effect of the condition found is that instances of noncompliance with federal regulations applicable to the program at the subrecipient level may not be identified and corrected timely by the Agency.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

#### *Questioned Costs*

None.

#### *Recommendation*

We recommend the Agency review its existing programmatic monitoring procedures and develop controls to ensure that all procedures are performed timely and are properly documented. The written procedures should ensure that all required documentation is compiled and maintained to support each monitoring visit and procedures performed and all A-133 reports are obtained and reviewed within the required time periods. A supervisory review should be conducted to ensure each file is complete prior to closure.

#### *Management's Response and Corrective Action Plan – Programmatic Monitoring Visits*

- A. As was stated as part of the audit process, monitoring finding are tracked in a spreadsheet and are completed on an iterative basis, completed when a cell states "done." This procedure has been revised to be more explicit, by noting details of the iterative process in a cell comment (this has been past practice to some degree).
- B. Acceptance will be tracked and noted in cell comments as stated above.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

- C. In the application process a new column has been added to the tracking spreadsheet to better track that there is documentation stated in writing that conditions have been accepted.

***Scheduled Completion Date of the Corrective Action Plan – Programmatic Monitoring Visits***

Corrective action has already been implemented as of March 19, 2014.

***Contact for the Corrective Action Plan – Programmatic Monitoring Visits***

Emanuel Betz, Education Consultant, 802-479-1396

***Management’s Response and Corrective Action Plan – Review of A-133 Reports***

The delinquent audit was discussed several times with Supervisory Union personnel but documentation of phone conversations was not maintained.

Now that OMB has issued new federal regulations the Agency will be issuing new audit policies and procedures to ensure compliance with federal standards. These updated policies and procedures have already begun to be drafted and will be completed prior to the effective date of the new federal requirements.

***Scheduled Completion Date of Corrective Action Plan – Review of A-133 Reports***

We will make every effort to get most of the compliance issues complete within a 6-month timeframe. We will change our process by June 30, 2014.

***Contact for Corrective Action Plan – Review of A-133 Reports***

Aaron Brodeur, Education Finance Manager, 802-479-1022

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-021**

U.S. Department of Education

**Program Name and CFDA Number**

Twenty-First Century Community Learning Centers (CFDA #84.287)

**Program Award Number and Year**

S287C120046            7/1/2012 – 9/30/13

***Criteria***

SEAs make awards to eligible entities that propose to serve:

- a. Students who primarily attend (1) schools eligible for schoolwide programs (40% or higher poverty) under section 1114 of the ESEA; or (2) schools that serve a high percentage of students from low-income families; and
- b. The families of such students (20 USC 7173(a) (3)).

***Condition Found***

The Agency of Education (the Agency) grants funds to subrecipients to carry out the purposes of the program. During our testwork over the Agency’s procedures to determine subrecipient eligibility, we noted the following:

- A. For 1 of 10 subrecipients selected for testwork, there was no date on the final eligibility approval letter and as a result we are unable to determine when the final eligibility approval decision was made, if it was made timely and if it was made prior the grant agreement being entered into.
- B. For 3 of 10 subrecipients selected for testwork, the application that is required to be completed by the subrecipient was missing the signed assurance page. As a result, the Agency was unable to provide support showing that the signed assurances were received and that the application reviewed by the Agency was complete.
- C. For 1 of 10 subrecipients selected for testwork, no final eligibility determination letter was sent to this subrecipient indicating that all the eligibility conditions were met and that the subrecipient application was approved. As a result, it is unclear if this subrecipient had been determined eligible to participate in the program.

***Cause***

The cause of the condition found is the lack of written procedures for determining subrecipient eligibility and the tracking of the eligibility documents required and received from applicants to ensure that applications are complete prior to determining subrecipient eligibility.

***Effect***

The effect of the condition found is the Agency may not receive all the required eligibility documents and may not be able to support the eligibility decisions made.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

***Questioned Costs***

None.

***Recommendation***

We recommend the Agency develop written procedures to ensure that the eligibility review process is consistently followed and that all eligibility decisions are properly documented. A quality control review should be implemented to help ensure that all required documentation is maintained within the subrecipient file and that the file is complete.

***Management's Response and Corrective Action Plan***

The findings are accepted.

- A. Eligibility approval is now made in a competition spreadsheet and marked clearly as "approved" or "not approved" for each submitted application. This practice was instituted for the 2014 competition.
- B. It is believed that the conditions found are for applications that came in prior to when the following procedure was implemented, which remains in effect, with additional controls put in place. The following is current practice as of the 2013-14 grant competition: All applications are only accepted in one electronic document that includes signatures. Signatures are checked immediately upon receipt of the application and tracked in a clearer column. For 2014, there was 100% signature compliance, as this was completed on February 7, 2014. Hard copies are no longer accepted.
- C. In the past conditions were met and then a grant award notice was sent. It was not stated explicitly in the grant award notice that all conditions had been met. It will now be stated explicitly in the award notice starting in the 2014 competition.

***Scheduled Completion Date of the Corrective Action Plan***

Corrective action has already been implemented as of March 19, 2014.

***Contact for the Corrective Action Plan***

Emanuel Betz, Education Consultant, 802-479-1396

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-022**

U.S. Department of Education

**Program Name and CFDA Number**

Twenty-First Century Community Learning Centers (CFDA #84.287)

**Program Award Number and Year**

S287C120046            7/1/2012 – 9/30/13

***Criteria***

A Local Educational Agency after timely and meaningful consultation with private school officials must provide equitable services to eligible private school children, their teachers and their families.

***Condition Found***

During our testwork over subrecipient monitoring, we noted that for 2 of 10 subrecipients selected for testwork, the signed assurance page for the application could not be located. As a result, we are unable to determine whether or not private school participation requirements were properly communicated to the subrecipient as required by federal regulations.

***Cause***

The cause of the condition found is due to the lack of written procedures for documenting, recording and retaining documents received from subrecipients to ensure all required documents are obtained from each subrecipient.

***Effect***

The effect of the condition found is the Agency of Education (the Agency) does not have sufficient documentation to show its efforts concerning private school participation for this program.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

***Questioned Cost***

None.

***Recommendation***

We recommend the Agency develop written procedures to ensure that all documents are received from the subrecipient and maintained by the Agency within the subrecipient file. A quality control review should be implemented to ensure that all subrecipient files are complete and contain the proper documentation to support its awarding decisions.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Management's Response and Corrective Action Plan***

The findings are accepted. It is believed that the conditions found are for applications that came in prior to when the following procedure was implemented, which remains in effect, with additional controls put in place. The following is current practice as of the 2013-14 grant competition: All applications are only accepted in one electronic document that includes signatures. Signatures are checked immediately upon receipt of the application and tracked in a bigger column. For 2014, there was 100% signature compliance, as this was completed on February 7, 2014. Hard copies are not accepted.

***Scheduled Completion Date of the Corrective Action Plan***

Corrective action has already been implemented as of March 19, 2014.

***Contact for the Corrective Action Plan***

Emanuel Betz, Education Consultant, 802-479-1396

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### **Finding 2013-023**

U.S. Department of Education

#### **Program Name and CFDA Number**

Improving Teacher Quality State Grants (CFDA #84.367)

#### **Program Award Number and Year**

S367A120043            7/1/2012 – 9/30/13

#### ***Criteria***

A pass-through entity is responsible for:

- Monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that performance goals are achieved.
- Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

#### ***Condition Found***

The Agency of Education (the Agency) enters into grant agreements with Local Education Agencies (LEAs) for the purposes of meeting the objectives of this program. As part of its subrecipient monitoring process, the Agency performs both fiscal and programmatic on-site monitoring reviews and reviews the subrecipients annual A-133 report. During our testwork over the Agency's subrecipient monitoring process, we noted the following:

#### ***Programmatic Monitoring Visits***

- A. For 2 of 15 subrecipients selected for testwork, the Agency did not have a record indicating the last time the subrecipient had had a programmatic monitoring visit. The Agency's internal policy requires that a programmatic monitoring visit be performed once every 5 years.
- B. For 2 of 15 subrecipients selected for testwork, the subrecipients had not had a programmatic monitoring visit performed in the last 5 years as required by the Agency's internal policy.
- C. For 1 of 15 subrecipients selected for testwork, the Agency did not issue a programmatic monitoring visit closure letter timely. At the time of our testwork, 9 months have passed since the program monitoring visit

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

has occurred and the closure letter has not been issued to the subrecipient to communicate the results of the program monitoring visit.

- D. For 4 of 15 subrecipients selected for testwork, we noted that programmatic monitoring report closure letters had not been sent due to the fact that there were unresolved issues with the programmatic monitoring visit that had been performed. At the time of our testwork, 6 months or more had passed since the programmatic monitoring visit had been performed.

*Review of A-133 Reports*

- E. For 4 of 15 subrecipients selected for testwork, the Agency did not issue a management decision letter related to the annual audit within the required 6 month timeframe.

**Cause**

The cause of the condition found is due to a lack of written procedures to ensure that subrecipient monitoring procedure activities related to during the award monitoring and review of A-133 reports are complete and performed consistently and timely.

**Effect**

The effect of the condition found is that instances of noncompliance with federal regulations applicable to the program at the subrecipient level may not be identified and corrected timely by the Agency.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

**Questioned Costs**

None.

**Recommendation**

We recommend the Agency review its existing programmatic monitoring procedures and develop controls to ensure that all procedures are performed timely and are properly documented. The written procedures should ensure that all required documentation is compiled and maintained to support each monitoring visit and procedures performed and all A-133 reports are obtained and reviewed within the required time periods. A supervisory review should be conducted to ensure each file is complete prior to closure.

**Management's Response and Corrective Action Plan – Programmatic Monitoring Visits**

We will revisit our policy and procedures for monitoring. We are proposing to change our process and cut the number of comprehensive onsite visits and do more focused issue monitoring as well as some focused desk reviews.

**Scheduled Completion Date of Corrective Action Plan – Programmatic Monitoring Visits**

June 30, 2014

**Contact for Corrective Action Plan – Programmatic Monitoring Visits**

M.C. Moran, Program Manager Professional Learning, 802-479-1205

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Management's Response and Corrective Action Plan – Review of A-133 Reports***

The Agency was unable to issue a management letter due to the district's failure to respond to Agency audit inquiries. Now that OMB has issued new federal regulations, the Agency will be issuing new audit policies and procedures to ensure compliance with federal standards. These updated policies and procedures have already begun to be drafted and will be completed prior to the effective date of the new requirements.

***Scheduled Completion Date of the Corrective Action Plan – Review of A-133 Reports***

We will make every effort to get most of the compliance issues complete within a 6-month timeframe. We will change our process by June 30, 2014.

***Contact for the Corrective Action Plan – Review of A-133 Reports***

Aaron Brodeur, Education Finance Manager, 802-479-1022

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-024**

U.S. Department of Education

**Program Name and CFDA Number**

Improving Teacher Quality State Grants (CFDA #84.367)

**Program Award Number and Year**

S367A120043            7/1/2012 – 9/30/13

***Criteria***

The amount that an Local Educational Agency (LEA) reserves for professional development of private school teachers and other staff under Title IIA must not be less than the aggregate amount of Fiscal Year (FY) 2001 funds that LEA used for professional development under the former Eisenhower Professional Development Program and Class Size Reduction Program (Section 9501(a) and (b)(3)(B) of ESEA (20 USC 7881 (a) and (b)(3); 34 CFR section 299.7)

***Condition Found***

During our testwork over subrecipient monitoring related to private school participation, we noted that the Agency of Education (the Agency) does not compare the LEAs total professional development expenses incurred for private school teachers and other staff with the amount incurred in FY 2001 to ensure that the minimum amount spent has been met as required by federal regulations.

***Cause***

The cause of the condition found is the Agency does not have information related to the FY 2001 incurred professional development expenses to use as a threshold to determine the minimum amount that is to be used annually.

***Effect***

The effect of the condition found is the Agency is unable to document that it has complied with the required calculation to ensure equitable distribution of funds for private schools.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

***Questioned Costs***

Not determinable.

***Recommendation***

We recommend the Agency implement procedures to obtain the FY 2001 amounts used for professional development and verify that LEAs are meeting the minimum thresholds required for their professional development of private school teachers and other staff.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### ***Management's Response and Corrective Action Plan***

The intent of the law is stated in Section 9501(b)(3)(A), “applies to funds awarded to a local educational agency under part A of Title II only to the extent that the local educational agency uses funds under that part to provide professional development to teachers and others.” In FY 2002 under NCLB, Class Size Reduction grants and Eisenhower Professional Development grants were merged into Title II, Part A. LEAs were still allowed to spend those funds on class size reduction as well as for professional development. Section 9501(b)(3)(B) was written to make sure that LEAs did not avoid providing private schools equitable services regarding professional development by increasing amounts spent on class size reduction. To accomplish that, LEAs could only deduct the amount they spent on class size reduction in 2001 from the new merged allocation no matter how much they actually spent on class size reduction.

In November of 2012, the Committee of Practitioners met and agreed with the then Vermont Department of Education to a new practice of limiting class size reduction strategies to only to those strategies that employ highly qualified educators to serve smaller instructional groups for sustained blocks of time for a specific content area on a regular basis. There are very few of these in grants last year and this year and in all cases drastically less than the amount of class size grants in FY 2001. The new formula that has been sent to the LEA, instructs them to use the total amount of IIA funds minus funds for administration, recruitment, and the mandatory expenditure of bringing non-HQT staff to HQT status to determine equitable participation. In effect, the AOE is instructing LEAs to use all of its Title II, Part A funds for the calculation of equitable services which exceeds the amount referred to in (B) and fully meets the intent in (A).

The SEA will notify all LEAs of the correct method to determine equitable service for professional development with Title II, Part A funds and provide technical and training as needed.

#### ***Scheduled Completion Date of the Corrective Action Plan***

By June 30, 2014

#### ***Contact for the Corrective Action Plan***

Mary Catherine Moran, Education Coordinator, 802-479-1205

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-025**

U.S. Department of Education

**Program Name and CFDA Number**

School Improvement Grants Cluster:

School Improvement Grants (CFDA #84.377)

ARRA – School Improvement Grants, Recovery Act (CFDA #84.388)

**Program Award Number and Year**

S388A090046A 2/17/2009 – 9/30/2013 (Recovery Act)

S377A090046A 7/1/09 – 9/30/13

**Criteria**

A pass-through entity is responsible for:

- Monitoring the subrecipient’s use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that performance goals are achieved.
- Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipient’s fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient’s audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient’s audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

**Condition Found**

The Agency of Education (the Agency) enters into grant agreements with Local Education Agencies (LEAs) for the purposes of meeting the objectives of this program. As part of its subrecipient monitoring process, the Agency performs both fiscal and programmatic on-site monitoring reviews and reviews the subrecipients annual A-133 report. During our testwork over the Agency’s subrecipient monitoring process, we noted the following:

*Fiscal Monitoring Visits*

- A. For 1 of 5 subrecipients selected for testwork, there was no indication that the school improvement grant funding had been reviewed as part of the fiscal monitoring visit other than a copy of the grant agreement contained within the file.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### *Programmatic Monitoring Visits*

- B. For 1 of 5 subrecipients selected for testwork, the programmatic monitoring files were missing at least one of the four required (1st quarter, mid-year, 3rd quarter, year-end) reports.
- C. For 3 of the 5 subrecipients selected for testwork, the required mid-year and/or year-end reports were delinquent and there was no indication that the Agency had followed up with the subrecipient on the delinquent reporting.

#### *Review of A-133 Reports*

- D. For 1 of 5 subrecipients selected for testwork, the management decision letter related to the annual report was issued but not within the 6 month required timeframe.
- E. For 2 of 5 subrecipients selected for testwork, the annual audit report was not received within 9 months of the reporting deadline. There was no documentation maintained to support that the Agency had followed up with the subrecipient concerning their delinquent reporting.

#### *Cause*

The cause of the condition found is due to a lack of written procedures to ensure that subrecipient monitoring procedure activities related to during the award monitoring and review of A-133 reports are complete, and performed consistently and timely.

#### *Effect*

The effect of the condition found is that instances of noncompliance with federal regulations applicable to the program at the subrecipient level may not be identified and corrected timely by the Agency.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

#### *Questioned Costs*

None.

#### *Recommendation*

We recommend the Agency review its existing fiscal and programmatic monitoring procedures and develop controls to ensure that all procedures are performed timely and are properly documented. The written procedures should ensure that all required documentation is compiled and maintained to support each monitoring visit and procedures performed and all A-133 reports are obtained and reviewed within the required time periods. A supervisory review should be conducted to ensure each file is complete prior to closure.

#### *Management's Response and Corrective Action Plan – Fiscal Monitoring Visits*

Our finance team practice (per our fiscal monitoring policy) is to monitor by subrecipient and not by grant; special education auditors cover all special education funding received by a specific subrecipient when the subrecipient is audited. When the non-SpEd federal fiscal monitoring team visits a subrecipient, all other federal grants are covered. In the case of this finding, the file contained copies of the school improvement grant (SIG) and SIG ARRA grants and those grants had been highlighted on the file subledger. We acknowledge that

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

although the Windsor Southeast SU file evidenced that the monitoring team covered internal controls, procurement practices, expenditure documentation, time & effort, etc., the file did not contain additional back-up evidence related specifically to school improvement grant funding.

In order to increase and improve the amount of monitoring evidence retained in our files, a new process has been established in the FY14 fiscal monitoring process. We are now establishing separate documentation files for each federal grant covered in a visit.

#### ***Scheduled Completion Date of the Corrective Action Plan – Fiscal Monitoring Visits***

Completed for all subrecipients subject to fiscal monitoring in FY 14 forward.

#### ***Contact for the Corrective Action Plan – Fiscal Monitoring Visits***

Cathy Hilgendorf, Education Assistant Division Director, 802-479-7451

#### ***Management's Response and Corrective Action Plan – Programmatic Monitoring Visits***

Based on the recommendation of the Monitoring Team the following will occur:

- Supervisors will review documentation expectations with subordinates
- In monitoring implementation of school improvement grants each on-site meeting will be documented on the Agency's monitoring report form
- An electronic copy of the completed monitoring report form will be saved to the Agency's public files
- In situations where phone meetings occur related to monitoring of activities an electronic copy of the meeting information will be included on the monitoring report form and will be saved to the Agency's public files
- In situations where monitoring occurs via email exchanges an electronic copy of the email threads will be included on the monitoring report form and will be saved to the Agency's public files

Following the completion of the fiscal year each supervisor will review subordinate files to ensure compliance with procedures.

#### ***Scheduled Completion Date of the Corrective Action Plan – Programmatic Monitoring Visits***

May 1, 2014

#### ***Contact for the Corrective Action Plan – Programmatic Monitoring Visits***

Tom Alderman, Director ISL Secondary – Adult Division, 802-479-1265

Karin Edwards, Director ISL PreK-Middle Division, 802-479-1407

#### ***Management's Response and Corrective Action Plan – Review of A-133 Reports***

The delinquent audit was discussed several times with Supervisory Union personnel but documentation of phone conversations was not maintained.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Now that OMB has issued new federal regulations the Agency will be issuing new audit policies and procedures to ensure compliance with federal standards. These updated policies and procedures have already begun to be drafted and will be completed prior to the effective date of the new federal requirements.

***Scheduled Completion Date of Corrective Action Plan – Review of A-133 Reports***

We will make every effort to get most of the compliance issues complete within a 6-month timeframe. We will change our process by June 30, 2014.

***Contact for Corrective Action Plan – Review of A-133 Reports***

Aaron Brodeur, Education Finance Manager, 802-479-1022

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### **Finding 2013-026**

U.S. Department of Education

#### **Program Name and CFDA Number**

School Improvement Grants Cluster:

School Improvement Grants (CFDA #84.377)

ARRA – School Improvement Grants, Recovery Act (CFDA #84.388)

#### **Program Award Number and Year**

S388A090046A 2/17/2009 – 9/30/2013 (Recovery Act)

S377A090046A 7/1/09 – 9/30/13

#### **Criteria**

*Level of effort* includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.

- a. *Title I Tier I, Tier II, and Tier III schools.* An LEA that uses SIG funds to serve one or more Title I Tier I, Tier II, or Tier III schools that operate a schoolwide program, may use SIG funds only to supplement the amount of non-Federal funds that the school would otherwise have received if it were not operating the schoolwide program, including those funds necessary to provide services required by law for students with disabilities and limited English proficient students. Tier I and Tier II schools must operate a schoolwide program to implement one of the SIG school intervention models. However, a school does not need to identify particular children as eligible to participate or demonstrate that SIG funds are used only for activities that supplement those the school would otherwise provide with non-Federal funds (Sections 1114(a)(2)(A)(ii) and (B) of ESEA (20 USC 6314(a)(2)(A)(ii) and (B))).
- b. If an LEA uses SIG funds to serve a Title I Tier III school that operates a targeted assistance program (i.e., a Tier III school that does not implement one of the four school intervention models), the supplement not supplant requirement in section 1120A(b) of ESEA does not apply to the use of SIG funds because they are not funds received under Title I, Part A (CFDA 84.010).
- c. *Non-Title I Tier I, Tier II, and Tier III schools.* An LEA that uses SIG funds to serve one or more Tier I, Tier II, or Tier III schools that do not receive Title I, Part A funds must ensure that each such school receives all of the State and local funds it would have received in the absence of the SIG funds (Section II.A.6 of SIG final requirements).

#### **Condition Found**

During our testwork over the level of effort requirement related to supplement not supplant, we noted that while the Agency of Education (the Agency) worked with each subrecipient to ensure the School Improvement Grant funds would not supplant any other funding before the grant was issued, no documentation was maintained in the subrecipient files to support that this review had taken place or to support the Agency' monitoring procedures to ensure that the subrecipient continued to meet this requirement.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Cause***

The cause of the condition found is the lack of documentation over the review of the supplement not supplant requirement.

***Effect***

The effect of the condition found is the Agency may have inadvertently granted funds to a subrecipient whom is using grant funds in a way that is not in compliance with federal regulations since the Agency does not continually monitor the requirement nor document their review.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal control.

***Questioned Costs***

Not determinable.

***Recommendation***

We recommend the Agency review its procedures to ensure that the Agency properly documents all of its monitoring procedures performed over its subrecipients, including monitoring over supplanting requirements.

***Management's Response and Corrective Action Plan***

Based on the recommendation from the monitoring team, the AOE School Improvement Program will develop a checklist for reviewing school improvement grants which will include supplanting requirements

***Scheduled Completion Date of the Corrective Action Plan***

May 1, 2014

***Contact for the Corrective Action Plan***

Tom Alderman, Director ISL Secondary – Adult Division, 802-479-1265

Karin Edwards, Director ISL PreK-Middle Division, 802-479-1407

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-027**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Aging Cluster:

Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (CFDA #93.044)

Special Programs for the Aging – Title III, Part C – Nutrition Services (CFDA #93.045)

Nutrition Services Incentive Program (CFDA #93.053)

**Program Award Number and Year**

12AAVTT3SP	10/1/2011 – 9/30/12
12AAVTNSIP	10/1/2011 – 9/30/12
13AAVTT3SP	10/1/2012 – 9/30/13
13AAVTNSIP	10/1/2012 – 9/30/13

***Criteria***

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS. Subawards are to be reported no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

***Condition Found***

During our testwork over Federal Funding Accountability and Transparency Act (FFATA) reporting, we noted that all 3 subawards selected for testwork were reported in the FSRS system 23 months beyond the required reporting date.

***Cause***

The cause of the condition found was due to the lack of controls and procedures within the Department of Ageing and Independent Living (the Department) to ensure timely review and submission of subawards to the FSRS site.

***Effect***

The effect of the condition found is that FFATA reports were not filed timely.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

***Questioned Costs***

None.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Recommendation***

We recommend that the Department develop controls and procedures to track the issuance of date and amounts of all subawards to ensure that the all required FFATA reports are filed timely in accordance with federal regulations.

***Management's Response and Corrective Action Plan***

DAIL agrees with this finding. Action has already been taken action to become “up-to-date” in the FSRS system prior to the conclusion of this audit. Tom McGlenn, part of our business office was given this responsibility. We feel moving this task to a different position will ensure a timely reporting. He has been trained on how to enter data in the federal system and his name was given to Paula LeFebvre (AHS CO FFATA lead) as DAIL’s new FFATA contact. Paula has already come over once to sit down and discuss various FFATA issues with Tom and myself. We have also made a change to our grants tracking process. Cindy Schaeffer, our grants and contracts manager, will now notify Tom immediately of any new sub-recipient grants that have been checked off as FFATA reportable. This will help ensure that this information is entered timely into the system.

***Scheduled Completion Date of Corrective Action Plan***

Corrective Action Plan was implemented prior to this audit of our department’s FSRS registry process. Plan is completed.

***Contacts for Corrective Action Plan***

Jim Euber, DAIL Financial Director II

Rob Roberts, AHS Audit Chief, 208 Hurricane Lane, Williston, Vermont, 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-028**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

State Planning and Establishment Grants for the Affordable Care Acts (ACA)'s Exchanges (CFDA #93.525)

**Program Award Number and Year**

6HBEIE120080-01-05	11/29/11 – 8/27/13
6HBEIE130147-01-01	1/16/13 – 1/15/14

**Criteria**

Per CFR Part 92.36, States are required to follow their own procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable federal law and the standards identified in 45 CFR Part 92.36. As part of the Federal Cooperative Agreement, substantial federal involvement with the State is anticipated during performance, as such the Center for Medicaid Services (CMS) purpose is to support the State's activities and work jointly in the State in a partnership role. CMS will want to review vendor proposal to provide feedback and engage in discussion with the State.

**Condition Found**

As part of the development and implementation of the State of Vermont Health Care Exchange, the Department of Vermont Health Access (the Department) entered into contracts with third parties to assist with the project.

During our testwork over the procurement process, we noted the following:

- A. For 1 of 25 contract payments selected for testwork, the payment included a reimbursement for subcontractor costs related to services performed within the ad hoc section of the contract. The contract however did not include any provisions as to the types of rates that would be used to pay for the subcontractor services. As a result, an agreed upon rate was established outside the contract that existed at the time. While the contract was subsequently amended to address this issue, it is unclear as to whether or not the rate used at the time of this contract payment was appropriate.
- B. For 1 of 11 contracts reviewed, the contract contained an amendment that was approved by CMS, however the amount of the amendment that CMS approved was different than what the actual contract was amended to.

**Cause**

The cause of the condition found is primarily due to deficiencies within the review and approval process related to contracts.

**Effect**

The effect of the condition found is that costs were incurred under this program that may not be reasonable or appropriate given the payment structure of the contract or amounts could have been paid in excess of what was approved by CMS.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

#### ***Questioned Costs***

Not determinable.

#### ***Recommendation***

We recommend that the Department review its existing procedures for monitoring contracts and ensure that amounts that require approval from CMS are correctly included within the contract. In addition, contracts should be monitored to ensure if ad hoc services are to be provided as needed, the contract addresses how such services will be paid prior to incurring a payment for such services.

#### ***Management's Response and Corrective Action Plan***

A – Although DVHA agrees the ad hoc section of this agreement could have been better defined, and the documentation for agreeing to the services and the rate could have been better structured, we disagree that the total amount for the contract could have exceeded CMS approval, or that the rate may not be appropriate. The AHS PMO governance structure was used to approve the services received under this section and the rate was vetted through the PMO director and VHC business lead. The rate agreed to and paid, was in fact, at the lower end of the rates that were stated for the nonad hoc section of the agreement. In addition, DVHA recognized and acknowledged this additional documentation need as soon as the first ad hoc services were rendered and immediately put in place a short term monitoring approval process while an amendment to document and institutionalize a more robust process within the contract language could be developed.

B – This was clerical oversight by both CMS and SOV. The PMO used a concurrent review process to seek both state and federal approval for this agreement, during the state review a mathematical error was discovered in the payment provision section which affected the total amount of the agreement calculation. The maximum amount of the contract was immediately adjusted and sent to CMS. The payment table and payment provisions remained the same in both the original submission and revised submission, only the mathematical computation of the contract maximum changed. Unfortunately, CMS issued their approval based on the initial maximum in error, and SOV staff did not notice. Subsequently CMS acknowledged in an email clarification that they did in fact approve the corrected maximum amount.

#### ***Scheduled Completion Date of Corrective Action Plan***

A – Amendment #3 was executed on 11/26/13 to require all agreed upon ad hoc work to be reduced to writing in a task order to be signed by both parties and the business office, this will ensure both work product and price comply with contract scope and will not exceed the maximum amount of the contract.

B – Immediately – The PMO procurement staff, including DVHA contracting staff, will ensure to verify the amounts on the approval letter to the actual contract and reconciling and differences before executing the contract.

#### ***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-029**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

State Planning and Establishment Grants for the Affordable Care Acts (ACA)'s Exchanges (CFDA #93.525)

**Program Award Number and Year**

6HBEIE120080-01-05	11/29/11 – 8/27/13
6HBEIE130147-01-01	1/16/13 – 1/15/14

**Criteria**

A hard copy (or a pdf file if transmitted electronically) of the SF-425 report shall be submitted annually. The reporting frequency is the same as that previously required of the SF-269. Along with the annual report a final report is required to be filed for each grant. Annual federal financial reports must be submitted to the respective field office within 90 days after the end of the reporting period.

**Condition Found**

During our testwork over federal reporting we noted the following:

- A. The Agency of Human Services (the Agency) did not submit the Level 1 establishment grant SF-425 until January 2014, subsequent to our inquiry as to the status of the SF-425 report. The SF-425 report was due on February 28, 2013.
- B. The Agency did not submit the Level 2 establishment grant SF-425 which was due on September 22, 2013.

**Cause**

The cause of the condition found was due to a misunderstanding of the reporting requirements required for both the Level 1 and Level 2 establishment grants.

**Effect**

The effect of the condition found is that the Agency did not properly submit federal reports as outlined within the notice of awards for this program.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

**Questioned Costs**

None.

**Recommendation**

We recommend that the Agency review its existing Notice of Awards for this program and determine the types and frequency of each reporting requirement. Once this is completed, procedures and controls should be put in place to ensure that all required federal reports are prepared and submitted on a timely basis.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Management's Response and Corrective Action Plan***

AHS agrees with the finding.

As noted in the finding, SF 425 for Level I was filed late and SF 425 for Level 2 was not filed due to confusion of reporting requirements and procedures. AHS will review its procedures and confirm reporting deadlines with the Federal Awarding agency.

***Scheduled Date of Completion of Corrective Action Plan***

June 30, 2014

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-030**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

TANF Cluster:

Temporary Assistance for Needy Families (CFDA #93.558)

**Program Award Number and Year**

1302VTTANF	10/1/2012 – 9/30/13
1202VTTANF	10/1/2011 – 9/30/12

**Criteria**

The State or Tribal Plan provides the specifics on how eligibility is determined in each State or tribal service area. Whenever used in this section, “assistance,” has the meaning in 45 CFR section 260.31(a) of the Temporary Assistance for Needy Families (TANF) regulations for States and 45 CFR section 286.10 of the tribal TANF regulations for federally recognized Tribes operating an approved tribal TANF program.

Grantees are required to provide reasonable assurance that only eligible individuals and organizations receive assistance under Federal award programs, that subawards are made only to eligible subrecipients, and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements

Each State shall participate in the Income Eligibility and Verification System (IEVS) required by section 1137 of the Social Security Act as amended. Under the State Plan the State is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies. Specifically, the State is required to request and obtain wage information from the State Wage Information Collection Agency (SWICA) should be obtained for all applicants at the first opportunity following receipt of the application, and for all recipients on a quarterly basis (42 USC 1320b-7; 45 CFR section 205.55) 42 USC 1320b-7; 45 CFR section 205.55).

**Condition Found**

During our testwork over the eligibility process for the TANF program, we noted the following:

- A. 3 of 40 cases selected for testwork lacked documentation to support the amount of shelter expense that was used in the eligibility process and to calculate the eligible benefit payment paid.
- B. 2 of 40 cases selected for testwork lacked a completed and signed “Child and Medical Support Authorization and Application for Services from the Office of Child Support” form, filed by participant households that contain children with absent parent(s), who owe child support for the child(ren) of the household. This form authorizes the state to offset the grant amount by child support received. As a result, we were unable to conclude that the benefit amount paid for these participants was accurate.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

- C. 1 of 40 cases selected for testwork lacked documentation to support that a Family Development Plan (FDP) was in place and that the participant was in compliance with the FDP. As a result, we were unable to conclude that the calculation of the benefit payment was accurate.
- D. 2 out of 40 cases selected for testwork lacked documentation to support the amount of reported self employment income used to calculate benefit payment.
- E. The Economic Services Division of the Department for Children and Families (the Department) utilizes the ACCESS system, the State of Vermont's benefit eligibility maintenance system, to determine eligibility for the program. After the eligibility specialist enters financial information into the ACCESS system, ACCESS determines whether or not the applicant is eligible for benefits as well as the amount of benefits the participant is eligible for. The Department does not perform a supervisory review or quality control inspection review over the determinations performed by the ACCESS system in order to ensure that the ACCESS system is operating correctly or that the data entered into the ACCESS system by the eligibility specialist was data entered correctly. Instead, the Department relies on the information technology (IT) controls embedded within the ACCESS system.

During the year ending June 30, 2012, a test of design related to the IT general control environment of the ACCESS system was performed. As part of this review, a number of control deficiencies were identified related to access to program data, change management, and computer operations. As a result of the control deficiencies, a test of operating effectiveness of IT general controls or application controls specific to the TANF program could not be performed. During the period ending June 30, 2013, several inquiries were made with the Department and it was noted that the control deficiencies identified during the review for the year ending June 30, 2012 had not been corrected. As a result, we are unable to test the application controls specific to the TANF program contained within the ACCESS system.

#### *Cause*

The cause of the condition as noted above is that the Department relies completely on the ACCESS system and does not perform an independent review to ensure that the data entered into the ACCESS system is accurate and that the ACCESS system has determined benefit eligibility determinations correctly. Periodic eligibility reviews are performed by the Department in order to ensure continued eligibility for all participants, however the review focuses on a prospective eligibility determination and not a retrospective review to see if the prior determination was accurate. In addition, the Department has continued to experience increases in the caseload being reviewed by the State and a reduction in case managers for this program as a whole.

#### *Effect*

The effect of the condition found is that errors in eligibility or the calculation of a benefit amount could occur and the Department does not have a mechanism in place to timely identify errors made.

The finding appears to be systemic in nature and is considered to be a material weakness in internal control.

#### *Questioned Costs*

Not determinable.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### ***Recommendation***

We recommend that the Department review its procedures and implement controls to ensure that a quality control review is performed over the eligibility determinations made by the ACCESS system in order to verify that such eligibility determinations are accurate and the benefit payment amounts are appropriate. This would include procedures to ensure that the data entered into the ACCESS system that is used to determine eligibility is accurate and properly supported with external documentation. In addition, we recommend that the Department review the internal control deficiencies related to the ACCESS system identified during the period ending June 30, 2012 and take appropriate actions to ensure that all deficiencies related to access to program data, change management, and computer operations are resolved in order to ensure the integrity of the data maintained within the ACCESS system.

#### ***Management's Response and Corrective Action Plan***

The Department of Children & Families agrees with the finding and will take the following actions:

1. The lack of shelter verification. All eligibility staff will receive an online training via Camtasia that focuses on what documentation must be obtained before Reach Up can be granted which will include that shelter must be verified to be listed as an expense in the budget. The supervisors will proctor this training and keep an attendance list. This will be completed by May 30, 2014.
2. The lack of "Child and Medical Support Authorization" forms (137's) is being addressed by a new standard operating procedure where staff will be expected to send the 137's electronically to the Office of Child Support the day the case is granted. The online training focused on documentation needed, will also include this as an area of focus. This will be completed by May 30, 2014.
3. Lack of family development plan. Case managers and team leaders will be provided with an online training via Camtasia that focuses on the importance of having a current family development plan for each participant. Quarterly, case managers will need to go through every case file and report to their team leader they have a current fdp on each case. This will be completed and implemented by May 30, 2014.
4. Lack of self-employment verification. All staff will receive an online training via Camtasia that focuses on how self-employment income is to be calculated. The supervisors will proctor this training and keep an attendance list. This will be completed and implemented by May 30, 2014.

In response to all of the findings, supervisors and team leaders will continue to complete supervisory case reviews.

#### ***Scheduled Date of Completion of Corrective Action Plan***

May 20, 2014

#### ***Contacts for Corrective Action Plan:***

Miranda Gray, Department For Children & Families 769-6263

Rob Roberts, AHS Audit Chief 871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-031**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

TANF Cluster:

Temporary Assistance for Needy Families (CFDA #93.558)

**Program Award Number and Year**

1302VTTANF	10/1/2012 – 9/30/13
1202VTTANF	10/1/2011 – 9/30/12

**Criteria**

The State Agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In doing so, it must have in place procedures to (a) determine whether its work activities count for participation rate purposes; (b) determine how to count and verify hours of reported work; (c) identify who is a work-eligibly individual; and (d) control internal data transmission and accuracy. Each State agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent and not more than five percent of the SFAG for violation of this provision (42 USC 601, 602, 607, and 609); CFR sections 261.60, 261.61, 261.62, 261.63, 261.64 and 261.65).

Grantees are required to establish internal control to ensure compliance with its Work Verification Plan.

**Condition Found**

The Department for Children and Families (the Department) uses a statistical sampling plan to randomly select 100 Temporary Assistance for Needy Families (TANF) cases per month for a work verification review. The sample, made up of both on-going two parent family and other family (i.e. single or absent parent) cases is selected on the 15<sup>th</sup> day of the following month. Each sampled case is verified for accuracy of work or work-related activity hours reported. This verification is done via a match of the hours reported in the State's eligibility management system, ACCESS, and supporting documentation collected from TANF participants by the District Offices (i.e. paystubs). This match is recorded monthly in a large Excel spreadsheet, noting the match results for each selection, organized by district.

In order to ensure that the work verification process is accurate and verified in accordance with the Work Verification Plan, we selected a sample of 40 cases over the State fiscal year and re-performed the process. During our testwork we noted that while the Department appeared to be in compliance with its Work Verification Plan, for 3 of 12 months reviewed, the work verification procedures were not performed in a timely manner. While the Work Verification Plan does not indicate a specified time period in which the procedures are to be performed, we noted that the last 3 months of the year were not performed timely (within a month of the cases being selected), with one month having been completed with an approximate 4 month delay.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Cause***

The cause of the condition found was due to the State not collecting and processing work verification data on a timely basis primarily due to reductions in staffing levels within the department.

***Effect***

The effect of the condition found is that inaccurate work hours could be reported by TANF participants, which could further result in an improper calculation of the state's work participation rates, as required for federal reporting and the department would not be able to detect the error timely.

This finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

***Questioned Costs***

None.

***Recommendation***

We recommend that the Department review its existing procedures and controls surrounding the completion of monthly work verification procedures to ensure that work and work-related activity hours are properly and accurately reported in a timely and consistent manner to help ensure that the Department is compliance with federal regulations.

***Management's Response and Corrective Action Plan***

The Department agrees with the finding. The Department will review existing procedures to address timeliness and affects of existing staff levels. Reach Up central office will ensure that each sample is reviewed within 30 days of sample receipt. This will be completed by April 30, 2014.

Supervisors and team leaders will also continue to complete supervisory case reviews.

***Scheduled Date of Completion of the Corrective Action Plan***

April 30, 2014

***Contacts for the Corrective Action Plan***

Miranda Gray, Department for Children & Families 769-6263

Rob Roberts, AHS Audit Chief 871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-032**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Low Income Home Energy Assistance (CFDA #93.568)

**Program Award Number and Year**

G-13B1VTLIEA 10/1/12-9/30/14

G-12B1VTLIEA 10/1/11-9/30/13

***Criteria***

Grantees may provide assistance to: (a) households in which one or more individuals are receiving Temporary Assistance for Needy Families (TANF), Supplemental Security Income (SSI), Supplemental Nutrition Assistance Program (SNAP) benefits, or certain needs-tested veterans benefits; or (b) households with incomes which do not exceed the greater of 150% of the State's established poverty level, or 60% of the State median income. Grantees may establish lower income eligibility Criteria, but no household may be excluded solely on the basis of income if the household income is less than 110% of the State's poverty level. Grantees may give priority to those households with the highest home energy costs or needs in relation to income (42 USC 8624(b)(2)).

Grantees are required to provide reasonable assurance that only eligible individuals and organizations receive assistance under Federal award programs, that subawards are made only to eligible subrecipients, and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements

***Condition Found***

The Economic Services Division of the Department for Children and Families (the Department) utilizes the ACCESS system, the State of Vermont's benefit eligibility maintenance system, to determine eligibility for the Low Income Home Energy Assistance Program (LIHEAP). After the eligibility specialist enters financial information into the ACCESS system, ACCESS determines whether or not the applicant is eligible for benefits as well as the amount of benefits the participant is eligible for. The Department does not perform a supervisory review or quality control inspection review over the determinations performed by the ACCESS system in order to ensure that the ACCESS system is operating correctly or that the data entered into the ACCESS system by the eligibility specialist was data entered correctly. Instead, the Department relies on the information technology (IT) controls embedded within the ACCESS system.

During the year ending June 30, 2012, a test of design related to the IT general control environment of the ACCESS system was performed. As part of this review, a number of control deficiencies were identified related to access to program data, change management, and computer operations. As a result of the control deficiencies, a test of operating effectiveness of IT general controls or application controls specific to the LIHEAP program could not be performed. During the period ending June 30, 2013, several inquiries were made with the Department and it was noted that the control deficiencies identified during the review for the year ending June 30, 2012 had not been corrected. As a result, we are unable to test the application controls specific to the LIHEAP program contained within the ACCESS system. While there were no errors noted within the 40 items selected for testwork, we are unable to conclude that there are adequate controls in place surrounding the

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

eligibility determination process for this program and we were unable to rely on the IT controls due to the control deficiencies.

#### ***Cause***

The cause of the condition as noted above is that the Department relies completely on the ACCESS system and does not perform an independent review to ensure that the data entered into the ACCESS system is accurate and that the ACCESS system has determined benefit eligibility determinations correctly. In addition, the Department has continued to experience increases in the caseload being reviewed by the State and a reduction in case managers for this program as a whole.

#### ***Effect***

The effect of the condition found is that errors in eligibility or the calculation of a benefit amount could occur and the Department does not have a mechanism in place to identify errors made.

The finding appears to be systemic in nature and is considered to be a material weakness in internal control.

#### ***Questioned Costs***

None.

#### ***Recommendation***

We recommend that the Department review its procedures and implement controls to ensure that a quality control review is performed over the eligibility determinations made by the ACCESS system in order to verify that such eligibility determinations are accurate and the benefit payment amount is appropriate. This would include procedures to ensure that the data entered into the ACCESS system that is used to determine eligibility is accurate and properly supported with external documentation. In addition, we recommend that the Department review the internal control deficiencies related to the ACCESS system identified during the period ending June 30, 2012 and take appropriate actions to ensure that all deficiencies related to access to program data, change management, and computer operations are resolved in order to ensure the integrity of the data maintained within the ACCESS system.

#### ***Management's Response and Corrective Action Plan***

ESD will develop a standard operating procedure that regularly reviews a representative sample of fuel cases (granted and denied) for both eligibility and benefit amount. The sample will be statistically equal to that required for 3SqsVT. ESD staff responsible for the reviews will be the same ones undertaking the reviews for 3SqsVT.

#### ***Scheduled Completion Date of Corrective Action Plan***

June 1, 2014

#### ***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief, 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-033**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Low Income Home Energy Assistance (CFDA #93.568)

**Program Award Number and Year**

G-13B1VTLIEA 10/1/12-9/30/14

G-12B1VTLIEA 10/1/11-9/30/13

***Criteria***

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS. Subawards are to be reported no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

***Condition Found***

During our testwork over Federal Funding Accountability and Transparency Act (FFATA) reporting, we noted the following:

- A. 1 of 3 subgrant awards tested was entered into the FSRS system 6 months after the required 30 day reporting deadline.
- B. 2 of 3 subgrant awards tested were not entered into the FSRS system as required.

***Cause***

The cause of the condition found was due to the lack of procedures within the Department for Children and Families (the Department) to ensure timely review and submission of subawards to the FSRS site.

***Effect***

The effect of the condition found is that FFATA reports were not filed timely.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

***Questioned Costs***

None.

***Recommendation***

We recommend that the Department develop controls and procedures to ensure to track the issuance of date and amounts of all subawards to ensure that the all required FFATA reports are filed timely in accordance with federal regulations.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Management's Response and Correction Action Plan***

DCF agrees with the finding, however, DCF maintains that it does have a procedure in place to review grant documents to determine whether FFATA reporting and entry into FSRS is required.

For the first condition, DCF attributes the finding to human error due to the failure of updating the FAIN number and Grant date on the grant document which led contract staff to believe certain grants were continuing grants from prior to October 1, 2010 which are not required to be entered into FSRS. The second condition was an oversight on the part of contract unit staff. For corrective action, DCF staff will review its procedures and include a check for comparing FAIN numbers with grant dates on grant documents. Any discrepancies will be followed up with the originator of the grant agreement and DCF business office.

***Scheduled Completion Date of Corrective Action***

Completed by June 30, 2014.

***Contacts for Corrective Action Plan***

Rob Roberts, AHS Audit Chief	802.871.3006
Dan McDevitt, DCF Audit Manager	802.769.6096

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-034**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Foster Care-Title IV-E (CFDA #93.658)

**Program Award Number and Year**

1301VT1401	10/1/12 – 9/30/13
1201VT1401	10/1/11 – 9/30/12

**Criteria**

Funds may be expended for Foster Care maintenance payments on behalf of eligible children, in accordance with the Title IV-E agency’s Foster Care maintenance payment rate schedule and in accordance with 45 CFR section 1356.21.

**Condition Found**

Eligible providers receive a monthly subsidy payment based on the number of days an eligible child is in their care. The daily reimbursement rate paid to the provider is based on the providers training level with higher compensation being received as they obtain more training.

During our testwork over monthly subsidy payments, we noted the following:

- A. 1 out of 40 providers selected for testwork did not complete the required basic foster care training within the first year of licensure.
- B. 2 out of 40 providers selected for testwork received a higher daily reimbursement rate as a result of training that was received, however there was no documentation maintained within the provider’s file to substantiate that they had completed the required training.

As a result, we were unable to conclude that the daily reimbursement rate for the 3 providers identified above was accurate.

**Cause**

The cause of the condition found is that the Department for Children and Families (the Department) does not consistently maintain training records such as an attendance record or certificate of completion within the provider files to support the training levels earned by its providers. In addition the Department does not consistently follow up with newly licensed foster care providers to ensure basic training is completed.

**Effect**

The effect of the condition found is that the Department lacks sufficient documentation to substantiate that providers are being paid the correct daily reimbursement rate.

This finding is considered to be systematic in nature and is considered to be a material weakness in internal control.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Questioned Costs***

Not determinable.

***Recommendation***

We recommend that the Department review its controls and procedures to ensure that all training requirements are met, and that adequate documentation exists to validate the provider's training level. We further recommend that the Residential Licensing and Special Investigation Unit within the Department maintain training records in all provider files.

***Management's Response and Corrective Action Plan***

The Department for Children and Families agrees with the finding. Current procedure calls for the Resource Coordinator to certify to the DCF Business Office that the foster provider had met all requirements, including for training, for advancement to the next level of reimbursement. Form 690 is used for this purpose. Training is documented in the Resource Coordinator's file on the foster family, but there is not a specific form for documentation of training. Our corrective action plan, to be completed by 6/1/14, is as follows:

1. Review and revise Policy 93 on Resource Caregiver Training to include more specific direction on how training is to be documented.
2. Revised Form 690 to require documentation of how training requirements have been met.

***Scheduled Completion Date of Corrective Action Plan***

June 1, 2014

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief, 802-871-3006

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
June 30, 2013

**Finding 2013-035**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Foster Care – Title IV-E (CFDA #93.658)

**Program Award Number and Year**

1301VT1401	10/1/12 – 9/30/13
1201vt1401	10/1/11 – 9/30/12

***Criteria***

Costs of social services provided to a child, the child’s family, or the child’s foster family which provide counseling or treatment to ameliorate or remedy personal problems, behaviors, or home conditions are unallowable (45 CFR section 1356.60(c)(3)).

***Condition Found***

During our testwork over subsidy maintenance payments, we noted that 4 of 40 payments selected for testwork were made to residential treatment facilities that provide counseling and other treatment services. The cost associated with these types of services was charged to the program and are unallowable in accordance with federal regulations.

***Cause***

The cause of the condition found is that the Department for Children and Families (the Department) utilized one daily rate to pay for services rendered by a residential treatment facility including treatment as well as room and board costs.

***Effect***

The effect of the condition found is that unallowable costs were charged to the program.

This finding is considered to be systematic in nature and is considered to be a material weakness in internal control.

***Question Costs***

Not determinable.

***Recommendation***

We recommend that the Department review its controls and procedures related to the development of contracts with residential treatment facilities to ensure that separate daily rates are used to reimburse the provider for (1) treatment services and (2) room and board. Only those costs related to room and board should be charged to the program.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Management's Response and Corrective Action Plan***

This is a repeat finding from last year, and concerns out of state residential placements. For FY 14, DCF has negotiated separate rates with providers for Room & Board and Treatment to be used for billing. DCF has also been working with the Department of Vermont Health Access, the DCF Business Office, the DCF Information Services Division and HP to remedy the problem regarding billing processes. Correcting this has been a complicated matter which involved getting out of state providers enrolled in Medicaid, and making changes to our IT system. We are well on our way, but the IT fixes are still pending and DCF continues to process bills in house.

***Scheduled Completion Date of Corrective Action Plan***

June 1, 2014

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief, 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-036**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Adoption Assistance (CFDA #93.659)

**Program Award Number and Year**

1201VT1407	10/1/11 – 9/30/12
1301VT1407	10/1/12 – 9/30/13

**Criteria**

Adoption assistance subsidy payments cannot exceed the foster care maintenance payment the child would have received in a foster family home; however, the amount of the subsidy payments may be up to 100% of the foster care maintenance payment rate (42 USC 673(a)(3)).

**Condition Found**

During our testwork over adoption assistance monthly subsidy payments, we noted the following:

- A. For 6 of 40 adoption subsidy payments selected for testwork, the adoption subsidy agreement daily rate was greater than the foster care subsidy daily rate at the time the original adoption subsidy agreement went into effect.
- B. For 5 of 40 adoption subsidy payments selected for testwork, the child’s file showed an increase in the adoption subsidy daily rate but there was no supporting documentation to support that the foster care daily subsidy rate at the time and that the new adoption subsidy rate was not greater than the foster care rate.

**Cause**

The cause of the condition found is primarily due to insufficient procedures to ensure that the approved and modified adoption subsidy daily rates are not greater than the foster care subsidy daily rate.

**Effect**

The effect of the condition found is that the adoption subsidy rate used may not allowable under federal regulations.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

**Questioned Costs**

Not determinable.

**Recommendation**

We recommend the Department of Children and Families (the Department) review its procedures to ensure adoption subsidy daily rates contained within the adoption subsidy agreements are not greater than the foster care

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

daily rates at the time the agreement is entered into. In addition we recommend that the Department maintain supporting documentation within the adoption subsidy file to supporting any changes made to the adoption subsidy daily rate and ensure that the changed rate is not greater than the foster care daily rate at the time of the change is implemented.

***Management Response and Corrective Action Plan***

The Department agrees with the finding. We already have a procedure in place to ensure that when we are amending agreements, we do not exceed the maximum rate that would be available if the child were in foster care at the time the agreement was re-negotiated. Each amendment is discussed and approved by both the Adoption Manager and the Deputy Commissioner, with that rule firmly in mind.

The Department for Children and Families will review its procedures but prefers not to add additional documentation requirements which may increase workload activities, as we believe we are in compliance with federal rules.

***Scheduled Completion Date of Corrective Action Plan***

March 1, 2014

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-037**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Social Service Block Grant (CFDA #93.667)

**Program Award Number and Year**

G-1301VTSOSR 10/1/12-9/30/14

G-1201VTSOSR 10/1/11-9/30/13

***Criteria***

The State shall use all of the amount transferred in from Temporary Assistance for Needy Families (TANF) (CFDA 93.558) only for programs and services to children or their families whose income is less than 200 percent of the official poverty guideline as revised annually by HHS (42 USC 604(d)(3)(A) and 9902(2)).

***Condition Found***

During the year ending June 30, 2013, the Department for Children and Families (the Department) transferred approximately \$4.7 million of TANF funding to the Social Services Block Grant (SSBG) program. Of the amount transferred, approximately \$1.8 million was used to directly pay for services on behalf of individuals whose income was less than 200% of the official poverty guideline. The remaining \$2.9 million was used for case management services or third party grants and a result, there was no documentation to support that these funds were used to provide services to children or their families whose income was less than 200% of the official poverty guideline.

***Cause***

The cause of the condition found is that the Department does not separately account for the expenditures that are incurred related to the funds transferred into SSBG program from the TANF program to ensure that all TANF transferred funds are used to support the required population of participants.

***Effect***

The effect of the condition found is that the Department is unable to support that it has met the required earmarking requirements and as a result, may not have spent the TANF transfer on allowable activities.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

***Questioned Costs***

Not determinable.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### ***Recommendation***

We recommend that the Department create procedures to ensure that funds transferred into SSBG from the TANF program are separately identifiable and tracked within the general ledger. Once this is done, the Department should review the costs incurred under the SSBG program to ensure that only those costs incurred on behalf of children and their families whose income is less than 200% of the official poverty level are allocated to the TANF transfer. The Department should ensure that it maintains adequate documentation to support those costs which would include income level documentation for each participant served.

#### ***Management's Response and Corrective Action Plan***

The Department for Children and Families (DCF) agrees with this finding.

For the State Fiscal Year 2013, DCF believes it has qualifying expenditures that exceed the total TANF transfer amount of \$4.7 million within its Child Care Division (CDD) – Child Care Financial Assistance Program (CCFAP). These expenditures can be used to demonstrate compliance with the 200% federal poverty requirement because the expenditures are case identified and means tested.

DCF will determine the most practicable and expedient way to capture these expenditures by themselves (or in combination with those already identified as qualifying in the Family Service Division (FSD) – Foster Care Program (FCP) in meeting the transfer total.

Federal Fiscal Year 2013 financial reporting of CCDF, TANF and SSBG expenditures can and will be revised on a timely basis to reflect this re-allocation of expenditures among Federal funds, as necessary. Procedures for the process selected to accomplish this goal will be documented and all expenditures will have documentation as to meeting the FPL earmarking requirement or be able to meet the requirement based on its program definition.

For State Fiscal Year 2014, steps are already underway to track qualifying expenditures in both CCFAP and FCP by fiscal quarter to document the earmarking requirement. DCF may also reconsider the total amount of the TANF transfer to ensure that it is 100% in compliance with the TANF FPL earmarking requirement.

#### ***Scheduled Completion Date of Corrective Action Plan***

June 30, 2014

#### ***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief, 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-038**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Social Service Block Grant (CFDA #93.667)

**Program Award Number and Year**

G-1301VTSOSR        10/1/12-9/30/14

G-1201VTSOSR        10/1/11-9/30/13

***Criteria***

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act (FFATA) Subaward Reporting System (FSRS) and report subaward data through FSRS. Subawards are to be reported no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

***Condition Found***

During our testwork over FFATA reporting, we noted that all 5 of the subgrants selected for testwork were not reported within the FSRS system as required under FFATA. The Agency of Human Services (the Agency) did not enter any of the subgrants into FSRS as the Agency did not consider the agreements to be grant agreements under its procurement grant policy.

Of the 5 items selected for testwork, 4 subgrants were with a Designated Agency (DA) in which the Agency has entered into an agreement with that covers a variety of services that are paid for using funds from both the State of Vermont general fund and a variety of federal funds, including the Social Services Block Grant program. Under the Agency’s procurement grant policy, the Agency has received a waiver from the Agency of Administration under the State of Vermont’s procurement policy, Bulletin 3.5, which allows the Agency to not put these services out to bid and instead enter into a “procurement grant agreement” for the services.

Per discussion with the Agency, while a grant agreement was utilized for this service arrangement, it truly is a fee for service contract and therefore is exempt from FFATA reporting requirements. For each of the 4 items selected, we reviewed the procurement – grant agreement and found it contained 2 payment schedules: 1 schedule provided the value of the agreement that would be paid for using a fee for service arrangement; and the second schedule provided the value of the agreement that would be paid for using grants, of which a portion related to the Social Services Block Grant program.

Based on the documentation contained within the Agency’s procurement-grant agreement, it appears that the Agency did have a grantor relationship with these entities and should have reported each award as required by FFATA.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### *Cause*

The cause of the condition found is primarily due to the fact that the Agency has developed a complex funding arrangement with the Designated Agencies that comingles multiple services and payment arrangements. Additionally the Agency's procurement grant vehicle is a hybrid vehicle that is part contract and part subgrant, and it is unclear which requirements prevail.

#### *Effect*

The effect of the condition found is that the Agency has not properly filed FFATA reports as required by federal regulations.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

#### *Questioned Costs*

None.

#### *Recommendation*

We recommend that the Agency review its procurement grant policy as well as its agreements with not only Designated Agencies but other organizations receiving such grants under its annual approved procurement grant listing and determine whether or not its conclusion that all funding paid under the agreements represent only fee for service activity given each agreement contains payment schedules that refer to both fee for service payments and grant payments. Once the review is completed, if the Agency concludes that all services rendered only relate to fee for service arrangement, the Agency should implement procedures to communicate this to its Designated Agencies and other procurement grant recipients so they can ensure that they properly account for the funds in accordance with federal regulations. If however, these do represent a grant relationship, the Agency should implement procedures to ensure all subgrants are filed as required under FFATA.

#### *Management's Response and Corrective Action Plan*

The Agency of Human Services (AHS) disagrees with this finding.

Federal Regulation OMB A-133 allows for only two types of agreements in substance – Procurements and Grants. In substance, AHS has always intended and considered DA agreements to be procurements. The regulations also allow for different form for an agreement which is not a determinate as to whether it is a grant or procurement. The DA procurements are utilizing a grant form. These are not “hybrid” agreements as the finding states because regulation does not identify a third possibility when considering substance of the agreement. They are either procurements or grants and the form has no effect.

The Agency thinks that the DA agreements should be considered over-all and not piecemealed. These agreements are negotiated each year in a budget process between each DA and AHS. A high number of services are agreed to with individual budgets for each within one agreement per DA. Each service is further outlined in Attachment A. Work Specifications in the DA agreement. Each service may have either a grant or fee-for-service payment mechanism or both mechanisms funding its budget. This is evidenced by the payment summaries. Services with both mechanisms only indicate a method to fund a service's total budget, not to distinguish between purchasing and granting for program control purposes. Also, funding between DA's may be competitive as AHS has to consider the services available among DAs before awarding the funds. AHS

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

maintains a high level of program oversight and these agreements do not allow the DA's to expend the funds in any manner they choose as indicated by agreement specifications. All of these factors support that these agreements are not sub-recipient and therefore do not fall under FFATA reporting requirements.

AHS and its departments review their listing for "procurement grants" each year and continue to improve their accuracy for correctness. The wording of the agreements may have to be revised to reduce confusion as to the substance of the agreements. The correct use of the word "Sub-recipient", "Awardee" or "Grantee" will be considered. AHS is also aware of the A-133 requirement for pass-throughs to make sub-recipients fully aware of their reporting requirements. Procurements, such as the DA's, would not fall under this regulation and these types of grantees would be responsible for what and how they report in accordance with their agreement.

***Completion Date of Corrective Action Plan***

No action required.

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief, 802-871-3006

***Rejoinder***

For the entities described above, AHS has entered into a grant agreement with the entity, has called the arrangement a grant, called the entity a subrecipient, identified federal funds information and required the entity to adhere to federal regulations, including A-133. As a result, it appears that AHS has entered into a pass-through arrangement and as a result, we audited this arrangement as if it were a subrecipient.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### **Finding 2013-039**

U.S. Department of Health and Human Services

#### **Program Name and CFDA Number**

Children's Health Insurance Program (CFDA #93.767)

#### **Program Award Number and Year**

7530515

7/1/12-6/30/13

#### ***Criteria***

States have flexibility in determining eligibility levels for individuals for whom the State will receive enhanced matching funds, within guidelines established under the Act. Generally, a State may not cover children with higher family income without covering children with lower family income, nor deny eligibility based on a child having a preexisting medical condition. States are required to include in their State plans a description of the standards used to determine eligibility of targeted low-income children. State plans should be consulted for specific information concerning the individual eligibility requirements (42 USC 1397bb(b)).

Grantees are required to provide reasonable assurance that only eligible individuals and organizations receive assistance under Federal award programs, that subawards are made only to eligible subrecipients, and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements

#### ***Condition Found***

The Economic Services Division of the Department for Children and Families (the Department) utilizes the ACCESS system, the State of Vermont's benefit eligibility maintenance system, to determine eligibility for the Children's Health Insurance Programs (CHIP). After the eligibility specialist enters financial information into the ACCESS system, ACCESS determines whether or not the applicant is eligible for benefits as well as the amount of benefits the participant is eligible for. The Department does not perform a supervisory review or quality control inspection review over the determinations performed by the ACCESS system in order to ensure that the ACCESS system is operating correctly or that the data entered into the ACCESS system by the eligibility specialist was data entered correctly. Instead, the Department relies on the information technology (IT) controls embedded within the ACCESS system.

During the year ending June 30, 2012, a test of design related to the IT general control environment of the ACCESS system was performed. As part of this review, a number of control deficiencies were identified related to access to program data, change management, and computer operations. As a result of the control deficiencies, a test of operating effectiveness of IT general controls or application controls specific to the CHIP program could not be performed. During the period ending June 30, 2013, several inquiries were made with the Department and it was noted that the control deficiencies identified during the review for the year ending June 30, 2012 had not been corrected. As a result, we are unable to test the application controls specific to the CHIP program contained within the ACCESS system. While there were no errors noted within the 40 items selected for testwork, we are unable to conclude that there are adequate controls in place surrounding the eligibility determination process for this program and we are unable to rely on the IT controls due to the control deficiencies.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### *Cause*

The cause of the condition as noted above is that the Department relies on the ACCESS system and does not perform an independent review to ensure that the data entered into the ACCESS system is accurate and that the ACCESS system has determined benefit eligibility determinations correctly. Periodic eligibility reviews are performed by the Department in order to ensure continued eligibility for all participants, however the review focuses on a prospective eligibility determination and not a retrospective review to see if the prior determination was accurate. In addition, the Department has continued to experience increases in the caseload being reviewed by the State and a reduction in case managers for this program as a whole.

#### *Effect*

The effect of the condition found is that errors in eligibility determinations could occur and the Department does not have a mechanism in place to identify errors made.

The finding appears to be systemic in nature and is considered to be a material weakness in internal control.

#### *Questioned Costs*

None.

#### *Recommendation*

We recommend that the Department review its procedures and implement controls to ensure that a quality control review is performed over the eligibility determinations made by the ACCESS system in order to verify that such eligibility determinations are accurate. This would include procedures to ensure that the data entered into the ACCESS system that is used to determine eligibility is accurate and properly supported with external documentation. In addition, we recommend that the Department review the internal control deficiencies related to the ACCESS system identified during the period ending June 30, 2012 and take appropriate actions to ensure that all deficiencies related to access to program data, change management, and computer operations are resolved in order to ensure the integrity of the data maintained within the ACCESS system.

#### *Management's Response and Corrective Action Plan*

The Department agrees with finding and the recommendation.

The Department will bring this issue to the attention of supervisors so they can discuss it with eligibility workers. Procedures will be reviewed and accuracy of eligibility will be verified. Program trainers will also emphasize this issue in upcoming trainings to help ensure this error is avoided in the future. Any deficiency identified in internal control will be addressed to ensure data integrity. The Department expects to replace our 30+ year old Legacy System with a new Integrated Eligibility System (IES) in the near future. The new IES is being developed for the new Health Insurance Exchange and federal health care reform. The IES is expected to be incrementally developed and implemented from October 2013 through the end of 2014. Once the fully developed IES is functional, the enhanced eligibility system is expected to catch prevent this type of worker error.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Scheduled Completion Date of Corrective Action Plan***

Review of procedures and controls will be completed by June 30, 2014.

Implementation of new Integrated Eligibility System for Health Exchange – 12/31/2014

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief, 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-040**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare (CFDA #93.777)

Medical Assistance Program (Medicaid; Title XIX) (CFDA #93.778)

**Program Award Number and Year**

11-W00194/1            1/1/11-12/31/13

11-W-00191/1        10/1/10 – 9/30/15

75X0512                10/1/10 – 6/30/13

**Criteria**

The Global Commitment to Health Section 1115 Demonstration Waiver (the Waiver), paragraph 61 states:

**Use of Demonstration Funds.** Expenditures within the per member per month limit (calculated over the life of the demonstration) can include expenditures for the following purposes:

- a. Reduce the rate of uninsured and/or underinsured in Vermont;
- b. Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries,
- c. Provide public health approaches and other innovative programs to improve the health outcomes, health status and quality of life for the uninsured, underinsured and Medicaid-eligible individuals in Vermont; and
- d. Encourage the formation and maintenance of public-private partnerships in health care, including initiatives to support and improve the health care delivery system.

**Condition Found**

The above use of demonstration funds are referred to as MCO investments by the State. During State fiscal year 2013 the State had 88 MCO investment programs resulting in \$124 million in gross expenditures. Each MCO program goes through an internal proposal process whereby the requesting department outlines a description of the MCO investment program, the funding considerations and which investment objective the program falls under (i.e. category a-d in the criteria section above). Once an investment proposal is accepted by the State review team, a budget is developed and expenditures may then be incurred against the Waiver.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

During our test work over the allowability of MCO investment expenditures, we selected 20 of the 88 MCO investment programs for the year ended June 30, 2013 and noted the following:

	Findings
1.	<p><b>MCO Investment Program:</b> Vermont Physician Training</p> <p><b>State Fiscal Year 2013 Expenditures:</b> \$4,006,156</p> <p><b>MCO Investment Objective:</b> b – Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries.</p>
	<p><b><i>Finding:</i></b></p> <p>MCO Investments totaling \$4,006,156 were paid to the University of Vermont (UVM) to provide services under the Vermont Physician Training program. This program is directly appropriated money by the Vermont State Legislature. The University of Vermont certified that the funds had been used to support the University’s College of Medicine’s educational programs.</p> <p>During testwork we noted the following:</p> <ul style="list-style-type: none"> <li>a. Although UVM submits a certification to the State outlining the number of students enrolled, number of degrees granted and the funds expended under the MCO investment program, the State does not perform an independent verification of the certified data or conduct other monitoring activities to ensure that the certification is accurate and that the expenditures were for allowable purposes under the Waiver.</li> <li>b. Additionally, the State’s agreement with UVM allows the MCO investment funds to also be used for support activities at the College of Medicine. These include, but are not limited to, the set up and completion of student enrollment, the organization and coordination of the medical curriculum, and expenses associated with the oversight of the education of students carried out in the Dean’s office. Based on the documentation provided by the State we were unable to determine how these activities meet the MCO investment objective noted above.</li> </ul> <p><b><i>Management’s Response and Corrective Action:</i></b></p> <ul style="list-style-type: none"> <li>a. AHS is confident that the certification that UVM provides is accurate and that their assertion is supported by financial records that have a Single Audit each year which AHS reviews. AHS is of the opinion that it does not have to re-audit information covered by the UVM audit.</li> <li>b. AHS has implemented procedures for the approval of MCO investments and for the documentation of that process. Those documents have been made available to the auditor. AHS believes that this finding arises from a difference in understanding of the terms of the waiver between itself and the auditors, and not from a lack of documentation. AHS and CMS are in continuous discussions of the nature of the demonstration and its progress. The MCO investments are reported to CMS annually. Evaluation of the demonstration is an essential part of the waiver</li> </ul>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings	
	<p>process and is ongoing. The adequacy of documentation of the demonstration is an element of that ongoing discussion and evaluation. The GC Waiver was extended on January 1, 2011. Prior to extension, CMS reviewed expenditures made during the initial five year waiver period, including the MCO investments. The review did not challenge or request changes in any of the MCO investments nor were any new requirements added to the STCs pertaining to the MCO Investments. We are confident that we have documented the investments well, supported the costs allocated to this program, and that CMS approves of our process and MCO investment costs.</p> <p><b>Scheduled Completion Date of Corrective Action Plan</b></p> <p>No further corrective action considered necessary.</p> <p><b>Contact for Corrective Action Plan</b></p> <p>Rob Roberts, AHS Audit Chief 802-871-3006</p>
2.	<p><b>MCO Investment Program:</b> Community Rehabilitative Care</p> <p><b>State Fiscal Year 2013 Expenditures:</b> \$2,500,085</p> <p><b>MCO Investment Objective:</b> b – Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries.</p>
	<p><b><i>Finding:</i></b></p> <p>MCO Investments totaling \$2,500,085 were used to fund the Community Rehabilitative Care Program administered by the Department of Corrections. The services under this program represent salary costs of Probation and Parole Officers that provide case management services and construct and implement case plans to address criminogenic behaviors.</p> <p>During our testwork, we noted the following:</p> <ol style="list-style-type: none"> <li>a. Payroll costs were allocated to this program using a rate of 38%, which is an estimate made by the Department of Corrections as to the percentage of Vermont residents who are uninsured, underinsured or Medicaid eligible. We were unable to obtain evidence to support the reasonableness of this percentage.</li> <li>b. The payroll allocation is then multiplied by an additional rate of 62.5%, which is the estimated time that Probation and Parole Officers spend providing these services. We were unable to obtain evidence to support the reasonableness of this percentage.</li> <li>c. The Department was unable to provide evidence to support that the case management services provided by the Probation and Parole Officers met the definition of MCO Investment category b and in fact, increased the access of quality health care to uninsured, underinsured and Medicaid beneficiaries.</li> </ol>

STATE OF VERMONT

Schedule of Findings and Questioned Costs

June 30, 2013

Findings
<p><b><i>Management's Response and Corrective Action:</i></b></p> <ul style="list-style-type: none"><li>a. Several MCO investments are allocated using a rate that represents the percentage of Vermonters that are uninsured, underinsured, or Medicaid eligible. This rate is based on the results of the Vermont Household Health Insurance Survey (VHHIS) performed by Vermont Department of Banking, Insurance, and Health Care Administration (BISHCA). BISHCA contracted with experts in the field of survey methodology to complete the surveys and prepare the report. DOC believes the rate they used is reasonably base on statistics.</li><li>b. A study was done of the Probation &amp; Parole Officer's job duties to determine the percentage of time that they are providing case management services. The results showed that as this is a primary function of the job, approximately 5 hours per day per officer is for this purpose. (5/8 equaling 62%) The Department of Corrections believes that this is reasonable.</li><li>c. AHS has implemented procedures for the approval of MCO investments and for the documentation of that process. Those documents have been made available to the auditor. AHS believes that this finding arises from a difference in understanding of the terms of the waiver between itself and the auditors, and not from a lack of documentation. AHS and CMS are in continuous discussions of the nature of the demonstration and its progress. The MCO investments are reported to CMS annually. Evaluation of the demonstration is an essential part of the waiver process and is ongoing. The adequacy of documentation of the demonstration is an element of that ongoing discussion and evaluation. The GC Waiver was extended on January 1, 2011. Prior to extension, CMS reviewed expenditures made during the initial five year waiver period, including the MCO investments. The review did not challenge or request changes in any of the MCO investments nor were any new requirements added to the STCs pertaining to the MCO Investments. We are confident that we have documented the investments well, supported the costs allocated to this program, and that CMS approves of our process and MCO investment costs.</li></ul> <p><b>Scheduled Completion Date of Corrective Action Plan</b></p> <p>No further corrective action considered necessary.</p> <p><b>Contact for Corrective Action Plan</b></p> <p>Rob Roberts, AHS Audit Chief 802-871-3006</p> <p><b>Rejoinder:</b></p> <ul style="list-style-type: none"><li>a. During testwork we made inquiries as to what documentation existed to support the allocation of salaries. Although we were told that a time study was done, the Department was unable to provide actual supporting documentation. In our last follow up with the Department of Corrections on February 12, 2014 we were told that the Department was still tracking down the history of the rates used and that they were unable to locate any support.</li></ul>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

	Findings
3	<p><b>MCO Investment Program:</b> Building Bright Futures</p> <p><b>State Fiscal Year 2013 Expenditures:</b> \$398,201</p> <p><b>MCO Investment Objective:</b> c – Provide public health approaches and other innovative programs to improve the health outcomes, health status and quality of life for the uninsured, underinsured and Medicaid-eligible individuals in Vermont.</p>
	<p><b><i>Finding:</i></b></p> <p>MCO Investments totaling \$398,201 were paid to help fund the Building Bright Futures program administered by the Department of Children and Families. Under this program grants are awarded to community-based agencies to support activities that contribute to the health and well-being of the young children and their families.</p> <p>During our testwork, we noted the following:</p> <ul style="list-style-type: none"> <li>a. Costs are allocated to the MCO investment program at a rate of 41%. This percentage is based on the budgeted costs as well as an estimate of the Vermont population that is Medicaid eligible, underinsured or uninsured based on the 2009 Vermont Household Healthy Insurance Survey (VHHIS). We were unable to obtain support for the allocation methodology.</li> <li>b. Subsequent to the award of the grants, the community-based agencies are not monitored by the Department to ensure that costs were spent on allowable activities in accordance with the Waiver and the grant agreement.</li> </ul> <p><b><i>Management’s Response and Corrective Action:</i></b></p> <ul style="list-style-type: none"> <li>a. The allocation methodology is based as follows: out of the three “Early Childhood Development and Family Support Functions” discussed in Attachment A of the Building Bright Futures grants serve health related purposes: 1) disseminate public info re: laws about child abuse and neglect, and 2) inform families of Dr. Dynasaur eligibility requirements and other health programs to ensure health care coverage for all young children and their parents. The third component speaks to parental supports. Using this information, 66.7% of the Building Bright Futures are considered health related meeting MCO Investment criteria; 60.9% of that is allocated as for Medicaid/underinsured/uninsured.</li> <li>b. A DCF program manager monitors Bright Futures grants. The monitoring covers written narrative reports and assurances on compliance; review of submitted invoices regular monthly phone or face to face meetings. Procedures will be improved to monitor costs allowed by the grant agreement and Waiver.</li> </ul>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

	Findings
	<p><b>Scheduled Completion Date of Corrective Action Plan</b></p> <p>June 30, 2014</p> <p><b>Contact for Corrective Action Plan</b></p> <p>Rob Roberts, AHS Audit Chief 802-871-3006</p>
4.	<p><b>MCO Investment Program: Epidemiology</b></p> <p><b>State Fiscal Year 2013 Expenditures: \$766,053</b></p> <p><b>MCO Investment Objective:</b> c – Provide public health approaches and other innovative programs to improve the health outcomes, health status and quality of life for the uninsured, underinsured and Medicaid-eligible individuals in Vermont.</p>
	<p><b><i>Finding:</i></b></p> <p>MCO Investments totaling \$766,053 were paid to help fund the Epidemiology MCO investment program administered by the Vermont Department of Health. Costs to this program were for salaries for epidemiological services.</p> <p>During our testwork we noted the following:</p> <p>a. The payroll costs incurred under this program were allocated to the MCO program using a rate of approximately 60.9%, which is an estimate of the Vermont population that is Medicaid eligible, uninsured, or underinsured based on the 2009 Vermont Household Health Insurance Survey (VHHIS) results provided to the State Legislature on January 15, 2010. A 2012 VHHIS survey increased this percentage to 65%; however for budgetary purposes the State has retained usage of the 60.9% level. While the individual costs selected for testwork under this program appeared to meet the MCO investment objective, we were unable to determine whether or not the 60.9% allocation rate is reasonable to appropriately allocate the costs.</p> <p><b><i>Management’s Response and Corrective Action:</i></b></p> <p>a. Several MCO investments are allocated using a rate that represents the percentage of Vermonters that are uninsured, underinsured, or Medicaid eligible. This rate is based on the results of the Vermont Household Health Insurance Survey (VHHIS) performed by Vermont Department of Banking, Insurance, and Health Care Administration (BISHCA). BISHCA contracted with experts in the field of survey methodology to complete the surveys and prepare the report. There is no requirement that AHS use the highest rate. AHS is of the opinion that the rate used is reasonable and supported by the survey.</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings	
	<p><b>Scheduled Completion Date of Corrective Action Plan</b> No further corrective action considered necessary.</p> <p><b>Contact for Corrective Action Plan</b> Rob Roberts, AHS Audit Chief 802-871-3006</p>
5.	<p><b>MCO Investment Program:</b> Vermont CHIP Vaccines</p> <p><b>State Fiscal Year 2013 Expenditures:</b> \$482,454</p> <p><b>MCO Investment Objective:</b> d – Encourage the formation and maintenance of public-private partnerships in health care, including initiatives to support and improve the health care delivery system.</p>
	<p><b><i>Finding:</i></b></p> <p>MCO Investments totaling \$482,454 were paid to help fund the Vermont CHIP Vaccines MCO investment program. Under this program, vaccines are purchased in bulk and the costs are allocated to the various available funding streams based on population statistics.</p> <p>During our testwork we noted the following:</p> <p>a. The amount charged to this MCO program is based off a Vermont Household Health Insurance Survey, which estimates that the Medicaid share of the adult population is 15%. While the individual costs selected for testwork under this program appeared to be healthcare related, we were unable to determine whether or not the 15% allocation rate is reasonable to appropriately allocate the costs.</p> <p><b><i>Management’s Response and Corrective Action:</i></b></p> <p>As a note, this program serves a children’s population and not an adult population as the above findings states.</p> <p>The rationale for the allocation methodology for this investment is that because of the bulk purchase of vaccines, the MCO Investment claim relies on a statistic to determine the CHIP share of VDH vaccine purchases. CDC has a procedure for identifying the relative costs of the CHIP vaccines and the total cost of all vaccines. This statistic has the authority of being derived through a national CDC-mandated reporting process rather than through an estimate completed by the State. In AHS’s opinion the allocation rate is reasonable to use for this purpose.</p> <p><b>Scheduled Completion Date of Corrective Action Plan</b> No further corrective action considered necessary.</p> <p><b>Contact for Corrective Action Plan</b> Rob Roberts, AHS Audit Chief 802-871-3006</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

	Findings
	<p><b>Rejoinder:</b></p> <p>Of the \$482,454 spent under this MCO, \$194,054 (40%) related to adult vaccinations. Our finding only relates to the allocation of adult vaccinations as the portion of the MCO that relates to children vaccination is approved and supported by CDC invoices.</p>
6.	<p>MCO Investment Program: Challenges for Change</p> <p>State Fiscal Year 2013 Expenditures: \$197,426</p> <p>MCO Investment Objective: d – Encourage the formation and maintenance of public-private partnerships in health care, including initiatives to support and improve the health care delivery system.</p>
	<p><b>Finding:</b></p> <p>MCO Investments totaling \$197,426 were paid to help fund the Challenges for Change Program administered by the Department of Children and Families. Under this program, grants are awarded to community providers to deliver services to improve the well being, stability and health outcomes for all Vermonters.</p> <p>Our testwork we selected 2 grant expenditures and notes the following:</p> <ul style="list-style-type: none"> <li>a. \$25,311 was charged to the MCO investment program; however the grant document indicated that the award was for emergency shelter solutions and was 100% state funded. During our review of the grant award we were unable to determine if these costs were allowable in accordance with the Waiver.</li> <li>b. \$41,182 was charged to the MCO investment program; however the grant document indicated that the award was to be used for operating the homeless shelter. Additionally, the grant award indicated that the funding was provided by state funds and CFDA #14.231 and not Global Commitment.</li> </ul> <p><b>Management’s Response and Corrective Action:</b></p> <p>In the application as approved back in 2011, it was stated that the DCF component of the Challenges for Change initiative included funding to support intensive case management to access needed medical, social, substance abuse and other related services for homeless; housing and wraparound support thereby reducing hospitalization and ER use. Such services align with Social Security Act, Sec. 1915(2)[128] For purposes of this subsection, the term “case management services” means services which will assist individuals eligible under the plan in gaining access to needed medical, social, educational, and other services.”</p> <ul style="list-style-type: none"> <li>a. This amount is attributed to the agreement with Addison County Community Action Group for Emergency Shelter/Solutions for \$101,244. In Attachment A of this agreement, work specifications include Case management and Housing Coordination services which the cited amount represent and are allowable under the Waiver.</li> </ul>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings	
	<p>The grant document is more detailed than just emergency shelter solutions as the finding suggests. The grant document did inadvertently omit the CFDA number for the Global Commitment Waiver.</p> <p>b. This amount is attributed to the agreement with John Graham Emergency Shelter for Emergency Shelter/Solutions Program for \$151,265. In Attachment A of this agreement, work specifications include Shelter Case management, Case Manager services, and Essential Social Services which the cited amount represent and are allowable under the Waiver.</p> <p>The grant document does not indicate that it is solely for operating the homeless shelter as the finding states. The grant document did inadvertently omit the correct CFDA number for Global Commitment Waiver.</p> <p><b>Scheduled Completion Date of Corrective Action Plan</b></p> <p>No further corrective action considered necessary.</p> <p><b>Contact for Corrective Action Plan</b></p> <p>Rob Roberts, AHS Audit Chief 802-871-3006</p>
7.	<p><b>MCO Investment Program:</b> Pathways to Housing</p> <p><b>State Fiscal Year 2013 Expenditures:</b> \$802,488</p> <p><b>MCO Investment Objective:</b> b – Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries.</p>
	<p><b><i>Finding:</i></b></p> <p>MCO Investments totaling \$802,488 were paid to Pathways to Housing, a nonprofit organization providing treatment and housing to individuals with psychiatric and addiction disorders. The program is administered by the Department of Corrections. Cost incurred under this program are to promote housing stability, reduce recidivism, promote community integration, enhance personal efficacy, and improve ability to meet basic needs, increase social skills, and social roles, improve employment opportunities, and enhance quality of life.</p> <p>During our testwork we noted the following:</p> <p>a. The Department of Corrections does not perform on site monitoring of grant funds spent for the transitional housing programs. They request a line item budget at the onset of the grant and a corresponding line item financial report of expenses at the end of each fiscal year, however there is no additional review to ensure that the items submitted were spent on allowable items. As a result we were unable to determine if these expenditures were for allowable costs under the Waiver.</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings	
	<p><b><i>Management’s Response and Corrective Action:</i></b></p> <p>Monitoring of this grant is done quarterly between Pathways and Corrections Probation &amp; Parole and Transitional Housing staff. There are also monthly meetings to review the individuals in the program to ensure that the proper level of services are being provided and billed. DOC and Pathways to Housing also utilize the Service Point software (provided by the State) to collect information about services provided, offender data, and program outcomes. The grant agreement states the following:”Grantee will document the provision of services for each resident, and services provided to offenders will be approved by P&amp;P staff to ensure compliance with the offender’s case plan. Grantee data entry shall be 90% timely and accurate during the grant period. ” This system and information is available for auditors to determine allowability. AHS is of the opinion that the monitoring and Service Point software being utilized is sufficient to confirm allowability requirements. DOC will further review and document it’s actions to ensure that the items submitted were spent on allowable items.</p> <p><b>Scheduled Completion Date of Corrective Action Plan</b></p> <p>June 30, 2014</p> <p><b>Contact for Corrective Action Plan</b></p> <p>Rob Roberts, AHS Audit Chief 802-871-3006</p> <p><b>Rejoinder:</b></p> <p>During testwork we requested documentation supporting the monitoring activities and in an e-mail dated October 22, 2013 from the Grant Manager we were informed, “We request a line item budget at the onset of the grant and a corresponding line item financial report of expenses at the end of each fiscal year.”We were not informed of the above monitoring activities and therefore were unable to test the sufficiency of these activities.</p>
8.	<p><b>MCO Investment Program:</b> Vermont Veterans Home</p> <p><b>State Fiscal Year 2013 Expenditures:</b> \$1,410,956</p> <p><b>MCO Investment Objective:</b> b – Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries.</p>
	<p><b><i>Finding:</i></b></p> <p>MCO Investments totaling \$1,410,956 were paid to the Vermont Veterans Home, a skilled nursing facility that serves veterans, spouses, and Gold Star parents (parents of soldiers killed in action). This program is directly appropriated money by the Vermont State Legislature as part of the annual budget process.</p> <p>During testwork we noted that only a portion of the costs paid to the Vermont Veterans Home were subject to monitoring through the Division of Rate Setting and therefore could not determine if all of the expenditures were allowable under the Waiver.</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

	Findings
	<p><b><i>Management’s Response and Corrective Action:</i></b></p> <p>AHS has implemented procedures for the approval of MCO investments and for the documentation of that process. Those documents have been made available to the auditor. AHS believes that this finding arises from a difference in understanding of the terms of the waiver between itself and the auditors, and not from a lack of documentation. AHS and CMS are in continuous discussions of the nature of the demonstration and its progress. The MCO investments are reported to CMS annually. Evaluation of the demonstration is an essential part of the waiver process and is ongoing. The adequacy of documentation of the demonstration is an element of that ongoing discussion and evaluation. The GC Waiver was extended on January 1, 2011. Prior to extension, CMS reviewed expenditures made during the initial five year waiver period, including the MCO investments. The review did not challenge or request changes in any of the MCO investments nor were any new requirements added to the STCs pertaining to the MCO Investments. We are confident that we have documented the investments well, supported the costs allocated to this program, and that CMS approves of our process and MCO investment costs</p> <p><b>Scheduled Completion Date of Corrective Action Plan</b></p> <p>No further corrective action considered necessary.</p> <p><b>Contact for Corrective Action Plan</b></p> <p>Rob Roberts, AHS Audit Chief 802-871-3006</p>
9.	<p><b>MCO Investment Program:</b> Aid to the Aged, Blind, and Disabled CCL III</p> <p><b>State Fiscal Year 2013 Expenditures:</b> \$2,621,786</p> <p><b>MCO Investment Objective:</b> b – Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries.</p>
	<p><b><i>Finding:</i></b></p> <p>MCO Investments totaling \$2,621,786 were used to fund payments made for the Aid to the Aged, Blind, and Disabled CCL III program which is administered by the Department of Children and Families. The costs incurred under this program represented additional payments made to individuals who receive SSI and live in a level III home. A level III home provides services to people in need of a residence for reasons of health status. The payments made under this program are paid directly to the participant.</p> <p>During testwork we were unable to obtain evidence to support that the participant used this payment for healthcare related services as defined by the Waiver and accordingly, we could not determine if these expenditures were for allowable costs.</p> <p><b><i>Management’s Response and Corrective Action:</i></b></p> <p>AHS has implemented procedures for the approval of MCO investments and for the documentation of that process. Those documents have been made available to the auditor. AHS believes that this finding</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

	Findings
	<p>arises from a difference in understanding of the terms of the waiver between itself and the auditors, and not from a lack of documentation. AHS and CMS are in continuous discussions of the nature of the demonstration and its progress. The MCO investments are reported to CMS annually. Evaluation of the demonstration is an essential part of the waiver process and is ongoing. The adequacy of documentation of the demonstration is an element of that ongoing discussion and evaluation. The GC Waiver was extended on January 1, 2011. Prior to extension, CMS reviewed expenditures made during the initial five year waiver period, including the MCO investments. The review did not challenge or request changes in any of the MCO investments nor were any new requirements added to the STCs pertaining to the MCO Investments. We are confident that we have documented the investments well, supported the costs allocated to this program, and that CMS approves of our process and MCO investment costs</p> <p><b>Scheduled Completion Date of Corrective Action Plan</b></p> <p>No further corrective action considered necessary.</p> <p><b>Contact for Corrective Action Plan</b></p> <p>Rob Roberts, AHS Audit Chief 802-871-3006</p>
10.	<p><b>MCO Investment Program:</b> Vermont Information Technology</p> <p><b>State Fiscal Year 2013 Expenditures:</b> \$1,517,044</p> <p><b>MCO Investment Objective:</b> d – Encourage the formation and maintenance of public-private partnerships in health care, including initiatives to support and improve the health care delivery system.</p>
	<p><b>Finding:</b></p> <p>MCO Investments totaling \$1,517,044 were paid to help fund the Vermont Information Technology program administered by the Department of Vermont Health Access.</p> <p>During testwork we noted:</p> <p>a. The payroll costs incurred under this program were allocated to the MCO Investment using a rate of approximately 60.9%, which is an estimate of the Vermont population that is Medicaid eligible, uninsured, or underinsured based on the 2009 Vermont Household Health Insurance Survey (VHHIS) results provided to the State Legislature on January 15, 2010. A 2012 VHHIS survey increased this percentage to 65%; however for budgetary purposes the State has retained usage of the 60.9% level. We were unable to determine whether the 60.9% allocation rate is reasonable to appropriately allocate the costs.</p> <p><b>Management’s Response and Corrective Action:</b></p> <p>Several MCO investments are allocated using a rate that represents the percentage of Vermonters that are uninsured, underinsured, or Medicaid eligible. This rate is based on the results of the Vermont</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings	
	<p>Household Health Insurance Survey (VHHIS) performed by Vermont Department of Banking, Insurance, and Health Care Administration (BISHCA). BISHCA contracted with experts in the field of survey methodology to complete the surveys and prepare the report. There is also no requirement that AHS use the highest rate. AHS is of the opinion that the rate used is reasonable and supported by the survey.</p> <p><b>Scheduled Completion Date of Corrective Action Plan</b></p> <p>No further corrective action considered necessary.</p> <p><b>Contact for Corrective Action Plan</b></p> <p>Rob Roberts, AHS Audit Chief 802-871-3006</p>
11.	<p><b>MCO Investment Program:</b> Vermont Blue Print for Health administered</p> <p><b>State Fiscal Year 2013 Expenditures:</b> \$2,002,798</p> <p><b>MCO Investment Objective:</b> d – Encourage the formation and maintenance of public-private partnerships in health care, including initiatives to support and improve the health care delivery system.</p>
	<p><b><i>Finding:</i></b></p> <p>MCO investments totaling \$2,002,798 were paid to help fund the Vermont Blue Print for Health program administered by the Department of Vermont Health Access.</p> <p>During our testwork we noted the following:</p> <p>a. The payroll costs incurred under this program were allocated to the MCO Investment using a rate of approximately 60.9%, which is an estimate of the Vermont population that is Medicaid eligible, uninsured, or uninsured based on the 2009 Vermont Household Health Insurance Survey (VHHIS) results provided to the State Legislature on January 15, 2010. A 2012 VHHIS survey increased this percentage to 65%; however for budgetary purposes the State has retained usage of the 60.9% level. We were unable to determine whether the 60.9% allocation rate is reasonable to appropriately allocate the costs.</p> <p><b><i>Management’s Response and Corrective Action:</i></b></p> <p>Several MCO investments are allocated using a rate that represents the percentage of Vermonters that are uninsured, underinsured, or Medicaid eligible. This rate is based on the results of the Vermont Household Health Insurance Survey (VHHIS) performed by Vermont Department of Banking, Insurance, and Health Care Administration (BISHCA). BISHCA contracted with experts in the field of survey methodology to complete the surveys and prepare the report. There is also no requirement that AHS use the highest rate. AHS is of the opinion that the rate used is reasonable and supported by the survey.</p>

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Findings	
	<p><b>Scheduled Completion Date of Corrective Action Plan</b></p> <p>No further corrective action considered necessary.</p> <p><b>Contact for Corrective Action Plan</b></p> <p>Rob Roberts, AHS Audit Chief 802-871-3006</p>
12.	<p><b>MCO Investment Program:</b> Essential Persons Program</p> <p><b>State Fiscal Year 2013 Expenditures:</b> \$783,860</p> <p><b>MCO Investment Objective:</b> b – Increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries.</p>
	<p>MCO Investments totaling \$783,860 were paid to help funds the Essential Persons Program administered by the Department for Children and Families. Costs incurred under this program relate to payments made to an individual to assist the individual in obtaining healthcare or to pay for premiums for current health insurance.</p> <p>During testwork we were unable to obtain evidence to support that the participant used this payment for healthcare related services as defined by the Waiver and accordingly, we could not determine if these expenditures were for allowable costs.</p> <p><b><i>Management’s Response and Corrective Action:</i></b></p> <p>AHS has implemented procedures for the approval of MCO investments and for the documentation of that process. Those documents have been made available to the auditor. AHS believes that this finding arises from a difference in understanding of the terms of the waiver between itself and the auditors, and not from a lack of documentation. AHS and CMS are in continuous discussions of the nature of the demonstration and its progress. The MCO investments are reported to CMS annually. Evaluation of the demonstration is an essential part of the waiver process and is ongoing. The adequacy of documentation of the demonstration is an element of that ongoing discussion and evaluation. The GC Waiver was extended on January 1, 2011. Prior to extension, CMS reviewed expenditures made during the initial five year waiver period, including the MCO investments. The review did not challenge or request changes in any of the MCO investments nor were any new requirements added to the STCs pertaining to the MCO Investments. We are confident that we have documented the investments well, supported the costs allocated to this program, and that CMS approves of our process and MCO investment costs</p> <p><b>Scheduled Completion Date of Corrective Action Plan</b></p> <p>No further corrective action considered necessary.</p> <p><b>Contact for Corrective Action Plan</b></p> <p>Rob Roberts, AHS Audit Chief 802-871-3006</p>

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

While the AHS and the Department of Vermont Health Access have developed procedures for defining how they interpret the types of costs that are allowable under each MCO Investment category, we were unable to conclude that each of the costs selected above was allowable under the narrow definition provided within the Waiver. Based on the lack of documentation to support the rationale for how these costs were allocated to the program, we consider this to be a material weakness in internal controls.

#### ***Cause***

The cause of the condition found is the lack of documentation to support how costs are determined to be an allowable MCO Investment and documentation to support the methodologies used to allocate costs to an MCO Investment.

#### ***Effect***

The effect of the condition found is that costs may be charged to this program that are not allowable under federal regulations.

The finding appears to be systemic in nature and is considered a material weakness in internal controls.

#### ***Questioned Costs***

\$66,493 (see item 6 above).

#### ***Recommendation***

We recommend that:

- a. The State review its policies and procedures on what constitutes appropriate, sufficient documentation to support that costs are incurred for allowable activities and implement the necessary changes to help ensure that the above noted documentation findings are resolved.
- b. The State reviews its allocation methodologies and implements procedures to ensure that the methodology is auditable and/or work with CMS to obtain approval of the allocation methodology.

#### ***Management's Response and Corrective Action***

See individual citations.

#### ***Scheduled Completion Date of Corrective Plan***

See individual citations.

#### ***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-041**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare (CFDA #93.777)

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Year**

11-W00194/1	1/1/11-12/31/13
11-W-00191/1	10/1/10 – 9/30/15
75X0512	10/1/10 – 6/30/13

**Criteria**

A pass-through entity is responsible for:

- *Award Identification* – At the time of the subaward, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

**Condition Found**

During our testwork over subrecipient monitoring we selected 25 grantees across 6 Agency of Human Service’s departments and noted the following:

- A. For 3 of the 25 grants reviewed, the grant agreement did not contain accurate Federal award information identifying Medicaid as the source of funds.
- B. For 2 of the 25 grant awards reviewed, we noted that although monitoring procedures were performed over the grantees by the Internal Audit Group, the Federal award information was incorrectly listed in the grant agreement resulting in the monitoring procedures being performed over the wrong Federal program. As a result, we were unable to determine whether these grantees were properly monitored and whether the grant expenditures were incurred for allowable items.
- C. For 3 of the 25 grant awards reviewed, we noted that the State was unable to provide any documentation showing that the grantees had been monitored.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### *Cause*

The cause of the condition found is the lack of oversight on the grant award documents and insufficient monitoring procedures in place.

#### *Effect*

The effect of the condition found is that the subrecipients may be unable to appropriately account for the funds on their Schedule of Expenditure of Federal Awards and costs may not be spent in accordance with Federal regulations.

The finding appears to be systemic in nature and is considered a material weakness in internal controls.

#### *Questioned Costs*

Not determinable.

#### *Recommendation*

We recommend that the Agency of Human Services review its granting procedures to ensure that grant awards are accurately executed. We also recommend that the Agency review its subrecipient monitoring procedures and implement the necessary policies and procedures to help ensure that subrecipients are monitored in accordance with Federal regulations.

#### *Management's Response and Corrective Action*

- a. AHS agrees with this condition. The correct award information was inadvertently dropped from the grants when designating the awards as an MCO investment. AHS and DCF will review its procedures to identify correct award information for MCO awards.
- b. AHS agrees with this condition. The grants monitored included incorrect Federal award information due to the previous condition resulting in monitoring procedures that may not have been appropriated for the awards. AHS will review procedures to ascertain correct Federal award information on grants that it monitors.
- c. AHS acknowledges this condition in part.

The Lamoille Family Center and Visiting Nurse Association grants are managed by Jan Walker of Department For Children & Families. Some monitoring is presently done that consists of reviewing written narrative reports and assurances on compliance; monthly phone contact with grantees; and limited face to face meetings. DCF will implement procedures to further monitor expenditures to provide reasonable ensure that costs are in accordance with the agreement and federal requirements.

The Pathways to Housing grant is maintained by the Department of Corrections (DOC). Monitoring of this grant is done quarterly between Pathways and Corrections Probation & Parole and Transitional Housing staff. There are also monthly meetings to review the individuals in the program to ensure that the proper level of services are being provided and billed. DOC and Pathways to Housing also utilize the Service Point software (provided by the State) to collect information about services provided, offender data, and program outcomes. The grant agreement states the following: "Grantee will document the provision of

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

services for each resident, and services provided to offenders will be approved by P&P staff to ensure compliance with the offender's case plan." This system and information is available for reviewers to determine allow ability. DOC will improve procedures to document its review of services and verification of expenditures being claimed.

***Scheduled Completion Date of Corrective Plan***

June 30, 2014

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief 802-871-3006

**Rejoinder:**

Pathways to Housing Grant – During testwork we requested documentation supporting the monitoring activities and in an e-mail dated October 22, 2013 from the Grant Manager we were informed, "We request a line item budget at the onset of the grant and a corresponding line item financial report of expenses at the end of each fiscal year." We were not informed of the above monitoring activities and therefore were unable to test the sufficiency of these activities.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-042**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare (CFDA #93.777)

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Year**

11-W00194/1            1/1/11-12/31/13

11-W-00191/1        10/1/10 – 9/30/15

75X0512                10/1/10 – 6/30/13

**Criteria**

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS. Subawards are to be reported no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

**Condition Found**

During our testwork over the FFATA requirement for Medicaid, we noted the following:

- A. 7 of the 25 subgrants selected for testwork were not reported within the FSRS system as required for subgrants under FFATA.
- B. 8 of 25 subgrants were not reported as they were not considered to be grant agreements under the Agency of Human Services (the Agency) procurement grant policy. Each of the 8 subgrants was a Designated Agency (DA) in which the Agency has entered into an agreement that covers a variety of services that are paid for using funds from both the State of Vermont general fund and a variety of federal funds, including the Medicaid program.
  - Under the Agency’s procurement grant policy, the Agency has received a waiver from the Agency of Administration under the State of Vermont’s procurement policy, Bulletin 3.5, which allows the Agency to not put these services out to bid and instead enter into a “procurement-grant agreement” for the services. Per discussion with the Agency, while a grant agreement was utilized for this service arrangement, it truly is a fee for service contract and therefore is exempt from FFATA reporting requirements. For each of the 8 items selected, we reviewed the procurement-grant agreement and found it contained 2 payment schedules: 1 schedule provided the value of the agreement that would be paid for using a fee for service arrangement; and the second schedule provided the value of the agreement that would be paid for using grants, of which a portion related to

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

the Medicaid program. Based on the documentation contained within the Agency's procurement-grant agreement, it appears that the Agency did have a grantor relationship with these entities and should have reported each award as required by FFATA.

- C. 4 of the 25 Vermont subgrants selected for testwork were reported in the FSRS system; however they were not reported by the last day of the month following the month in which the subaward/subaward amendment obligation was made. The awards were reported over one year after the obligation date of the award.

#### *Cause*

The cause of the condition found in items A and C was lack of controls to ensure the timely review and submission of subgrants to the FSRS site.

The cause of the condition found in item B is primarily due to the fact that the Agency has developed a complex funding arrangement with the Designated Agencies that comingles multiple services and payment arrangements. Additionally, the Agency's procurement grant vehicle is a hybrid vehicle – part contract and part subgrant – and it is unclear which requirements prevail.

#### *Effect*

The effect of the condition found is that the agency does not have procedures in place over the FFATA requirement to ensure timely and accurate reporting.

The finding appears to be systemic in nature and is considered to be a significant deficiency in internal controls.

#### *Questioned Costs*

None.

#### *Recommendation*

We recommend that the Departments implement controls and procedures to ensure the accurate and timely reporting of subgrants to the FSRS system.

Additionally, we recommend that the Agency review its procurement grant policy as well as its agreements with the Designated Agencies and determine whether or not its conclusion that all funding paid under the agreements represents only fee for service activity given that each agreement contains payment schedules that refer to both fee for service and grant payments. The Agency should also consider consulting with its cognizant agency for guidance. Once the review is completed, if the Agency concludes that all services rendered only relate to fee for service arrangements, the Agency should implement procedures to communicate, and modify their agreements, with the Designated Agencies so they can ensure that these agencies properly account for the funds in accordance with Federal regulations. If however, these do represent a grant relationship, the Agency should implement procedures to ensure all subgrants are filed as required under FFATA.

#### *Management's Response and Corrective Action*

AHS disagrees with this finding. All of the agreements cited in A. B. & C. of the finding are procurement and not sub-recipient. Therefore they are not subject to FFATA reporting per the definition of federal award cited in OMB A-133.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

Section A. These grants were appropriately excluded from FFATA reporting. However, their agreements mistakenly referred to them as Subrecipient and included references to Subrecipient requirements. Contract staff will review procedures for consistency within agreements.

Section B. The finding describes the Agency’s procurement grant vehicle being used as a “hybrid vehicle”. This is true for the form of the agreements but not for the substance of the agreements. Regulation does not identify a third possibility when considering the substance of the agreement. They are either procurements or grants, in substance. The regulation allows for different types of form of agreements but this is not a determinate as to whether it is a grant or procurement. The questioned agreements are using a grant form for procurement purposes and the requirements that are to be applied to them can be determined. AHS also maintains close over-site and does not pass on Federal program responsibility as it would in the case of a sub-recipient. These agreements have been in place prior to FFATA reporting requirements in 2010. KPMG has accepted them as procurements since then.

Section C. The agreements in condition C were inadvertently reported in the FSRS system and will be removed. AHS agrees with the confusion over the grants and will educate staff when to include CFDA number, subrecipient references, and what is to be reported in the FSRS.

***Scheduled Completion Date of Corrective Plan***

June 30, 2014

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief 802-871-3006

***Rejoinder***

For the entities described above, AHS has entered into a grant agreement with the entity, has called the arrangement a grant, called the entity a subrecipient, identified federal funds information and required the entity to adhere to federal regulations, including A-133. As a result, it appears that AHS has entered into a pass-through arrangement and as a result, we audited this arrangement as if it were a subrecipient.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-043**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare (CFDA #93.777)

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Year**

11-W00194/1            1/1/11-12/31/13

11-W-00191/1        10/1/10 – 9/30/15

75X0512                10/1/10 – 6/30/13

**Criteria**

Eligibility for Individuals:

The State Medicaid agency or its designee is required to determine client eligibility in accordance with eligibility requirements defined in the approved State plan (42 CFR section 431.10).

There are specific requirements that must be followed to ensure that individuals meet the financial and categorical requirements for Medicaid. These include that the State or its designee shall:

- Use the income and eligibility verification system (IEVS) to verify eligibility using wage information available from such sources as the agencies administering State unemployment compensation laws, Social Security Administration (SSA), and the Internal Revenue Service to verify income eligibility and the amount of eligible benefits. With approval from HHS, States may use alternative sources for income information. States also (a) may target the items of information for each data source that are most likely to be most productive in identifying and preventing ineligibility and incorrect payments, and a State is not required to use such information to verify the eligibility of all recipients; (b) with reasonable justification, may exclude categories of information when follow-up is not cost effective; and (c) can exclude unemployment compensation information from the Internal Revenue Service or earnings information from SSA that duplicates information received from another source (42 USC 1320b-7(a); 42 CFR sections 435.948(e) and 435.953).
- Document qualified alien status if the applicant or recipient is not a U.S. citizen (42 USC 1320b-7d).

**Condition Found**

During our eligibility testwork, we selected 65 participants and noted the following:

- A. In 1 instance, the Medicaid participant was identified as a U.S. citizen within ACCESS, the State’s benefit eligibility management system; however, their citizenship was not supported by a citizenship code and

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

there was no documentation in the file that the citizenship status was confirmed. As a result, we were unable to determine whether or not this participant met the eligibility requirements for this program.

- B. In 4 instances, the Medicaid participants had an eligibility code of “AZ” within ACCESS, which is Cash Assistance for SSI/AABD blind/disabled children. These 4 participants were over the age of 18 and their eligibility codes should have been updated to code “AD.” It is further noted that this is an internal control finding related to the timeliness and accuracy of participant data within the eligibility system as the claimants were eligible for benefits at the same rate under both codes.

#### *Cause*

The cause of the condition noted above can be attributed to human error. It does not appear that there are adequate controls in place to ensure that the proper information is obtained to support an applicant’s eligibility for Medicaid.

#### *Effect*

The effect of the condition found is that the Department of Children and Families maintains inaccurate or inconsistent information within its case files. This incorrect information is then used to erroneously support an applicant’s eligibility for Medicaid. If the State were to provide benefits to ineligible applicants, it would incur unallowable costs.

The finding appears to be systemic in nature and is considered a material weakness in internal controls.

#### *Questioned Costs*

Not determinable.

#### *Recommendation*

We recommend that the Department review its procedures over obtaining and validating documentation reported by applicants, as it is used to determine Medicaid eligibility. This process of review would ensure that all information is correct, thus supporting an applicant’s eligibility. The collection and verification of accurate information would make certain that the State is in compliance with all federal regulations.

#### *Management’s Response and Corrective Action*

The Department will review the procedures provided to workers regarding verification standards to include when to request additional verification, what verification to request and what is acceptable verification to use. There is currently a verification Plan developed for HAEU that is pending CMS approval. Upon approval this will be the designated plan for Medicaid and workers will be trained upon its use and provided it to use as a desk aid. Since the time of this audit, the Department has consolidated healthcare eligibility processing to one unit which will provide a more consistent approach to verification and the training of such verification standards. The Department’s current control measure is the Quality Control unit which conducts reviews of Medicaid. For FY 2014, CMS has directed all states to conduct reviews through pilot projects. Vermont’s plan is currently pending approval; upon approval reviews of MAGI Medicaid will begin. Deficiencies discovered in these reviews will be shared with the Department’s Health Care processing unit (HAEU) for follow up and training. In response to the finding of timeliness, the Department began a major push to catch up on timeliness in December 2013. This is still underway at this time.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Scheduled Completion Date of Corrective Plan***

- Review of policies and procedures regarding verification will be conducted by 6/30/2014.
- Review of cases by QC for the first reporting period (10/13-3/14) will be completed and reported by 6/30/2014 to CMS, HAEU Management and Department Management.
- The timeliness finding will be corrected by 9/30/2014 at which time all pending actions will be within the 10 day processing window.
- Correction of the cases in error will be completed by 6/30/14.
- Integration of Verification Plan is dependent upon CMS approval.

***Contact for Corrective Action Plan***

Michele Betit, HAEU

Rob Roberts, AHS Audit Chief 871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-044**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare (CFDA #93.777)

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Year**

11-W00194/1	1/1/11-12/31/13
11-W-00191/1	10/1/10 – 9/30/15
75X0512	10/1/10 – 6/30/13

**Criteria**

As required by the 1115 Demonstration Waiver, Global Commitment to Health (the Waiver), once the Managed Care Organization (MCO)'s contractual obligation to the population covered under the Waiver is met, any excess revenue from capitated payments received under the Waiver must be used to (1) reduce the rate of uninsured and, or underinsured in Vermont; (2) increase the access of quality healthcare to uninsured, underinsured and Medicaid beneficiaries, (3) provide public health approaches to improve the health outcomes and the quality of life for the uninsured, underinsured and Medicaid beneficiaries; or (4) encourage the formation and maintenance of public-private partnerships in healthcare. The excess revenue is referred to as MCO investments.

Matching or cost sharing includes requirements to provide contributions (usually nonfederal) of a specified amount or percentage to match federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions). Entities are required to provide reasonable assurance that matching requirements are met using only allowable funds or costs that are properly calculated or valued. Additionally, under the standard terms and conditions of the Waiver, unless specified otherwise, all requirements of the Medicaid program apply to the Waiver, which includes the requirement that all sources of nonfederal funding be compliant with section 1903(w) of the Social Security Act and applicable regulations.

**Condition Found**

The Agency of Human Services (AHS) used school-based health service expenditures to fund a portion of the State's share of the Medicaid program. To determine the amount of school based health service expenditures that AHS will use annually to fund the State share of the Medicaid program, the Vermont Agency of Education (AOE) reports to AHS the total cost of school nursing and occupational therapy services provided to all students free of charge. The AOE collects information from each school district that reports the costs associated with the school based health services which is then submitted to AHS. AHS then multiplies the total cost incurred by the school districts by the estimated percentage of uninsured, underinsured or Medicaid eligible children in the State of Vermont in order to determine the state matching expenditures. The estimated percentage used in the calculation has been developed, in part, from data contained in the 2009 Vermont Household Health Insurance Survey, which was subsequently updated in 2012.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

For the year ending June 30, 2013, the AHS utilized \$2,918,393 in expenditures related to school nurse services to secure federal matching funds. During our testwork we noted:

- A. AHS does not have a written agreement with the AOE outlining the terms of this arrangement and the responsibilities of each party over the completeness and accuracy of the data.
- B. The school nurse expenditure data collected from the local school districts was not audited or reviewed for accuracy and the AHS does not have any procedures to validate the allowability, completeness or accuracy of the data used in arriving at the match amount used. It was further noted that while the AOE has monitoring programs in place over the school districts, supporting documentation could not be provided to support that the school nurse expenditure data was part of those reviews.
- C. The submitted costs under this program were allocated to the MCO program using a rate of approximately 60.9%, which is an estimate of the Vermont population that is Medicaid eligible, uninsured, or uninsured based on the 2009 Vermont Household Health Insurance Survey (VHHIS) results provided to the State Legislature on January 15, 2010. A 2012 VHHIS survey increased this percentage to 65%; however for budgetary purposes the State has retained usage of the 60.9% level. We were unable to determine whether or not the 60.9% allocation rate is reasonable to appropriately allocate the costs.

Based on the above we were unable to determine whether the \$2,918,393 of school nurse expenditures used to support the state match were allowable or whether the related federal matching funds of approximately \$6.7 million should have been drawn down.

#### *Cause*

The cause of the condition found is that AHS believed that if the funds were paid as an MCO investment, that it would represent an allowable Medicaid expenditure and therefore a valid source of matching funds under this program.

#### *Effect*

The State may not have provided the necessary required state match under this program. As a result, the State may have inappropriately drawn down federal funds due to a lack of required state match being made available at the time of the federal draw.

The finding appears to be systemic in nature and is considered to be a material weakness in internal control.

#### *Questioned Costs*

Not Determinable.

#### *Recommendation*

We recommend that:

- a. The AHS implement policies and procedures for documenting how it has provided the required state match for the Medicaid program and that the source of the match is allowable and accurate.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

- b. The AHS review its existing procedures for documenting the allowability of all MCO investments to ensure that all such investments are properly accounted for within the Global Commitment Fund
- c. The AHS reviews its allocation methodologies and implement procedures to ensure that the methodology is auditable and/or work with CMS to obtain approval of the allocation methodology.

#### ***Management's Response and Corrective Action***

- a. There is a written Intergovernmental agreement between DVHA and AOE pertaining to Global Commitment to Health Waiver concerning School-Based Health Services. This agreement was executed in November 2011 and is good for four years. Page 2, Section III Terms (5) of this agreement gives general responsibility that *AOE shall provide information as necessary to assist in compliance of the AHS/DVHA IGA concerning the Global Commitment Waiver*. AHS is of the opinion that this agreement covers the concern but shall request further detail on the arrangement for information of school nurse and occupational therapy costs. This will occur when the agreement is renewed.
- b. AHS will work with the Agency of Education to ensure that the reports that AOE submits are accurate and complete. KPMG has informed the State that it will provide additional guidance on a reasonable procedure that the State could follow. AHS will await this information from KPMG.
- c. The rate used to allocate costs to the MCO program is based on the results of the Vermont Household Health Insurance Survey (VHHIS) performed by Vermont Department of Banking, Insurance, and Health Care Administration (BISHCA). BISHCA contracted with experts in the field of survey methodology to complete the surveys and prepare the report. While AHS did not use the more current rate set in the 2012 survey, AHS believes that the lower rate it used is reasonable. There is no requirement to use the highest rate available.

#### ***Scheduled Completion Date of Corrective Plan***

No further action required.

#### ***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief 802-871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-045**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Healthcare Providers and Suppliers (Title XVIII) Medicare (CFDA #93.777)

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Year**

11-W00194/1	1/1/11-12/31/13
11-W-00191/1	10/1/10 – 9/30/15
75X0512	10/1/10 – 6/30/13

**Criteria**

Matching or cost sharing includes requirements to provide contributions (usually nonfederal) of a specified amount or percentage to match federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions). Entities are required to provide reasonable assurance that matching requirements are met using only allowable funds or costs that are properly calculated or valued. Additionally, under the standard terms and conditions of the Waiver, unless specified otherwise, all requirements of the Medicaid program apply to the Waiver, which includes the requirement that all sources of nonfederal funding be compliant with section 1903(w) of the Social Security Act and applicable regulations.

**Condition Found**

In May 2013, the State received approval from CMS to implement supplemental payment provisions to teaching hospitals for direct graduate medical education (DGME) and indirect medical education (IME) and to provide supplemental payments to physicians employed by teaching hospitals. This amendment was effective retroactively to July 1, 2011. In the CMS OS Notification included with the State Plan Amendment, it stated that the nonfederal share for these costs would be provided by the University of Vermont (UVM), through an intergovernmental transfer, from the appropriation UVM received from the State's general fund. During State fiscal year 2013, \$59.6 million in gross expenditures were paid for DGME and IME and UVM provided \$25.8 million in matching funds.

During our testwork, we noted that UVM provided the State with a certification stating that the \$25.8 million paid originated from their general fund appropriation; however, the State did not perform an independent verification of the certified data or conduct other monitoring activities to ensure that the certification was accurate to ensure that the matching funds were derived from the stated sources and were therefore an allowable matching source of funds. Additionally, the UVM certification was not received until November 2013 when it was requested for review during the audit.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2013

#### ***Cause***

The cause of the condition found is that AHS believes that the UVM certification is sufficient documentation for validating the source of matching funds and that no further action is needed.

#### ***Effect***

The State may not have provided the necessary required state match under this program. As a result, the State may have inappropriately drawn down federal funds due to a lack of required state match being made available at the time of the federal draw.

The finding appears to be systemic in nature and is considered to be a material weakness in internal controls.

#### ***Questioned Costs***

Not Determinable.

#### ***Recommendation***

We recommend that the AHS review its policies and procedures for documenting how it has provided the required state match for the Medicaid program and that the source of the match is allowable and accurate. The AHS may want to consult with CMS on what constitutes providing reasonable assurance that matching requirements are met using only allowable funds in accordance with Federal regulations.

#### ***Management's Response and Corrective Action***

AHS is of the opinion that the certification submitted by UVM and the footnote in the FY 13 UVM audited financial statements concerning the matching requirements provides reasonable assurance as to allowability and validity of costs. The MOU between UVM and the Department of Vermont Health Access, signed June 10, 2013, was intended to serve as the certification. The certification document dated November 2013 was a duplication of effort made for reasons of clarity. UVM should be held accountable for its certification. It should not be the responsibility of AHS to validate the certification as UVM's audit provides this. KPMG has informed the State that it will provide additional guidance on a reasonable procedure that the State could follow. AHS will await this information from KPMG.

#### ***Scheduled Completion Date of Corrective Plan***

Completed. No further action required.

#### ***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief 871-3006

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Rejoinder***

Entities are required to provide reasonable assurance that matching funds are met using only allowable funds or costs that are properly calculated or valued. UVM provided the State with a certification stating that the \$25.8 million paid originated from their general fund appropriation; however, the State did not perform an independent verification of the certified data or conduct other monitoring activities to ensure that the certification was accurate to ensure that the matching funds were derived from the stated sources and were therefore an allowable source of matching funds.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

**Finding 2013-046**

U.S. Department of Homeland Security

**Program Name and CFDA Number**

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA #97.036)

**Program Award Number and Year**

FEMA-1951-DR-VT	December 22, 2010
FEMA-1995-DR-VT	June 15, 2011
FEMA-4001-DR-VT	July 8, 2011
FEMA-4022-DR-VT	September 1, 2011
FEMA-4043-DR-VT	November 8, 2011
FEMA-4066-DR-VT	June 22, 2012

***Criteria***

Grant and cooperative agreement recipients and contractors are required to register in the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) and report subaward data through FSRS. Subawards are to be reported no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made.

***Condition Found***

During our testwork, we noted that FFATA reporting was not being done for any sub-awards granted under the six open disasters that had expenditures during the State fiscal year.

***Cause***

The cause of the condition found was due to the grant awards not being listed in the FSRS website and the State not seeking timely assistance from the Federal Agency in order to correct the problem.

***Effect***

The effect of the condition found is that the agency does not have procedures in place over the FFATA requirement to ensure timely and accurate reporting.

The finding is considered to be systemic in nature and is considered to be a significant deficiency in internal controls.

***Questioned Costs***

None.

***Recommendation***

We recommend that the Agency implement controls and procedures to ensure the accurate and timely reporting of subgrants to the FSRS system.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2013

***Management's Response and Corrective Action***

The Agency concedes that we have not been able to demonstrate a "good faith" effort to seek timely assistance with FFATA reporting issues prior to the point in time that KPMG indicated that we are required to do. We are currently working with FEMA personnel but to date are no closer to being able to report because FEMA has not been able to implement corrective action. We will be careful to document our attempts to file reports in a system that presently does not include the FEMA data we need to fulfill our reporting requirement. During this inquiry we asked KPMG staff how other states were dealing with this issue, we will incorporate any response we get into our corrective action.

***Scheduled Completion Date of Corrective Plan***

We are currently documenting our actions.

***Contact for Corrective Action Plan***

Coleen Krauss, FinancialManager III

Chris MacRitchie, AOT Audit Specialist II