



**STATE OF VERMONT**

Auditors' Report as Required by OMB Circular A-133  
and Related Information

Year ended June 30, 2008

# STATE OF VERMONT

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**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***

To the Speaker of the House of Representatives,  
President Pro-Tempore of the Senate,  
and the Governor of the State of Vermont:

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 of Vermont (the State), as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 23, 2008. Our report was modified to include a reference to other auditors and included an explanatory paragraph which stated as discussed in note 1 and note 5, the State adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and GASB Statement No. 50, *Pension Disclosures* as of July 1, 2007. We conducted our audit in accordance with 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. Other auditors audited the financial statements and related disclosures of certain discretely component units identified in note 1A 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. 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.

For purposes of this report, our consideration of internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters did not include the University of Vermont or the Vermont Economic Development Authority which are discretely presented component units. We have issued separate reports on our consideration of internal control over financial reporting and or tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters for these entities. The findings, if any, included in those reports are not included herein.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.



Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider all the deficiencies described in findings 2008-A, 2008-B, 2008-C, and 2008-E in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. Of the significant deficiencies described above we consider all of them to be material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's basic financial statements are free of 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*.

We have also noted certain additional matters that we reported to management of the State in a separate letter dated December 23, 2008.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the State's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Speaker of the House of Representatives, the President Pro-Tempore of the Senate, the Governor, management of the State of Vermont and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

**KPMG LLP**

December 23, 2008



**KPMG LLP**

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**Report on Compliance with Requirements  
Applicable to Each Major Program, and Internal Control  
over Compliance in Accordance with OMB Circular A-133**

Speaker of the House of the Representatives  
President Pro-Tempore of the Senate  
Governor, James H. Douglas  
General Assembly, State of Vermont  
State House  
Montpelier, Vermont:

**Compliance**

We have audited the compliance of the State of Vermont (the State) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the State's management. Our responsibility is to express an opinion on the State's compliance based on our audit.

The schedule of expenditures of federal awards, the schedule of expenditures of federal awards by Vermont State Agency and our audit described below do not include expenditures of federal awards for those entities determined to be component units of the State for financial statement purposes. Each of these entities has their own independent audit in compliance with OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

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'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. Our audit does not provide a legal determination on the State's compliance with those requirements.



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

<u>State agency/ department name</u>	<u>Federal program name</u>	<u>Compliance requirements</u>	<u>Finding number</u>
Agency of Human Services	Rehabilitation Services – Vocational Rehabilitation Grants to States	Procurement	08-06
Agency of Human Services	Immunization Grants	Special Tests and Provisions	08-07
Agency of Human Services	Immunization Grants	Special Tests and Provisions	08-08
Agency of Human Services	Centers for Disease Control and Prevention – Investigations and Technical Assistance	Subrecipient Monitoring	08-09
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	08-11
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	08-12
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	08-13
Agency of Human Services	Medicaid Cluster	Allowable Costs	08-14
Agency of Human Services	Medicaid Cluster	Allowable Costs	08-15
Agency of Human Services	Medicaid Cluster	Eligibility	08-16
Agency of Human Services	Medicaid Cluster	Allowable Costs	08-17
Agency of Human Services	Medicaid Cluster	Special Tests and Provisions	08-18
Agency of Human Services	Medicaid Cluster	Allowable Costs	08-19
Agency of Human Services	Medicaid Cluster	Matching	08-20
Agency of Transportation	Disaster Grants – Public Assistance (Presidentially Declared Disaster)	Subrecipient Monitoring	08-21

In our opinion, except for the noncompliance described in the preceding paragraph, the State complied, in all material respects, with the requirements referred to above that are applicable to each of its other major federal programs for the year ended June 30, 2008. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, 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 08-01, 08-02, 08-03, 08-04, 08-05, 08-10, and 08-22.

### **Internal Control over Compliance**

The management of the State is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the State’s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity’s internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.



A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-01, 08-02, 08-04, 08-05, 08-06, 08-07, 08-08, 08-09, 08-11, 08-12, 08-13, 08-14, 08-15, 08-16, 08-17, 08-18, 08-19, 08-20, and 08-21 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 08-06, 08-07, 08-08, 08-09, 08-11, 08-12, 08-13, 08-14, 08-15, 08-16, 08-17, 08-18, 08-19, 08-20, and 08-21 to be material weaknesses.

#### **Schedule of Expenditures of Federal Awards**

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 and for the year ended June 30, 2008, and have issued our report thereon dated December 23, 2008, which referred to the use of the reports of other auditors and to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and GASB Statement No. 50, *Pension Disclosures*, as of July 1, 2007. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State's 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 are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the State's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Speaker of the House of the Representatives, the President Pro-Tempore of the Senate, the Governor, management, the cognizant federal agency, the Office of the Inspector General, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

**KPMG LLP**

March 20, 2009  
(except for the schedule of expenditures  
of federal awards, which is as of December 23, 2008)

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
U.S. Department of Agriculture:			
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 255,062	—
10.156	Federal – State Marketing Improvement Program	3,329	—
10.163	Market Protection and Promotion	4,774	—
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	563,848	—
10.551	Supplemental Nutrition Assistance Program	10,798,473	—
10.551	Supplemental Nutrition Assistance Program (EBT)	49,187,602	—
10.553	School Breakfast Program	3,303,773	3,301,839
10.555	National School Lunch Program	9,899,573	9,899,573
10.556	Special Milk Program for Children	71,079	71,080
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	13,271,935	15,000
10.558	Child and Adult Care Food Program	4,103,498	4,049,091
10.559	Summer Food Service Program for Children	262,642	243,420
10.560	State Administrative Expenses for Child Nutrition	363,056	—
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	8,495,617	1,110,688
10.565	Commodity Supplemental Food Program	237,370	237,370
10.568	Emergency Food Assistance Program (Administrative Costs)	112,491	98,325
10.572	WIC Farmers' Market Nutrition Program (FMNP)	71,977	—
10.574	Team Nutrition Grants	53,124	1,500
10.576	Senior Farmers Market Nutrition Program	81,549	46,248
10.580	Special Nutrition Assistance Program Outreach/Participation Program	16,135	—
10.664	Cooperative Forestry Assistance	1,292,346	414,633
10.672	Rural Development, Forestry, and Communities	28,334	24,500
10.676	Forest Legacy Program	988,102	—
10.902	Soil and Water Conservation	7,063	—
10.912	Environmental Quality Incentives Program	16,730	—
10.914	Wildlife Habitat Incentive Program	2,475	—
10.999	Organic Certification – Producers	163,332	—
		103,655,289	19,513,267
U.S. Department of Defense:			
12.002	Procurement Technical Assistance For Business Firms	256,872	—
12.100	Aquatic Plant Control	419,473	170,819
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	25,293	8,000
12.400	Military Construction, National Guard	5,530,522	—
12.401	National Guard Military Operation and Maintenance Projects	12,357,542	—
12.404	National Guard Civilian Youth Opportunities	514,793	—
		19,104,495	178,819
U.S. Department of Housing and Urban Development:			
14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	9,376,712	9,332,114
14.231	Emergency Shelter Grants Program	346,512	335,210
14.239	HOME Investment Partnerships Program	3,229,138	—
14.246	Community Development Block Grants/Brownfields Economic Development Initiative	706	—
14.999	Office of Fair Housing-Assistance Grant	154,093	—
		13,107,161	9,667,324
U.S. Department of the Interior:			
15.605	Sport Fish Restoration Program	3,754,631	—
15.608	Fish and Wildlife Management Assistance	28,378	16,442
15.611	Wildlife Restoration	1,569,774	—
15.615	Cooperative Endangered Species Conservation Fund	643,279	375,000
15.616	Clean Vessel Act	11,898	7,868
15.622	Sportfishing and Boating Safety Act	72,602	54,711
15.625	Wildlife Conservation and Restoration	3,869	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
15.631	Partners for Fish and Wildlife	\$ 37,008	5,000
15.633	Landowner Incentive Program	230,735	—
15.634	State Wildlife Grants	534,080	193,178
15.810	National Cooperative Geologic Mapping Program	67,204	9,217
15.904	Historic Preservation Fund Grants-In-Aid	513,456	34,998
15.916	Outdoor Recreation – Acquisition, Development and Planning	341,491	225,769
		<hr/> 7,808,405	<hr/> 922,183
	U.S. Department of Justice:		
16.523	Juvenile Accountability Block Grants	228,880	7,500
16.527	Supervised Visitation, Safe Havens for Children	249,702	234,266
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	629,141	463,681
16.541	Part E-Developing, Testing and Demonstrating Promising New Programs	159,093	14,236
16.547	Victims Child Abuse	42,000	—
16.550	State Justice Statistics Program for Statistical Analysis Centers	57,499	57,499
16.554	National Criminal History Improvement Program	164,213	—
16.560	National Institute of Justice Research, Evaluation and Development Project Grants	345,651	18,167
16.575	Crime Victim Assistance	1,018,040	797,416
16.576	Crime Victim Compensation	164,659	—
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	956,267	107,436
16.585	Drug Court Discretionary Grant Program	59,035	—
16.588	Violence Against Women Formula Grants	710,772	739,640
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	428,429	406,565
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	372,601	334,323
16.593	Residential Substance Abuse Treatment for State Prisoners	45,859	45,859
16.606	State Criminal Alien Assistance Program	44,321	—
16.607	Bulletproof Vest Partnership Program	6,939	—
16.609	Community Prosecution and Project Safe Neighborhoods	107,434	11,084
16.613	Telemarketing Fraud	81,489	—
16.710	Public Safety Partnership and Community Policing Grants	1,576,480	191,668
16.727	Enforcing Underage Drinking Laws Program	355,887	121,119
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	234,032	—
16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,146,397	272,970
16.740	Statewide Automated Victim Information Notification Program	90,662	—
16.743	Forensic Casework DNA Backlog Reduction Program	69,873	—
16.744	Anti-Gang Initiative	25,178	20,473
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-House Analysis and Data Review)	11,872	—
16.999	Drug Enforcement Administration – DEA	30,052	—
16.999	Marijuana Education	18,528	—
16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	698,256	86,925
16.999	New England High-Intensity Drug Trafficking Areas (HIDTA)	19,058	—
16.999	U.S. Marshall's District Fugitive Task Force	3,404	—
16.999	Vermont Joint Terrorism Task Force	5,787	—
		<hr/> 10,157,490	<hr/> 3,930,827
	U.S. Department of Labor:		
17.002	Labor Force Statistics	712,825	—
17.005	Compensation and Working Conditions	25,226	—
17.207	Employment Service/Wagner Peysner Funded Activities	2,963,872	—
17.225	Unemployment Insurance	97,997,170	—
17.235	Senior Community Service Employment Program	524,004	513,804

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
17.245	Trade Adjustment Assistance	\$ 492,679	—
17.258	WIA Adult Program	2,109,302	—
17.259	WIA Youth Activities	2,742,837	112,113
17.260	WIA Dislocated Workers	1,000,711	—
17.261	WIA Pilots, Demonstrations and Research Projects	806,596	651,522
17.266	Work Incentive Grants	373,805	32,444
17.270	Reintegration of Ex-Offenders	406,912	347,000
17.503	Occupational Safety and Health – State Program	731,707	—
17.504	Consultation Agreements	410,429	—
17.505	OSHA Data Initiative	9,757	—
17.600	Mine Health and Safety Grants	80,285	100,664
17.720	Disability Employment Policy Development	161,372	111,747
17.801	Disabled Veterans’ Outreach Program (DVOP)	120,695	—
17.804	Local Veterans’ Employment Representative Program	339,002	—
		<u>112,009,186</u>	<u>1,869,294</u>
	U.S. Department of Transportation:		
20.106	Airport Improvement Program	1,574,097	—
20.205	Highway Planning and Construction	143,806,652	14,092,859
20.218	National Motor Carrier Safety	819,502	—
20.219	Recreational Trails Program	773,922	576,124
20.312	High Speed Ground Transportation/Next Generation High Speed Rail Program	336	—
20.314	Railroad Development	2,151,522	—
20.500	Federal Transit – Capital Investment Grants	530,749	530,749
20.505	Federal Transit – Metropolitan Planning Grants	329,867	246,347
20.509	Formula Grants for Other Than Urbanized Areas	10,359,130	9,909,407
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	614,886	614,887
20.514	Public Transportation Research	341,914	387,944
20.515	State Planning and Research	47,245	47,245
20.600	State and Community Highway Safety	1,240,874	1,023,197
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	422,860	283,835
20.602	Occupant Protection	81,705	24,944
20.603	Federal Highway Safety Data Improvement Incentive Grants	26,549	2,000
20.608	Minimum Penalties For Repeat Offenders For Driving While Intoxicated	97,312	58,824
20.610	State Traffic Safety Information System Improvement Grants	74,409	74,409
20.612	Incentive Grant Program to Increase Motorcyclist Safety	17,723	—
20.613	Child Safety and Booster Seat Incentive Grants	78,562	—
20.614	National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants	25,732	—
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	3,255,712	3,255,712
20.999	Graduated Licensing	—	12,867
		<u>166,671,260</u>	<u>31,141,350</u>
	U.S. Department of Treasury:		
21.999	Bordergap	80	—
	U.S. Equal Employment Opportunity Commission:		
30.002	Employment Discrimination – State and Local Fair Employment Practices Agency Contracts	70,090	—
	U.S. General Services Administration:		
39.011	Election Reform Payments	550,081	190,399
	U.S. National Foundation on the Arts and the Humanities:		
45.301	Museum for America	147,264	—
45.310	Grants to States	828,697	48,119
		<u>975,961</u>	<u>48,119</u>

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
64.005	U.S. Department of Veterans Affairs: Grants to States for Construction of State Home Facilities	\$ 976,401	—
66.032	U.S. Environmental Protection Agency: State Indoor Radon Grants	118,882	22,000
66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	532,888	—
66.036	Clean School Bus USA	11,977	—
66.110	Healthy Communities Grant program	22,824	—
66.436	Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreement – Section 104(B)(3) of the Clean Water Act	6,729	—
66.454	Water Quality Management Planning	93,808	29,803
66.458	Capitalization Grants for Clean Water State Revolving Funds	898,395	—
66.467	Wastewater Operator Training Grant Program (Technical Assistance)	29,012	—
66.468	Capitalization Grants for Drinking Water State Revolving Funds	8,819,255	—
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	192,552	13,073
66.474	Water Protection Grants to the States	59,479	—
66.481	Lake Champlain Basin Program	370,808	106,000
66.511	Office of Research and Development Consolidated Research/Training/Fellowships	90,677	—
66.605	Performance Partnership Grants	4,044,061	216,265
66.606	Surveys, Studies, Investigations and Special Purpose Grants	25,495	16,200
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	93,320	—
66.611	Environmental Policy and Innovation Grants	3,150	—
66.641	Wetlands Protection State Development	66,507	—
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	360,061	—
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	20,954	—
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	149,215	—
66.802	Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	45,533	—
66.804	State and Tribal Underground Storage Tanks Program	58,839	—
66.805	Leaking Underground Storage Tank Trust Fund Program	719,138	—
66.808	Solid Waste Management Assistance Grants	1,748	—
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	129,767	—
66.817	State and Tribal Response Program Grants	716,764	40,696
		<u>17,681,838</u>	<u>444,037</u>
81.041	U.S. Department of Energy: State Energy Program	635,431	467,698
81.042	Weatherization Assistance for Low-Income Persons	1,021,529	997,461
		<u>1,656,960</u>	<u>1,465,159</u>
84.002	U.S. Department of Education: Adult Education – Basic Grants to States	1,039,152	875,661
84.010	Title I Grants to Local Educational Agencies	28,594,689	28,164,657
84.011	Migrant Education – State Grant Program	678,933	555,494
84.013	Title I Program for Neglected and Delinquent Children	534,640	527,888
84.027	Special Education – Grants to States	23,013,538	21,273,767
84.048	Career and Technical Education – Basic Grants to States	4,080,711	3,630,568
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	10,485,769	310,864
84.169	Independent Living – State Grants	220,953	134,192
84.173	Special Education – Preschool Grants	798,630	635,682
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	304,976	168,750
84.181	Special Education – Grants for Infants and Families	2,138,714	1,595,937
84.185	Byrd Honors Scholarships	75,000	75,000
84.186	Safe and Drug-Free Schools and Communities – State Grants	1,674,109	1,615,765
84.187	Supported Employment Services for Individuals with Significant Disabilities	248,454	—
84.196	Education for Homeless Children and Youth	171,064	140,192

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
84.213	Even Start – State Educational Agencies	\$ 396,538	372,415
84.215	Fund for the Improvement of Education	—	5,222
84.224	Assistive Technology	457,120	—
84.235	Rehabilitation Services Demonstration and Training Programs	64,769	1,693
84.243	Tech-Prep Education	505,617	492,273
84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training	83,299	—
84.287	Twenty-First Century Community Learning Centers	4,627,098	4,407,408
84.298	State Grants for Innovative Programs	476,833	447,276
84.318	Education Technology State Grants	1,141,537	1,066,155
84.323	Special Education – State Personnel Development	261,098	148,718
84.330	Advanced Placement Program	24,277	—
84.357	Reading First State Grants	2,713,837	2,540,273
84.365	English Language Acquisition Grants	442,549	296,518
84.366	Mathematics and Science Partnerships	922,183	876,809
84.367	Improving Teacher Quality State Grants	12,797,902	12,474,289
84.369	Grants for State Assessments and Related Activities	3,573,713	—
84.377	School Improvement Grants	357	—
		102,548,059	82,833,466
	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	25,489	25,489
93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	73,168	73,168
93.043	Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services	80,555	80,555
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	1,837,261	1,837,261
93.045	Special Programs for the Aging – Title III, Part C -Nutrition Services	2,963,718	2,963,718
93.048	Special Programs for the Aging – Title IV and Title II – Discretionary Projects	190,433	—
93.051	Alzheimer’s Disease Demonstration Grants to States	321,143	252,413
93.052	National Family Caregiver Support, Title III, Part E	802,993	408,506
93.053	Nutrition Services Incentive Program	637,393	637,393
93.110	Maternal and Child Health Federal Consolidated Programs	263,843	13,869
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	133,011	12,000
93.127	Emergency Medical Services for Children	112,055	—
93.130	Cooperative Agreements to State/Territories for the Coordination and Development of Primary Care Offices	110,870	5,000
93.136	Injury Prevention and Control Research and State and Community Based Programs	131,759	37,164
93.150	Projects for Assistance in Transition from Homelessness (PATH)	332,806	289,810
93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	398,871	—
93.217	Family Planning – Services	818,429	757,758
93.230	Consolidated Knowledge Development and Application Program	186,661	—
93.234	Traumatic Brain Injury – State Demonstration Grant Program	194,005	—
93.236	Grants for Dental Public Health Residency Training	117,141	96,050
93.241	State Rural Hospital Flexibility Program	313,291	198,643
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	3,624,789	1,570,267
93.268	Immunization Grants	1,921,473	10,000
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	10,824,745	750,420
93.301	Small Rural Hospital Improvement Grant Program	88,902	84,879
93.556	Promoting Safe and Stable Families	431,897	299,926
93.558	Temporary Assistance for Needy Families	33,610,172	1,442,714
93.563	Child Support Enforcement	5,981,848	—
93.566	Refugee and Entrant Assistance – State Administered Programs	367,016	153,624

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients
93.568	Low-Income Home Energy Assistance Program	\$ 18,949,701	2,248,180
93.569	Community Services Block Grant	3,464,665	3,362,942
93.575	Child Care and Development Block Grant	12,130,988	2,538,967
93.576	Refugee and Entrant Assistance – Discretionary Grants	155,466	154,537
93.586	State Court Improvement Program	163,796	—
93.590	Community-Based Child Abuse Prevention Grants	392,260	392,260
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	6,767,658	171,693
93.597	Grants to States for Access and Visitation Programs	64,727	62,969
93.599	Chafee Education and Training Vouchers Program (ETV)	127,107	127,107
93.600	Head Start	113,716	46,627
93.617	Voting Access for Individuals with Disabilities – Grants to States	39,526	31,671
93.630	Developmental Disabilities Basic Support and Advocacy Grants	397,288	146,418
93.631	Developmental Disabilities Projects of National Significance	277,740	227,367
93.643	Children’s Justice Grants to States	91,403	51,500
93.645	Child Welfare Services – State Grants	811,968	69,092
93.658	Foster Care – Title IV-E	11,060,331	906,361
93.659	Adoption Assistance	7,354,636	—
93.667	Social Services Block Grant	8,231,651	887,672
93.669	Child Abuse and Neglect State Grants	180,170	3,500
93.671	Family Violence Prevention and Services/Grants for Battered Women’s Shelters – Grants to States and Indian Tribes	681,832	695,109
93.674	Chafee Foster Care Independence Program	502,142	502,142
93.767	State Children’s Insurance Program	6,316,428	—
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	708,624	110,381
93.775	State Medicaid Fraud Control Units	398,345	—
93.777	State Survey and Certification of Health Care Providers and Suppliers	1,049,792	—
93.778	Medical Assistance Program	646,789,849	38,546,918
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,346,958	225,602
93.889	National Bioterrorism Hospital Preparedness Program	1,608,179	1,076,075
93.913	Grants to States for Operation of Offices of Rural Health	153,950	14,000
93.917	HIV Care Formula Grants	809,040	474,813
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	428,572	135,480
93.940	HIV Prevention Activities – Health Department Based	1,381,657	640,421
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	80,292	—
93.958	Block Grants for Community Mental Health Services	839,151	348,847
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,088,653	5,088,653
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants	198,288	42,000
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	276,573	33,426
93.991	Preventive Health and Health Services Block Grant	268,740	71,440
93.994	Maternal and Child Health Services Block Grant to the States	1,705,771	703,125
93.999	ADAP Data Collection	32,296	—
		<u>808,335,666</u>	<u>72,137,922</u>
	U.S. Corporation for National Community Service:		
94.003	State Commissions	122,001	—
94.006	AmeriCorps	928,611	936,955
94.007	Planning and Program Development Grants	37,944	—
94.009	Training and Technical Assistance	74,680	—
		<u>1,163,236</u>	<u>936,955</u>
	U.S. Social Security Administration:		
96.001	Social Security – Disability Insurance	3,451,528	—
96.008	Social Security – Work Incentives Planning and Assistance Program	108,231	18,161
		<u>3,559,759</u>	<u>18,161</u>

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2008

<u>CFDA number</u>	<u>Federal agency/program title</u>	<u>Expenditures</u>	<u>Amounts passed through to subrecipients</u>
	U.S. Department of Homeland Security:		
97.004	State Domestic Preparedness Equipment Support Program	\$ 189,162	45,239
97.012	Boating Safety Financial Assistance	676,207	220,000
97.017	Pre Disaster Mitigation Competitive	452,184	445,666
97.023	Community Assistance Program State Support Services Element (CAP – SSSE)	127,758	—
97.029	Flood Mitigation Assistance	137,709	135,730
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)	6,810,698	6,730,569
97.039	Hazard Mitigation Grant	44,025	20,786
97.041	National Dam Safety Program	19,952	—
97.042	Emergency Management Performance Grants	1,731,952	354,639
97.043	State Fire Training Systems Grants	14,947	—
97.067	Homeland Security Grant Program	3,814,772	1,824,193
97.070	Map Modernization Management Support	120,131	6,000
97.078	Buffer Zone Protection Program	260,583	187,292
97.090	Law Enforcement Officer Reimbursement Agreement Program	47,798	38,596
		<u>14,447,878</u>	<u>10,008,710</u>
	Total monetary federal financial assistance	<u>1,384,479,295</u>	<u>235,305,992</u>
	Nonmonetary Awards:		
10.555	National School Lunch Program – Commodities	2,042,241	2,042,241
10.558	Child and Adult Care Food Program – Commodities	18,666	18,666
10.569	Emergency Food Assistance Program (Food Commodities)	2,249,107	—
39.003	Donation of Federal Surplus Personal Property	715,440	—
93.268	Immunization Grants	5,949,336	—
	Total nonmonetary federal financial assistance	<u>10,974,790</u>	<u>2,060,907</u>
	Total federal financial aid expended	<u>\$ 1,395,454,085</u>	<u>237,366,899</u>

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

**State of Vermont**  
**Schedule of Expenditures of Federal Awards**  
**by State of Vermont Agency**  
**Year ended June 30, 2008**

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Agriculture	10.025	Plant and Animal Disease, Pest Control and Animal Care	\$ 255,062	-
Agriculture	10.156	Federal-State Marketing Improvement Program	3,329	-
Agriculture	10.163	Market Protection and Promotion	4,774	-
Agriculture	10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	563,848	-
Agriculture	10.912	Environmental Quality Incentive program	16,730	-
Agriculture	10.999	Organic Certification - Producers	163,332	-
Agriculture	66.700	Consolidated Pesticide Enforcement Cooperative Agreements	360,061	-
<b>Agriculture Total</b>			<b>1,367,136</b>	<b>-</b>
Attorney General	16.613	Telemarketing fraud	81,489	-
Attorney General	30.002	Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	70,090	-
Attorney General	93.775	State Medicaid Fraud Control Units	398,345	-
<b>Attorney General Total</b>			<b>549,924</b>	<b>-</b>
Buildings & General Services	14.246	Community Development Block Grants/Brownfields Economic Development Initiative	706	-
Buildings & General Services	64.005	Grants to States for Construction of State Home Facilities	976,401	-
Buildings & General Services	39.003	Donation of Federal Surplus Personal Property	715,440	-
<b>Buildings &amp; General Services Total</b>			<b>1,692,547</b>	<b>-</b>
Commerce	12.002	Procurement Technical Assistance For Business Firms	256,872	-
Commerce	14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	9,376,712	9,332,114
Commerce	14.239	HOME Investment Partnerships Program	3,229,138	-
Commerce	15.904	Historic Preservation Fund Grants-In-Aid	513,456	34,998
Commerce	45.301	Museum for America	147,264	-
Commerce	66.110	Healthy Communities Grant Program	22,824	-
Commerce	97.039	Hazard Mitigation Grant	23,239	-
<b>Commerce Total</b>			<b>13,569,505</b>	<b>9,367,112</b>
Ctr. for Crime Victims Services	16.575	Crime Victim Assistance	1,018,040	797,416
Ctr. for Crime Victims Services	16.576	Crime Victim Compensation	164,659	-
Ctr. for Crime Victims Services	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	101,003	101,177
Ctr. for Crime Victims Services	16.588	Violence Against Women Formula Grants	710,772	739,640
Ctr. for Crime Victims Services	16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	428,429	406,565
Ctr. for Crime Victims Services	16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	372,601	334,323
Ctr. for Crime Victims Services	93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters - Grants to States and Indian Tribes	681,832	695,109
<b>Ctr. for Crime Victims Services Total</b>			<b>3,477,336</b>	<b>3,074,230</b>
Education	10.553	School Breakfast Program	3,303,773	3,301,839
Education	10.555	National School Lunch Program - Commodities	2,042,241	2,042,241
Education	10.555	National School Lunch Program	9,899,573	9,899,573
Education	10.556	Special Milk Program for Children	71,079	71,080
Education	10.558	Child and Adult Care Food Program - Commodities	18,666	18,666
Education	10.558	Child and Adult Care Food Program	4,103,498	4,049,091
Education	10.559	Summer Food Service Program for Children	262,642	243,420
Education	10.560	State Administrative Expenses for Child Nutrition	318,824	-
Education	10.574	Team Nutrition Grants	53,124	1,500
Education	84.002	Adult Education - Basic Grants to States	1,039,152	875,661
Education	84.010	Title I Grants to Local Educational Agencies	28,594,689	28,164,657
Education	84.011	Migrant Education - State Grant Program	678,933	555,494
Education	84.013	Title I Program for Neglected and Delinquent Children	534,640	527,888
Education	84.027	Special Education - Grants to States	23,013,538	21,273,767

**State of Vermont**  
**Schedule of Expenditures of Federal Awards**  
**by State of Vermont Agency**  
**Year ended June 30, 2008**

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Education	84.048	Career and Technical Education - Basic Grants to States	\$ 4,080,711	3,630,568
Education	84.173	Special Education - Preschool Grants	798,630	635,682
Education	84.185	Byrd Honors Scholarships	75,000	75,000
		Safe and Drug-Free Schools and Communities - State		
Education	84.186	Grants	1,460,474	1,411,483
Education	84.196	Education for Homeless Children and Youth	171,064	140,192
Education	84.213	Even Start - State Educational Agencies	396,538	372,415
Education	84.215	Fund for the Improvement of Education	-	5,222
Education	84.243	Tech-Prep Education	505,617	492,273
Education	84.287	Twenty-First Century Community Learning Centers	4,627,098	4,407,408
Education	84.298	State Grants for Innovative Programs	476,833	447,276
Education	84.318	Education Technology State Grants	1,141,537	1,066,155
Education	84.323	Special Education - State Personnel Development	261,098	148,718
Education	84.330	Advanced Placement Program	24,277	-
Education	84.357	Reading First State Grants	2,713,837	2,540,273
Education	84.365	English Language Acquisition Grants	442,549	296,518
Education	84.366	Mathematics and Science Partnerships	922,183	876,809
Education	84.367	Improving Teacher Quality State Grants	12,797,902	12,474,289
Education	84.369	Grants for State Assessments and Related Activities	3,573,713	-
Education	84.377	School Improvement Grants	357	-
		Cooperative Agreements to Support Comprehensive		
		School Health Programs to Prevent the Spread of HIV		
Education	93.938	and Other Important Health Problems	428,572	135,480
<b>Education Total</b>			<b>108,832,362</b>	<b>100,180,638</b>
Executive	94.003	State Commissions	122,001	-
Executive	94.006	AmeriCorps	928,611	936,955
Executive	94.007	Planning and Program Development Grants	37,944	-
Executive	94.009	Training and Technical Assistance	74,680	-
<b>Executive Total</b>			<b>1,163,236</b>	<b>936,955</b>
Human Rights Commission	14.999	Office of Fair Housing-Assistance Grant	154,093	-
<b>Human Rights Commission Total</b>			<b>154,093</b>	<b>-</b>
Human Services	10.551	Supplemental Nutritional Assistance Program	10,798,473	-
Human Services	10.551	Supplemental Nutritional Assistance Program (EBT)	49,187,602	-
		Special Supplemental Nutrition Program for Women,		
Human Services	10.557	Infants, and Children	13,271,935	15,000
Human Services	10.560	State Administrative Expenses for Child Nutrition	44,232	-
		State Administrative Matching Grants for the		
Human Services	10.561	Supplemental Nutritional Assistance Program	8,495,617	1,110,688
Human Services	10.565	Commodity Supplemental Food Program	237,370	237,370
		Emergency Food Assistance Program (Administrative		
Human Services	10.568	Costs)	112,491	98,325
		Emergency Food Assistance Program (Food		
Human Services	10.569	Commodities)	2,249,107	-
Human Services	10.572	WIC Farmers' Market Nutrition Program (FMNP)	71,977	-
Human Services	10.576	Senior Farmers Market Nutrition Program	81,549	46,248
		Special Nutrition Assistance Program		
Human Services	10.580	Outreach/Participation program	16,135	-
Human Services	14.231	Emergency Shelter Grants Program	346,512	335,210
Human Services	16.523	Juvenile Accountability Block Grants	228,880	7,500
Human Services	16.527	Supervised Visitation, Safe Havens for Children	249,702	234,266
		Juvenile Justice and Delinquency Prevention - Allocation		
Human Services	16.540	to States	629,141	463,681
		Part E - Developing, Testing and Demonstrating		
Human Services	16.541	Promising New Programs	159,093	14,236
		Edward Byrne Memorial State and Local Law		
Human Services	16.580	Enforcement Assistance Discretionary Grants Program	124,877	-
Human Services	16.606	State Criminal Alien Assistance Program	44,321	-
Human Services	16.727	Enforcing Underage Drinking Laws Program	355,887	121,119

**State of Vermont**  
**Schedule of Expenditures of Federal Awards**  
**by State of Vermont Agency**  
**Year ended June 30, 2008**

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Human Services	16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	\$ 234,032	-
Human Services	16.740	Statewide Automated Victim Information Notification Program	90,662	-
Human Services	17.235	Senior Community Service Employment Program	524,004	513,804
Human Services	17.270	Reintegration of Ex-Offenders	406,912	347,000
Human Services	66.032	State Indoor Radon Grants	118,882	22,000
Human Services	66.606	Surveys, Studies, Investigations and Special Purpose Grants	25,495	16,200
Human Services	66.701	Toxic Substance Compliance Monitoring Cooperative Agreements	20,954	-
Human Services	66.707	TSCA Title IV State Lead Grants Certification of Lead- Based Paint Professionals	149,215	-
Human Services	81.042	Weatherization Assistance for Low - Income Persons	1,021,529	997,461
Human Services	84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States	10,485,769	310,864
Human Services	84.169	Independent Living - State Grants	220,953	134,192
Human Services	84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	304,976	168,750
Human Services	84.181	Special Education - Grants for Infants and Families	2,138,714	1,595,937
Human Services	84.186	Safe and Drug-Free Schools and Communities - State Grants	213,635	204,282
Human Services	84.187	Supported Employment Services for Individuals with Significant Disabilities	248,454	-
Human Services	84.224	Assistive Technology	457,120	-
Human Services	84.235	Rehabilitation Services Demonstration and Training Programs	64,769	1,693
Human Services	84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training	83,299	-
Human Services	93.041	Special Programs for the Aging - Title VII, Chapter 3 - Exploitation	25,489	25,489
Human Services	93.042	Special Programs for the Aging - Title VII, Chapter2 - Long Term Care Ombudsman Services for Older Individuals	73,168	73,168
Human Services	93.043	Special Programs for the Aging-Title III, Part D - Disease Prevention and Health Promotion Services	80,555	80,555
Human Services	93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	1,837,261	1,837,261
Human Services	93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	2,963,718	2,963,718
Human Services	93.048	Special Programs for the Aging - Title IV and Title II - Discretionary Projects	190,433	-
Human Services	93.051	Alzheimer's Disease Demonstration Grants to States	321,143	252,413
Human Services	93.052	National Family Caregiver Support, Title III, Part E	802,993	408,506
Human Services	93.053	Nutrition Services Incentive Program	637,393	637,393
Human Services	93.110	Maternal and Child Health Federal Consolidated Programs	263,843	13,869
Human Services	93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	133,011	12,000
Human Services	93.127	Emergency Medical Services for Children	112,055	-
Human Services	93.130	Cooperative Agreements to State/Territories for the Coordination and Development of Primary Care Offices	110,870	5,000
Human Services	93.136	Injury Prevention and Control Research and State and Community Based Programs	131,759	37,164
Human Services	93.150	Projects for Assistance in Transition from Homelessness (PATH)	332,806	289,810
Human Services	93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	398,871	-

**State of Vermont**  
**Schedule of Expenditures of Federal Awards**  
**by State of Vermont Agency**  
**Year ended June 30, 2008**

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Human Services	93.217	Family Planning - Services Consolidated Knowledge Development and Application	\$ 818,429	757,758
Human Services	93.230	Program Traumatic Brain Injury - State Demonstration Grant	186,661	-
Human Services	93.234	Program	194,005	-
Human Services	93.236	Grants for Dental Public Health Residency Training	117,141	96,050
Human Services	93.241	State Rural Hospital Flexibility Program Substance Abuse and Mental Health Services - Projects	313,291	198,643
Human Services	93.243	of Regional and National Significance	3,624,789	1,570,267
Human Services	93.268	Immunization Grants Centers for Disease Control and Prevention -	7,870,809	10,000
Human Services	93.283	Investigations and Technical Assistance	10,824,745	750,420
Human Services	93.301	Small Rural Hospital Improvement Grant Program	88,902	84,879
Human Services	93.556	Promoting Safe and Stable Families	431,897	299,926
Human Services	93.558	Temporary Assistance for Needy Families	33,610,172	1,442,714
Human Services	93.563	Child Support Enforcement Refugee and Entrant Assistance - State Administered	5,981,848	-
Human Services	93.566	Programs	367,016	153,624
Human Services	93.568	Low-Income Home Energy Assistance Program	18,949,701	2,248,180
Human Services	93.569	Community Services Block Grant	3,464,665	3,362,942
Human Services	93.575	Child Care and Development Block Grant	12,130,988	2,538,967
Human Services	93.576	Refugee and Entrant Assistance - Discretionary Grants	155,466	154,537
Human Services	93.590	Community-Based Child Abuse Prevention Grants Child Care Mandatory and Matching Funds of the Child	392,260	392,260
Human Services	93.596	Care and Development Fund	6,767,658	171,693
Human Services	93.597	Grants to States for Access and Visitation Programs	64,727	62,969
Human Services	93.599	Chafee Education and Training Vouchers Program (ETV)	127,107	127,107
Human Services	93.600	Head Start Developmental Disabilities Basic Support and Advocacy	113,716	46,627
Human Services	93.630	Grants Developmental Disabilities Projects of National	397,288	146,418
Human Services	93.631	Significance	277,740	227,367
Human Services	93.643	Children's Justice Grants to States	91,403	51,500
Human Services	93.645	Child Welfare Services - State Grants	811,968	69,092
Human Services	93.658	Foster Care - Title IV-E	11,060,331	906,361
Human Services	93.659	Adoption Assistance	7,354,636	-
Human Services	93.667	Social Services Block Grant	8,231,651	887,672
Human Services	93.669	Child Abuse and Neglect State Grants	180,170	3,500
Human Services	93.674	Chafee Foster Care Independence Program	502,142	502,142
Human Services	93.767	State Children's Insurance Program Medicaid Infrastructure Grants to Support the	6,316,428	-
Human Services	93.768	Competitive Employment of People with Disabilities State Survey and Certification of Health Care Providers	708,624	110,381
Human Services	93.777	and Suppliers	1,049,792	-
Human Services	93.778	Medical Assistance Program Centers for Medicare and Medicaid Services (CMS)	646,789,849	38,546,918
Human Services	93.779	Research, Demonstrations and Evaluations	1,346,958	225,602
Human Services	93.889	National Bioterrorism Hospital Preparedness Program	1,608,179	1,076,075
Human Services	93.913	Grants to States for Operation of Offices of Rural Health	153,950	14,000
Human Services	93.917	HIV Care Formula Grants	809,040	474,813
Human Services	93.940	HIV Prevention Activities - Health Department Based Cooperative Agreements to Support Comprehensive	1,381,657	640,421
Human Services	93.944	School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	80,292	-
Human Services	93.958	Block Grants for Community Mental Health Services	839,151	348,847
Human Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,088,653	5,088,653

**State of Vermont**  
**Schedule of Expenditures of Federal Awards**  
**by State of Vermont Agency**  
**Year ended June 30, 2008**

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Human Services	93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	\$ 198,288	42,000
Human Services	93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	276,573	33,426
Human Services	93.991	Preventive Health and Health Services Block Grant	268,740	71,440
Human Services	93.994	Maternal and Child Health Services Block Grant to the States	1,705,771	703,125
Human Services	93.999	ADAP Data Collection	32,296	-
Human Services	96.001	Social Security - Disability Insurance	3,451,528	-
Human Services	96.008	Social Security - Work Incentives Planning and Assistance Program	108,231	18,161
<b>Human Services Total</b>			<b>919,646,965</b>	<b>78,289,649</b>
Judiciary	16.547	Victims Child Abuse	42,000	-
Judiciary	16.585	Drug Court Discretionary Grant Program	59,035	-
Judiciary	93.586	State Court Improvement Program	163,796	-
<b>Judiciary Total</b>			<b>264,831</b>	<b>-</b>
Labor	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program	-	6,259
Labor	17.002	Labor Force Statistics	712,825	-
Labor	17.005	Compensation and Working Conditions	25,226	-
Labor	17.207	Employment Service/Wagner Peyer Funded Activities	2,963,872	-
Labor	17.225	Unemployment Insurance	97,997,170	-
Labor	17.245	Trade Adjustment Assistance	492,679	-
Labor	17.258	WIA Adult Program	2,109,302	-
Labor	17.259	WIA Youth Activities	2,742,837	112,113
Labor	17.260	WIA Dislocated Workers	1,000,711	-
Labor	17.261	WIA Pilots, Demonstrations and Research Projects	806,596	651,522
Labor	17.266	Work Incentives Grants	373,805	32,444
Labor	17.503	Occupational Safety and Health - State Program	731,707	-
Labor	17.504	Consultation Agreements	410,429	-
Labor	17.505	OSHA Data Initiative	9,757	-
Labor	17.720	Employment Programs for People With Disabilities	161,372	111,747
Labor	17.600	Mine Health and Safety Grants	80,285	100,664
Labor	17.801	Disabled Veterans' Outreach Program (DVOP)	120,695	-
Labor	17.804	Local Veterans' Employment Representative Program	339,002	-
<b>Labor Total</b>			<b>111,078,270</b>	<b>1,014,749</b>
Libraries	45.310	Grants to States	828,697	48,119
<b>Libraries Total</b>			<b>828,697</b>	<b>48,119</b>
Military	12.400	Military Construction, National Guard National Guard Military Operation and Maintenance Projects	5,530,522	-
Military	12.401	Projects	12,357,542	-
Military	12.404	National Guard Civilian Youth Operations	514,793	-
<b>Military Total</b>			<b>18,402,857</b>	<b>-</b>
Natural Resources-Forget, Parks, and Recreation	10.664	Cooperative Forestry Assistance	1,292,346	414,633
Natural Resources-Forget, Parks, and Recreation	10.672	Rural Development, Forestry, and Communication	28,334	24,500
Natural Resources-Forget, Parks, and Recreation	10.676	Forest Legacy Program	988,102	-
Natural Resources-Forget, Parks, and Recreation	15.608	Fish and Wildlife Management Assistance	6,980	-
Natural Resources-Forget, Parks, and Recreation	15.916	Outdoor Recreation - Acquisition, Development and Planning	341,491	225,769
Natural Resources-Forget, Parks, and Recreation	20.219	Recreational Trails Program	773,922	576,124
<b>Natural Resources-Forget, Parks, and Recreation Total</b>			<b>3,431,175</b>	<b>1,241,026</b>
Natural Resources-Fish and Wildlife	15.605	Sport Fish Restoration Program	3,754,631	-
Natural Resources-Fish and Wildlife	15.611	Wildlife Restoration	1,569,774	-
Natural Resources-Fish and Wildlife	15.615	Cooperative Endangered Species Conservation Fund	643,279	375,000

**State of Vermont**  
**Schedule of Expenditures of Federal Awards**  
**by State of Vermont Agency**  
**Year ended June 30, 2008**

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Natural Resources-Fish and Wildlife	15.616	Clean Vessel Act	\$ 11,898	7,868
Natural Resources-Fish and Wildlife	15.622	Sportfishing and Boating Safety Act	72,602	54,711
Natural Resources-Fish and Wildlife	15.625	Wildlife Conservation and Restoration	3,869	-
Natural Resources-Fish and Wildlife	15.633	Landowner Incentive Program	230,735	-
Natural Resources-Fish and Wildlife	15.634	State Wildlife Grants	534,080	193,178
Natural Resources-Fish and Wildlife	66.641	Wetlands Protection State Development	66,507	-
<b>Natural Resources-Fish and Wildlife Total</b>			<b>6,887,375</b>	<b>630,757</b>
Natural Resources-Dept. of Environmental Conservation	10.902	Soil and Water Conservation	7,063	-
Natural Resources-Dept. of Environmental Conservation	10.914	Wildlife Habitat Incentive Program	2,475	-
Natural Resources-Dept. of Environmental Conservation	12.100	Aquatic Plant Control	419,473	170,819
Natural Resources-Dept. of Environmental Conservation	12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	25,293	8,000
Natural Resources-Dept. of Environmental Conservation	15.608	Fish and Wildlife Management Assistance	21,398	16,442
Natural Resources-Dept. of Environmental Conservation	15.631	Partners for Fish and Wildlife	37,008	5,000
Natural Resources-Dept. of Environmental Conservation	15.810	National Cooperative Geologic Mapping Program	67,204	9,217
		Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act		
Natural Resources-Dept. of Environmental Conservation	66.034	to the Clean Air Act	532,888	-
Natural Resources-Dept. of Environmental Conservation	66.036	Clean School Bus USA	11,977	-
		Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreement - Section 104(B)(3) of the Clean Water Act		
Natural Resources-Dept. of Environmental Conservation	66.436	104(B)(3) of the Clean Water Act	6,729	-
Natural Resources-Dept. of Environmental Conservation	66.454	Water Quality Management Planning	93,808	29,803
		Capitalization Grants for Clean Water State Revolving Funds		
Natural Resources-Dept. of Environmental Conservation	66.458	Funds	898,395	-
		Wastewater Operator Training Grant Program (Technical Assistance)		
Natural Resources-Dept. of Environmental Conservation	66.467	Assistance)	29,012	-
		Capitalization Grants for Drinking Water State Revolving Funds		
Natural Resources-Dept. of Environmental Conservation	66.468	Funds	8,819,255	-
		State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs		
Natural Resources-Dept. of Environmental Conservation	66.471	Systems for Training and Certification Costs	192,552	13,073
Natural Resources-Dept. of Environmental Conservation	66.474	Water Protection Grants to the States	59,479	-
Natural Resources-Dept. of Environmental Conservation	66.481	Lake Champlain Basin Program	370,808	106,000
		Office of Research and Development Consolidated Research/Training/Fellowships		
Natural Resources-Dept. of Environmental Conservation	66.511	Research/Training/Fellowships	90,677	-
Natural Resources-Dept. of Environmental Conservation	66.605	Performance Partnership Grants	4,044,061	216,265
		Environmental Information Exchange Network Grant Program and Related Assistance		
Natural Resources-Dept. of Environmental Conservation	66.608	Program and Related Assistance	93,320	-
Natural Resources-Dept. of Environmental Conservation	66.611	Environmental Policy and Innovation Grants	3,150	-
		Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements		
Natural Resources-Dept. of Environmental Conservation	66.802	Site-Specific Cooperative Agreements	45,533	-
		State and Tribal Underground Storage Tanks Program		
Natural Resources-Dept. of Environmental Conservation	66.804	State and Tribal Underground Storage Tanks Program	58,839	-
		Leaking Underground Storage Tank Trust Fund Program		
Natural Resources-Dept. of Environmental Conservation	66.805	Leaking Underground Storage Tank Trust Fund Program	719,138	-
Natural Resources-Dept. of Environmental Conservation	66.808	Solid Waste Management Assistance Grants	1,748	-
		Superfund State and Indian Tribe Core Program		
Natural Resources-Dept. of Environmental Conservation	66.809	Cooperative Agreements	129,767	-
Natural Resources-Dept. of Environmental Conservation	66.817	State and Tribal Response Program Grants	716,764	40,696
		Community Assistance Program -State Support Services		
Natural Resources-Dept. of Environmental Conservation	97.023	Element (CAP - SSSE)	127,758	-
Natural Resources-Dept. of Environmental Conservation	97.041	National Dam Safety Program	19,952	-
Natural Resources-Dept. of Environmental Conservation	97.070	Map Modernization Management Support	120,131	6,000
<b>Natural Resources-Department of Environmental Conservation Total</b>			<b>17,765,655</b>	<b>621,315</b>
		State Justice Statistics Program for Statistical Analysis		
Public Safety	16.550	Centers	57,499	57,499
Public Safety	16.554	National Criminal History Improvement Program	164,213	-
		National Institute of Justice Research, Evaluation and Development Project Grants		
Public Safety	16.560	Development Project Grants	345,651	18,167

**State of Vermont**  
**Schedule of Expenditures of Federal Awards**  
**by State of Vermont Agency**  
**Year ended June 30, 2008**

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Public Safety	16.580	Edward Bryne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	\$ 730,387	-
Public Safety	16.593	Residential Substance Abuse Treatment for State Prisoners	45,859	45,859
Public Safety	16.607	Bulletproof Vest Partnership Program	6,939	
Public Safety	16.609	Community Prosecution and Project Safe Neighborhoods Public Safety Partnership and Community Policing	107,434	11,084
Public Safety	16.710	Grants	1,576,480	191,668
Public Safety	16.738	Edward Byrne Memorial Justice Assistance Grant Program	1,146,397	272,970
Public Safety	16.743	Forensic Casework DNA Backlog Reduction Program	69,873	-
Public Safety	16.744	Anti-Gang Initiatives	25,178	20,473
Public Safety	16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-House Analysis and Data Review)	11,872	-
Public Safety	16.999	Drug Enforcement Administration - DEA	30,052	-
Public Safety	16.999	Marijuana Education	18,528	-
Public Safety	16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	688,819	86,925
Public Safety	16.999	New England High-Intensity Drug Trafficking Areas (HIDTA)	19,058	-
Public Safety	16.999	US Marshall's District Fugitive Task Force	3,404	-
Public Safety	16.999	Vermont Joint Terrorism Task Force	5,787	-
Public Safety	20.600	State and Community Highway Safety	1,240,874	1,023,197
Public Safety	20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant	422,860	283,835
Public Safety	20.602	Occupant Protection	81,705	24,944
Public Safety	20.603	Federal Highway Safety Data Improvement Incentive Grants	26,549	2,000
Public Safety	20.610	State Traffic Safety Information System Improvement Grants	74,409	74,409
Public Safety	20.612	Incentive Grant Program to Increase Motorcyclist Safety	17,723	-
Public Safety	20.613	Child Safety and Booster Seat Incentive Grants	78,562	-
Public Safety	20.614	National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants	25,732	-
Public Safety	20.608	Minimum Penalties For Repeat Offenders For Driving While Intoxicated	97,312	58,824
Public Safety	20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	3,255,712	3,255,712
Public Safety	20.999	Graduated Licensing	-	12,867
Public Safety	21.999	Bordergap	80	-
Public Safety	97.004	State Domestic Preparedness Equipment Support Program	189,162	45,239
Public Safety	97.012	Boating Safety Financial Assistance	676,207	220,000
Public Safety	97.017	Pre Disaster Mitigation Competitive	452,184	445,666
Public Safety	97.029	Flood Mitigation Assistance	137,709	135,730
Public Safety	97.039	Hazard Mitigation Grant	20,786	20,786
Public Safety	97.042	Emergency Management Performance Grants	1,731,952	354,639
Public Safety	97.043	State Fire Training Systems Grants	14,947	-
Public Safety	97.067	Homeland Security Grant Program	3,814,772	1,824,193
Public Safety	97.078	Buffer Zone Protection Program	260,583	187,292
<b>Public Safety Total</b>			<b>17,673,250</b>	<b>8,673,978</b>
Public Service	81.041	State Energy Program	635,431	467,698
<b>Public Service Total</b>			<b>635,431</b>	<b>467,698</b>
Secretary of State's Office	39.011	Election Reform Payments	550,081	190,399

**State of Vermont**  
**Schedule of Expenditures of Federal Awards**  
**by State of Vermont Agency**  
**Year ended June 30, 2008**

Vermont agency	CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients 7/1/07-6/30/08
Secretary of State's Office	93.617	Voting Access for Individuals with Disabilities - Grants to States	\$ 39,526	31,671
<b>Secretary of State's Office Total</b>			<b>589,607</b>	<b>222,070</b>
State's Attorney's & Sheriffs	16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	9,437	
<b>State's Attorney's &amp; Sheriffs Total</b>			<b>9,437</b>	<b>-</b>
Transportation	20.106	Airport Improvement Program	1,574,097	-
Transportation	20.205	Highway Planning and Construction	143,806,652	14,092,859
Transportation	20.218	National Motor Carrier Safety High Speed Ground Trans/Next Generation High Speed	819,502	-
Transportation	20.312	Rail Program	336	-
Transportation	20.314	Railroad Development	2,151,522	-
Transportation	20.500	Federal Transit - Capital Investment Grants	530,749	530,749
Transportation	20.505	Federal Transit - Metropolitan Planning Grants	329,867	246,347
Transportation	20.509	Formula Grants for Other Than Urbanized Areas Capital Assistance Program for Elderly Persons and	10,359,130	9,909,407
Transportation	20.513	Persons with Disabilities	614,886	614,887
Transportation	20.514	Public Transportation Research	341,914	387,944
Transportation	20.515	State Planning and Research	47,245	47,245
Transportation	97.036	Disaster Grants - Public Assistance (Presidentially Declared Disaster)	6,810,698	6,730,569
Transportation	97.090	Law Enforcement Officer Reimbursement Agreement Program	47,798	38,596
<b>Transportation Total</b>			<b>167,434,396</b>	<b>32,598,603</b>
<b>Grand Total</b>			<b>\$ 1,395,454,085</b>	<b>237,366,899</b>

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, 2008

#### (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 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, 2008. The Schedules do not include component units identified in the notes to the basic financial statements issued by KPMG, LLP.

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, 2008. 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 Center for Geographic Information
University of Vermont	Vermont Sustainable Jobs Fund, Inc
Vermont State College System	Vermont Transportation Authority
Vermont Educational and Health Buildings Financing Agency	Vermont Veterans' Home
Vermont Housing and Conservation Board	Vermont Rehabilitation Corporation
Vermont Economic Development Authority	Vermont Film Corporation
Vermont Municipal Bond Bank	Vermont Telecommunications Authority

##### (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 \$4,186,362 in expenditures, distributions, or issuances for the fiscal year ended June 30, 2008.

**STATE OF VERMONT**

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

June 30, 2008

**(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 out as follows:

State	\$ 89,123,734
Federal	<u>8,873,436</u>
	<u>\$ 97,997,170</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, 2008

#### (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) ***National School Lunch Program (CFDA #10.555)***

The National School Lunch Program assists states in providing a nutritious food service program for low-income children through cash grants and food commodities, such as bread, meat, and other commodities. Total federal expenditures included in the Schedules for the National School Lunch Program represent the federal government's acquisition value of the food commodities provided to the State.

##### (b) ***Child and Adult Food Care Program (CFDA #10.558)***

The Child and Adult Food Care Program assists states through grants-in-aid and other means to initiate and maintain nonprofit food service programs for children, elderly or impaired adults in nonresidential day care facilities, and children in emergency shelters. Total federal expenditures included in the Schedules for the Child and Adult Food Care Program represent the federal government's acquisition value of the food commodities provided to the State.

##### (c) ***Emergency Food Assistance Program (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 local agencies that they have 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.

##### (d) ***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.

##### (e) ***Immunization Grants (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 Grants represent the federal government's acquisition value of the vaccines provided to the State.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

***Financial Statements***

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?        yes   X   none reported

Noncompliance material to financial statements noted?        yes   X   no

***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified that are reported not considered to be material weaknesses?   X   yes        none

Type of auditors' report issued on compliance for major programs: Unqualified except for:

**Qualified Opinion**

- Rehabilitation Services – Vocational Rehabilitation Grants to States (CFDA #84.126)
- Immunization Grants (CFDA #93.268)
- Centers for Disease Control and Prevention – Investigations and Technical Assistance (CFDA #92.283)
- Child Support Enforcement (CFDA #93.563)
- Medicaid Cluster (CFDA #93.775, #93.777, and #93.778)
- Disaster Grants – Public Assistance (Presidentially Declared Disaster)(CFDA #97.036)

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?   X   yes        no

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

***Identification of Major Programs***

<b>CFDA number</b>	<b>Name of federal program</b>
WIA Cluster:	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.260	WIA Dislocated Workers
Highway Planning and Construction Cluster:	
20.205	Highway Planning and Construction
Special Education Cluster:	
82.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
Medicaid Cluster:	
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program
Other programs:	
14.228	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii
84.048	Career and Technical Education – Basic Grants to States
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.287	Twenty-First Century Community Learning Centers
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance
93.563	Child Support Enforcement
93.767	State Children’s Insurance Program
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)

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

\$4,186,362

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes

\_\_\_X\_\_\_ no

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

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

**2008-A – Key Dependency in the Compilation and Review of the Comprehensive Annual Financial Report**

***Background***

There are five members of the Department of Finance and Management's (the Department) Statewide Reporting group, which is primarily responsible for the activities related to the compilation and review of the Comprehensive Annual Financial Report (CAFR). The Director of Statewide reporting is actively involved in the day-to-day operations involved in the preparation of the CAFR and related reports to support the amounts and disclosures in the CAFR. Further, the Governmental Accounting Standards Board (GASB) continues to issue increasingly complex accounting and financial reporting standards that the State must implement. These new standards will require significant time and effort of Department personnel.

***Finding***

While the Department has continued to improve the operation of the Statewide Reporting Group by adding additional staff to allow for more delegation of financial reporting responsibilities, the Department continues to rely heavily on the Director of Statewide Reporting (the Director) for the compilation and review of the annual financial statements. The amount of responsibility placed on the Director and the centralized role the Director plays in compiling, preparing, analyzing and reviewing the year end financial statements is a risk to the State in the event the Director is unavailable for a length of time given the Director's institutional knowledge, strategic oversight and the Director's responsibilities for the critical day-to-day operations of the Statewide Reporting Group.

***Recommendation***

The Department should continue to look at its existing resources within the Statewide Reporting Group to ensure that the Director has appropriate resources to delegate responsibilities and transfer knowledge of the State's financial reporting processes.

***Management's Response***

1. As reported in prior years, the Department of Finance & Management has in place a knowledge transfer training program aimed at distributing key CAFR component preparation from the Director of State-Wide Reporting to the State-Wide reporting staff. Great strides have been made in this area and more will come as we continue with our training efforts. For the FY2008 CAFR we met our goal of having the staff develop all statements and footnotes and the Director performing a review role only.
2. The Department of Finance & Management will begin the process of recruiting for the vacant Assistant Director of State-Wide Reporting position shortly. This position will report to the Director of State-Wide Reporting. The ideal candidate will be one who is qualified to assume the bulk of the CAFR review process and to expand training opportunities for the Reporting Division staff. The added position will offer the Director of State-Wide Reporting the opportunity to dedicate significantly more time to analyzing the complex accounting and financial reporting standards that the State must implement.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **2008-B – 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 provided year end closing information to the Department of Finance and Management (Department) in the form of the year end closing packages. The Department also provided the individual departments and agencies with annual guidance and training on generally accepted accounting principals and the form and content of the information that is required in the year end closing packages.

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

Despite the Department's efforts to educate and communicate with the individual departments and agencies we noted certain adjustments that were more than inconsequential that were necessary to be made to the State's financial statements. These adjustments are as follows:

- The Tax Department made an error in their allowance for doubtful accounts calculation. Management established the allowance for doubtful accounts equal to 90% of the estimated personal income, meals and room and sales and use tax balances at June 30, 2008. In calculating the additional adjustment to meet this threshold, a formula error was made in a spreadsheet resulting in an understatement in the allowance totaling \$9,446,289.
- The VISION system allows users to manually input capital asset data instead of utilizing the system's automatic integration functionality with the VISION accounts payable module. Because of this, the Agency of Human Services made a \$10,995,358 error when inputting a capital asset transaction separate from the payment of the invoice. The error was subsequently found by the Agency and a correction was made, however, the correction was entered into the next fiscal year. The Agency did not notify the Department of Finance & Management of the error or that the correction was made in the subsequent fiscal year.
- Property tax revenue and education expenditures in the Education Fund were understated by \$117,984,744 as a result of a duplicate entry recorded by the Department of Finance and Management. The Department of Education is responsible for recording the statewide property tax revenue in the State's general ledger system and recorded the statewide property tax revenue net of income sensitivity credits. The Department of Finance and Management recorded the duplicate entry believing that the statewide property taxes were recorded gross of credits and were unaware that the Department of Education had already made the entry to reclass the income sensitivity payments from an expense to a contra-revenue.
- The Treasurer's Office caused a debt service payment to be input into VISION incorrectly. The Treasurer's Office incorrectly posted a \$822,015 principal payment
- The Department of Finance and Management incorrectly identified a \$10,900 voucher as a 2008 expense when it should have been treated as a prepaid asset in the government –wide financial statements
- The Department of Corrections incorrectly identified a \$1,156,744 voucher as a 2008 accounts payable/expenditure when the amount should have been deferred as a fiscal year 2009 expenditure.

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While the Department is primarily responsible for the preparation of the State's financial statements, there does not appear to be adequate state-wide internal controls in place over the financial reporting process to ensure information in the financial statements is properly analyzed or accurate. These adjustments were noted across multiple agencies and departments. These adjustments indicate the need for further understanding of the financial accounting and reporting concepts across state government.

#### ***Recommendation***

The Department should continue to educate State departments and agencies to provide them with the knowledge and guidance of financial accounting and reporting concepts, including internal controls, such that the State's financial statements are complete and accurate. Further, communication between Departments should be improved such that non-routine transactions are recorded in the financial statements properly.

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

We concur with this finding. The Department intends to continue to educate State departments and agencies. The Department conducts an annual internal control survey, with follow-up sample testing of a compliance with State and department specific accounting procedures and internal controls. The Department provides ongoing training to State accounting personnel in the proper use of the accounting system. The Department issues a quarterly internal control newsletter which provides State accounting personnel with suggested best practices, good internal controls, information on changes to policies, procedures, and forms. The Department is working with the Summit to develop accounting for VISION training.

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**2008-C – Information Technology Internal Controls**

***Background***

The State relies heavily on 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 systems. During the fiscal year 2008 audit, an IT general controls (ITGC) review was performed over certain critical IT system. The ITGC reviews were designed to ascertain if IT controls were appropriately designed and if so operating effectively. In addition, prior year findings were followed up on to ascertain if the identified control deficiencies had been corrected. Our review covered the following computer systems at the respective agencies:

<b>IT Application Name</b>	<b>Agency Responsible</b>	<b>Purpose of IT Application</b>	<b>Type of review performed in FY 2008</b>
VISION	Department of Finance and Management	State-wide accounting system	ITGC
Human Capital Management (HCM)	Department of Human Resources	State-wide human resource system	ITGC
ACCESS	Agency of Human Services (AHS)	Benefit and Eligibility System for Human Service Cash Assistance Programs	ITGC
VIRCS and RRAS	Department of Taxes	VIRCS administers personal income and business trust taxes and RRAS manages all tax receipt deposits	Follow up on prior year’s findings
VABS and CATS	Department of Labor	VABS is the Unemployment Insurance Benefit and Eligibility System and CATS is the Employer Contribution Tax System.	Follow up on prior year’s findings
STARS	Department of Transportation	Project Cost Accounting System for Transportation Construction Projects	Follow up on prior year’s findings
BFIS	Agency of Human Services (AHS)	A system for Human Services Child Care Subsidy Payments	Follow up on prior year’s findings
SSMIS	Agency of Human Services (AHS)	A benefit and eligibility system for Foster Care, Adoption Assistance and Social Services Block Grant Programs	Follow up on prior year’s findings
VRS	State Treasurer’s Office	A system that houses and tracks active and retired members and administers pension payroll and data collection.	Follow up on prior year’s findings
GovNet Network	Department of Innovation and Information (DII)	State-wide area network	ITGC

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The purpose of a review of IT general controls is to gain an understanding of the IT general controls that are in place and to test the design and operating effectiveness of those controls to determine whether or not the controls are designed and operating effectively to ensure that the financial statements are material stated. During an IT general controls review, the following control objectives are reviewed:

*Access to Programs and Data:* Determines whether adequate controls for access to programs and data have been established by management to restrict access to properly authorized individuals.

*Program Changes:* Determines whether adequate controls for program changes have been established by management to help ensure that changes to existing systems/applications are authorized, tested, approved, properly implemented, and documented.

*Program Development:* Determine whether adequate controls for program development have been established by management to ensure that new systems/applications which are developed or acquired are authorized, tested, approved, properly implemented and documented.

*Computer Operations:* Determine whether adequate controls for computer operations have been established by management to ensure that system/application processing is appropriately authorized and scheduled and deviations from scheduled processing are identified and resolved.

#### ***Finding***

The results of the IT general controls reviewed performed over the above identified computer systems indicated various control deficiencies of various severity in the internal control environments of these IT systems. We shared specific control deficiencies for each IT system with Department management while generally we noted the following:

- Departments generally did not ensure that information and information systems are protected during and after personnel actions, such as transfers and terminations. In addition, the State's password policy requires that when user access is no longer a business requirement, that such access be disabled. Not all of the State IT environments reviewed had a policy or procedure in place to conduct regularly scheduled reviews of user access to identify and remove unauthorized or inappropriate access. The absence of periodic reviews of system or application access increases the risk that unauthorized individuals may retain inappropriate access to key system, application, and data assets.
- A lack of controls over changes to application and system software help to ensure that only authorized programs and authorized modifications are implemented. Such controls include authorization of changes, testing, and migration into the production environment. Without such controls, there is a risk that processing regularizes could be inadvertently or deliberately introduced.
- A lack of controls over computer operations that protected against losing the capability to process, retrieve and protect information maintained electronically. There was a general lack of a process in place to ensure that there is a routine back up of data files, application programs, systems, software, database software and copies of other information or supplies that may be needed to maintain operations.

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The table below summaries the control deficiencies found in each of the above defined control objectives for each computer system reviewed:

IT System	Control Objectives			
	Access to Programs and Data	Program Changes	Program Development	Computer Operations
VISION	✓	✓		✓
HCM	✓			✓
ACCESS	✓	✓		✓
VIRCS and RRAS	✓	✓		✓
VABS and CATS	✓	✓		✓
STARS	✓			✓
BFIS	✓	✓		✓
SSMIS	✓	✓		✓
VRS	✓	✓		✓
GovNet Network	✓	✓		✓
✓ – indicates control deficiency(ies) identified for this control objective				

Given the reliance placed by the State on these computer systems, it is essential that the State have effective information technology (IT) controls in order to provide reasonable assurance that the State's financial information and financial assets are adequately safeguarded from inadvertent or deliberate misuse, fraudulent use, improper disclosure or destruction. Ineffective IT controls can result in information that is untimely, inaccurate and/or incomplete, which increase the risk that the financial statements are not materially stated.

***Recommendations***

We recommend that the State develop an action plan to address immediately the control deficiencies related to its IT environment. This action plan should include tasks and objectives, milestones and planned resources to be used. Policies and procedures should be implemented and distributed to agencies and departments that will allow them to evaluate existing computer systems and related IT environments. In addition, we recommend that the State evaluate and analyze the skills and resources needed for the State's IT security, and if applicable, develop a plan for achieving the necessary skills and resources.

***Management Responses***

The following is an update on progress in the area of statewide information security policies and practices. In 2008, the State hired a new Security Director who has adjusted strategies slightly over the 2008 report. Following is a list of those initiatives:

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### Schedule of Findings and Questioned Costs

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#### **Step 1: Establish Agency/Department Level Security Programs**

The approach that is being taken, at this time, is to establish a baseline of where security stands at the Agency level. A three phased risk assessment has been started. Phase I is complete with results ready for review as of March 2009. The data gathered in this Phase relates to systems, applications, inventory and licensing. Phase II will involve greater detail of how systems are being secured, dates of implementation of systems, renewal dates, etc. Phase II, while important, is the least important data concerning data owners, methodology for documentation of data, review of databases.

Phase III will also include data classification. Because a formal data classification document does not yet exist, this is another reason review of database content will be Phase III. A data classification Standard is being worked on currently.

Once the data from the risk assessment has been evaluated, a baseline can be established and a plan for continuous improvement will be developed and implemented. Annual reviews of improvement will be conducted by the Security Director's Office.

#### **Step 2: Policies**

The method for policy approval is being reviewed and will be streamlined in the coming weeks.

Policy Status:

- Digital media and Hardware Disposal Policy, Standard and related documents – reviewed and ready for approval
- Physical Security for Computer Protection Policy – ready for review
- Password Policy – being reviewed
- Data Classification Standard – being worked on in the collaboration with the Records Department
- Information Security Policy – rough draft complete
- Wireless Voice and Data Services Policy – being updated
- Encryption Policy – rough draft being worked on

All existing policies have been reviewed. Those that require rewriting have been made note of. Updates and modifications to some policy will be made.

#### **Step 3: Re-establish CSIRT**

At this time, CSIRT is not high on the priority list. The security Director has been working with the Fusion Center as well as Homeland Security on emergency response and the role DII will play in that process.

#### **Step 4: Employee Training and Awareness**

A new employee training program will be available on the State's new State Security website. This program needs to be tested and modified to meet the needs of the State. The training program was created

## **STATE OF VERMONT**

### Schedule of Findings and Questioned Costs

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by the MS-ISAC and covers all areas of information security. This program is slated to be ready for employee use within the next month.

A new Information Security website was launched three weeks ago. The purpose of this site is to educate both employees and citizens in concerns of computer and information security.

#### **Step 5: Enterprise Architecture Program**

Each new IT project/application is being reviewed for compliance with policy and industry “best practice”...

#### **Step 6: Data Centers and Server Consolidation**

The State has consolidated roughly 100 servers (>10%) in the past year into the Montpelier, Burlington or Waterbury Data Centers. We plan to continue on this path in 2009 with a target of another 100 servers for consolidation.

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#### **2008-D – Succession Planning**

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

The State is a multi-billion dollar enterprise that has many diverse and complex business functions and decentralized operations. The State also operates in a dynamic environment and is exposed to many different risks and challenges. The average age of the State's workforce, like many other governments in the Country, continues to age and move towards retirement. Many of these employees who are near retirement are key employees who have essential institutional knowledge.

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

The State of Vermont currently does not have a personnel succession plan in place in order to transfer essential institutional knowledge to other employees. The lack of a personnel succession plan could lead to improperly skilled or insufficient number of skilled financial resources around the State. Such a plan will help ensure that adequate resources, in both financial and operational areas, are available in the future to adequately meet the ever increasing financial, operational and accountability demands being placed on the State.

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

We recommend that the State develop a personnel succession plan. Such a plan needs to ensure that all key departmental roles are identified and reviewed to determine how best to plan for personnel replacements.

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

The Summit – Center for State Employee Development is the State's training facility offering courses to employees on a wide range of subjects, under the Department of Human Resources, Workforce Development and Wellness Division. The Summit is currently searching for an instructor to teach a course on succession planning. The Director of the Workforce Development and Wellness Division will be attending a 2-day symposium on succession planning March 23-24, 2009; development of the course to be offered by The summit will begin thereafter. In addition, a "Workforce Planning Tool Kit" is in the final development and approval stages and will be online in the near future; one of the topic areas that the Kit covers is succession planning.

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#### **2008-E – Global Commitment to Health Section 1115 Demonstration Waiver**

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

The State's Global Commitment to Health section 1115 demonstration waiver (Global Commitment) represents a material change in how Medicaid is funded in the State of Vermont. To implement the demonstration waiver, the State designated the Office of Vermont Health Access (OVHA) as a managed care organization (MCO). OVHA's parent agency, the Agency of Human Services (AHS) entered into an intergovernmental agreement with OVHA. Under this agreement, AHS makes a monthly capitation payments to OVHA based upon an actuarial certified premium rate and the anticipated number of Medicaid beneficiaries in the month. AHS receives federal Medicaid matching funds for the capitation payments it makes to OVHA. The monthly capitation payment is intended to cover the medical costs and administration expenses of serving enrolled beneficiaries for that month. If the capitation payment to OVHA is less than the cost of providing services to enrolled Medicaid beneficiaries during the month, the State may not seek additional reimbursement from CMS. If the capitation payment to OVHA is greater than the cost of providing services to Medicaid beneficiaries, the State may use the excess to fund health care programs and initiative that meet waiver conditions (called MCO Investments).

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

In exchange for greater flexibility in use of federal Medicaid funds for other health-related programs, the State took on financial risk by agreeing to a maximum funding amount it could receive during the five years of the waiver period. However, the State has taken actions that have further increased the financial risks associated with this agreement. Specifically, it made certain significant decisions that are not explicitly covered by the terms of the waiver:

- To use Global Commitment funding from the federal government to pay for claims with dates of service prior to the start of the waiver period (pre-Global Commitment claims); and
- To anticipate that additional federal funding will be forthcoming for claims with dates of service during Global Commitment, but paid subsequent to the end of the waiver term.

In addition, the State's accounting and financial reporting for Global Commitment was influenced by these decisions, which caused it to struggle with deciding on the most appropriate accounting treatment.

The standard terms and conditions of the waiver state that the project is approved for expenditures applicable to services rendered during the demonstration period. As a result, we are unable to conclude that it was reasonable for management to decide to pay for costs incurred prior to the start of the waiver using Global Commitment funds.

The standard terms and conditions also outline that the capitation payment received each month is intended to cover the costs of service incurred for that particular month. a result, it is unclear that the State will be able to recover costs incurred related to claims that are paid subsequent to the end of the waiver term.

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In addition, the State has not set the premium paid to the MCO that incorporates the cost of paying pre-Global Commitment claims with Global Commitment funds. Instead, the premium has been set only to cover the costs of services provided during the waiver period plus spending for various state health programs. As a result, the premiums received since inception of the waiver have been less than costs incurred during the waiver period.

Section 40 of the waiver agreement states that any revenue from capitation payments made to OVHA in excess of claims paid on behalf of Medicaid eligible recipients may be invested in state health care programs and services as allowed by the waiver agreement. Such "MCO Investments" may be used to (1) reduce the rate of the uninsured or underinsured in Vermont, (2) increase the access of quality health care to the uninsured, underinsured, and Medicaid beneficiaries, (3) provide public health approaches to improve the health outcomes and quality of life for the uninsured, underinsured, and Medicaid beneficiaries, and (4) encourage the formation and maintenance of public-private partnerships in health care. As identified during the Single Audit of the Medicaid program, OVHA and AHS do not have procedures in place to adequately document how each MCO Investment made meets the above outlined criteria, nor is there adequate documentation to support the amounts allocated and paid by MCO investments. As a result, there is a risk that these costs could be disallowed by the federal government

#### ***Recommendation***

We recommend that the State develop policies and procedures that requires organizations to certify in writing the terms and conditions as documented in Federal grant arrangements represent the entire agreement between parties and that there are no unwritten arrangements. We further recommend that AHS and OVHA continue to work with the Federal government to clarify the existing terms and conditions to specifically address the following:

- The ability to use federal funds received under Global Commitment to pay for pre-Global Commitment claims; and
- Whether the State may seek reimbursement for claims incurred during the Global Commitment waiver term, but paid subsequent to the expiration of the waiver term.

Finally, AHS and OVHA should develop written procedures for documenting the rationale for MCO Investments along with the types of records that will be maintained to support the cost allocated to each MCO Investment.

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#### *Management's Response*

AHS does have procedures in place to adequately document how each MCO Investment made meets the criteria established in the Waiver. The auditor has construed the criteria as narrowly pertaining to medical care. One of the purposes of the Waiver is to demonstrate that investments in services other than medical care can have a profound and money-saving effect on health care costs. AHS is confident that the evaluation of the demonstration will substantiate its position and CMS original decision to waive Medicaid requirements in order to demonstrate this. AHS and the MCO have made and continue to make improvements in the documentation of the costs of these investments. As stated in the response to the audit finding cited above, AHS has generally relied on the generally extensive preexisting reporting and audits of the organizations in which investments have been made. AHS will augment that documentation with analytical procedures to provide further assurance.

It was recognized and agreed previously that the transition from a cash-basis state program within a cash-basis federal program to an accrual-basis state program within a cash-basis federal program has presented challenges in both accounting and reporting. Unsurprisingly these challenges were not all anticipated by either the State or CMS. Although there is not complete clarity as to how this particular issue will be resolved, both parties are committed to the success of the waiver. There is no reason to believe that CMS will fail to pay the federal share of benefits that the State has provided under the Medicaid program. The State has submitted a Waiver amendment to resolve this issue. We anticipate a positive response from CMS.

The agreement that is the subject of this finding is the Special Terms and Conditions of the Global Commitment to Health Section 1115 Demonstration. It is a document of the Centers for Medicare and Medicaid Services that authorizes the demonstration. The State of Vermont vigorously negotiated a set of Special Terms and Conditions that best represented the State's interests and provided the State with flexibility to develop a sustainable program for its neediest residents. However, the negotiation process has inherent limitations and Vermont did not have unlimited bargaining power to effect changes in the Special Terms and Conditions.

We agree in concept with the Auditor's recommendation and strive to clarify terms and conditions, in writing, wherever possible and in the best interests of the State. Given this is a new demonstration project, the State of Vermont and the federal government frequently find themselves working through issues prior to establishing written policies and procedures. In these circumstances the State frequently finds itself unable to secure clarification in writing. In these cases the benefits and risks must be weighed to determine whether to proceed. In the case of the Global Commitment Demonstration we believe that the program's benefits far outweigh its associated risks.

With regard to the completeness of a written agreement, to a large degree the language of the *State of Vermont Standard Contract for Services* provides the needed protection, it reads: "6. Amendment. No changes, modifications, or amendments in the terms and conditions of this contract shall be effective unless reduced to writing, numbered and signed by the duly authorized representative of the State and Contractor." However, Finance & Management has already had Central Purchasing add more specific language concerning entirety of the agreement to the standard contract language.

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

**Finding 08-01**

**U.S. Agency of Transportation**

**Program Name and CFDA Number**

Highway Planning and Construction CFDA #20.205

**Federal Award Numbers and Award Years**

Award # : 0113040,	Fiscal year 2008	Award # : 2503001,	Fiscal year 2008
Award # : 0114002,	Fiscal year 2008	Award # : 2507001,	Fiscal year 2008
Award # : 0142010,	Fiscal year 2008	Award # : 2609001,	Fiscal year 2008
Award # : 0188007,	Fiscal year 2008	Award # : 2619001,	Fiscal year 2008
Award # : 0191053,	Fiscal year 2008	Award # : CULV009,	Fiscal year 2008
Award # : 0211022,	Fiscal year 2008	Award # : MARK107,	Fiscal year 2008
Award # : 0302017,	Fiscal year 2008	Award # : PARK021,	Fiscal year 2008
Award # : 0302019,	Fiscal year 2008	Award # : SURF004,	Fiscal year 2008
Award # : 0891052,	Fiscal year 2008	Award # : 1442029,	Fiscal year 2008
Award # : 0911055,	Fiscal year 2008	Award # : 2606001,	Fiscal year 2008
Award # : 1442030,	Fiscal year 2008	Award # : 5600006,	Fiscal year 2008
Award # : 2203001,	Fiscal year 2008	Award # : 0107008,	Fiscal year 2008
Award # : 2215001,	Fiscal year 2008	Award # : CULV005,	Fiscal year 2008
Award # : 2326001,	Fiscal year 2008		

**Criteria**

When required by the Davis-Bacon Act, the Department of Labor’s (DOL) governmentwide implementation of the Davis-Bacon Act, or by federal program legislation, all laborers and mechanics employed by the contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 266a-276A-7).

Nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractors comply with the requirement of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, *Labor Standards Provision Applicable to Contracts Governing Federally Financed and Assisted Construction*). This regulation includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and related statement of compliance.

**Condition Found**

Contractors are required to submit weekly certified payroll reports to the Resident Engineer (RE) on the construction site. As the payroll reports are received, the RE manually enters the payroll information onto a checklist entitled “Submission of Payroll with Required Certifications.” The checklist indicates the project name, number, and the prime-or subcontractor. The checklist also includes columns to enter the payroll report in chronological order, the pay period ending date, the date the payroll report was received, the date

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that the payroll report was forwarded to the Office of Civil Rights and Labor Compliance within the Agency of Transportation (the Agency), and the date the employee (or payroll) was paid. Prior to sending the payroll reports to the Office of Civil Rights and Labor Compliance, the RE signs a form, certifying that the Agency has reviewed the payroll report noting any discrepancies and any missing wage rate classifications.

During state fiscal year 2008, the Agency implemented a corrective action plan to address the noncompliance issues noted during the prior year related to Davis-Bacon Act noncompliance; the corrective action plan included, among other things, an update to the checklist described above (called the Submission of Payroll and Required Certifications) to incorporate the date the payroll is paid. This new checklist was implemented in March of 2008. The Office of Civil Rights and Labor Rights also created a cover sheet to be submitted with the certified payrolls submitted by the contractor, which required the contractor to indicate the payroll end date and the date the payroll was paid.

Despite these corrective actions, the results of our testwork for those sample items selected subsequent to the date of corrective action continued to show that the Agency was not in compliance with federal requirements. Specifically, we noted that 26 out of the 40 items selected for testwork related to payroll dates that occurred subsequent to the date of corrective action; 14 of the payroll reports were received from the contractor after the required date of submission; similarly, we noted 14 out of the forty items selected for testwork related to payroll dates that occurred prior to the date of corrective action; 13 of the payroll reports were received from the contractor after the required date of submission.

#### **Cause**

The cause of the above condition found is a lack of control and monitoring procedures to ensure that contractors submit the required payroll reports in the time period specified by federal regulations.

#### **Effect**

The effect of the condition found is that payroll reports are not received from the contractor within the required time period. This could lead to noncompliance by the contractor regarding the prevailing wage rates paid to its employees, and the Agency would not be able to detect the noncompliance timely.

The condition found appears to be systemic in nature, and this is considered to be a significant deficiency in internal controls.

#### **Questioned Costs**

None identified.

#### **Recommendation**

We recommend that the Agency implement the necessary control policies and procedures to ensure that all required payroll reports are received and reviewed timely by the RE.

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

The Agency agrees that an issue still exists concerning the timeliness for submission of payroll data by contractors to the VTrans offices of Construction and Civil Rights. However, we are assured through our

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Office of Civil Rights and Labor Compliance reviews, that compensation paid to employees is correct and in full compliance with the law. The late submission of payroll information has not been an obstacle to the Office of Civil Rights and Labor Compliance in assuring that requirements of the Davis-Bacon Act are met. We understand that there is discussion at the national level to revise the audit compliance supplement for the Davis-Bacon Act. We believe that such a revision would increase credibility of the audit and management processes, and promote consistency of application among all State department of Transportation.

To improve the timeliness of payroll documentation submission by contractors to the Agency, we are working with our Information Technology (IT) Section to ultimately develop a web-based system for collection and maintenance of the payrolls. Until that can occur, however, it is contemplated that payrolls will be submitted electronically to the Construction Section.

#### **Scheduled Completion Date:**

Electronic transfer of payroll data to the Construction Section – April 30, 2009.

Web-based database to record, accumulate, and report on contractor's payroll information – Operational as soon as it can be developed by IT.

**Contact Persons:** Marlene McIntyre, Financial Operations Manager,  
Agency of Transportation, 802-828-3444  
Lori Valburn, Civil Rights Compliance Manager,  
Agency of Transportation, 802-828-5561  
David Hoyne, Administrative Civil Engineer,  
Agency of Transportation, 802-828-3593

**STATE OF VERMONT**

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**Finding 08-02**

**U.S. Agency of Transportation**

**Program Name and CFDA Number**

Highway Planning and Construction CFDA #20.205

**Federal Award Numbers and Award Years**

Award #: Winooski STP 2306(i), Fiscal year 2008

Award #: Leicester BRF0160(3), Fiscal year 2008

Award #: Pownal STP RS 0107(8), Fiscal year 2008

**Criteria**

A state department of transportation must have a sampling and testing program for construction projects to ensure that materials and workmanship generally conform to approved plans and specifications (23 CFR section 637.205). 23 CFR Subpart B, Section 637.207(a)(3) states that the preparation of a materials certification, conforming in substance to Appendix A of this subpart, shall be submitted to the Federal Highway Administration (FHWA) Division Administrator for each construction project that is subject to FHWA construction oversight activities.

**Condition Found**

As required by 23 CFR section 637.207 for full oversight projects and through an Agency of Transportation internal procedure for nonfull oversight projects, a letter of justification is required to be completed for each material sampling test explaining the use of any material that deviates from the required specifications per the material sampling plan. Deviations could consist of items such as materials for which insufficient tests were performed, the use of a product for which failing results were obtained, material substitutions, and acceptance of minor quantities, among other items. During our testwork over the material sampling process, we noted that for three out of seventeen items selected for testwork a letter of justification could not be located.

**Cause**

The cause of the above condition found is a lack of controls in place to ensure that a letter of justification is properly completed and maintained by the Agency of Transportation.

**Effect**

The effect of the condition found is that there is no documentation to support the conclusion and approval of material sampling tests being performed.

The condition found appears to be systemic in nature, and this is considered to be a significant deficiency in internal controls.

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#### Questioned Costs

None identified.

#### Recommendation

We recommend that the Agency of Transportation implement the necessary control policies and procedures to ensure that all material sample testing is performed as required and that all deviations from specifications are documented properly.

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

In one case, project STP RS 0107(8), there was a request to test a material against two pay item specifications, which was done. The material was tested against the original contract item with a failure resulting. The Independent Assurance (IA) sample confirmed the accuracy of the test results. This is a satisfactory result for IA, but identifies an issue for acceptance. The same sample test data was submitted for dense graded crushed gravel and passed; this sample was wrongly recorded in the materials record in anticipation of a change order that was not submitted.

In two other cases, the quantities associated with the sample were small which resulted in the absence of sampling. For project STP 2306(1), two tons (approx 1.5 cy) of crushed gravel was incorporated into the project. Such a small quantity could not be sampled because its use was severely limited from the projected contract amount of 110 tons, nor should it be as the cost to sample and test it would have exceeded the product cost by a factor of two. For project BRF 0160(3), 14.5 cubic meters of aggregate was placed without testing as a shoulder to the roadway.

The maximum value associated with the unsampled materials was approximately \$1000; the threshold for acceptance by waiver for certified materials is \$2500. The material's use was not a critical contributor to project function, and both pay items are suitable for gross determination by visual inspection.

All material certifications that are issued after November 15, 2008 will identify even minor materials-related deviations as exceptions to the plans. As a means of expeditiously preparing these certifications, reasonable changes that were explained had been omitted from the exceptions listing. In order to assure that exception decisions are fully reviewed in the future, all exceptions will be attached to the materials certification.

In addition, the Materials and Research Section is examining a linked digital materials record this winter. The advantage of an all digital system is that the notification component of the Site Manager software could be deployed to highlight insufficient testing during each project. This would further strengthen the control. This would also allow routine review of project testing status through routine electronic query.

**Scheduled Completion Date:** April 30, 2009.

**Contact Persons:** Marlene McIntyre, Financial Operations Manager,  
Agency of Transportation, 802-828-3444

Bill Ahearn, AOT Manager IV,  
Agency of Transportation, 802-828-2561

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Finding 08-03**

**U.S. Agency of Transportation**

**Program Name and CFDA Number**

Highway Planning and Construction CFDA #20.205

**Federal Award Numbers and Award Years**

Award #: BBRP007, Fiscal year 2008

Award #: 0000022, Fiscal year 2008

Award #: SSMG023, Fiscal year 2008

**Criteria**

A pass-through entity is responsible for monitoring the subrecipient's use of federal awards through site visits 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**

The Agency of Transportation (the Agency) enters into various grant agreements with subrecipients to provide services related to highway planning and construction projects. During our testwork over the Agency's subrecipient monitoring process, we noted that for three of thirty grants selected for testwork, there was insufficient documentation maintained in the grant files indicating that during-the-award monitoring over the subrecipients had occurred. The three grants had been assigned to a grant manager who retired, and the Agency was unable to locate the monitoring records. Based upon our review of the existing grant files held by a newly assigned grant manager, there is no significant record or documentation that the new grant manager is actively monitoring these grants.

**Cause**

The cause of the above condition found is a lack of procedures in place to ensure that subrecipient monitoring requirements are properly communicated to all personnel at the time of employee transition.

**Effect**

The effect of the condition found is that subrecipients were not properly monitored as required by federal regulations. The instances above related to one grant manager and did not appear to be systemic throughout the Agency.

**Questioned Costs**

None identified.

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#### **Recommendation**

We recommend that the Agency review its existing policies surrounding subrecipient monitoring and ensure that all subrecipient monitoring requirements are properly communicated to its employees on a timely basis.

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

The issue in this finding directly relates to the failure to maintain and transfer adequate subrecipient monitoring documentation relating to emergency relief projects to a new program manager upon retirement.

Financial Operations will work with the new emergency relief program manager to assure that the new program manager fully understands the record-keeping requirements. We will also include a segment in future program manager training sessions on the need for an orderly transfer of all documentation, even for small projects. We do note that the Federal Highway Administration project involving the Montpelier ledge failure was well documented. By February 1, 2009, we will schedule an internal review of subrecipient monitoring throughout the Agency, with completion by April 30, 2009, to assure compliance with our established subrecipient monitoring procedures.

**Scheduled Completion Date:** April 30, 2009.

**Contact Persons:** Marlene McIntyre, Financial Operations Manager,  
Agency of Transportation, 802-828-3444

Alec Portalupi, AOT Manager III,  
Agency of Transportation, 802-828-3889

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### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **Finding 08-04**

##### **U.S. Department of Education**

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

Rehabilitation Services – Vocational Rehabilitation Grants To States CFDA #84.126

##### **Federal Award Numbers and Award Years**

Award #: H126A080067C, 10/1/2007 – 9/30/2009

Award #: H126A070067E, 10/1/2006 – 9/30/2008

Award #: H126A080068C, 10/1/2007 – 9/30/2009

Award #: H126A070068E, 10/1/2006 – 9/30/2008

##### **Criteria**

Services provided under the Vocational Rehabilitation (VR) program are any services described in an Individual Plan for Employment (IPE) necessary to assist an individual with a disability in preparing for, securing, retaining, or regaining an employment outcome that is consistent with the strengths, resources, priorities, concerns, abilities, capabilities, interests, and informed choice of the individual. Section 103(a) 29 USC 723(a) contains examples of the types of services that can be provided.

Entities are required to provide reasonable assurance that federal awards are expended only for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with the applicable cost principles.

##### **Condition Found**

The Department of Aging and Independent Living requires all participants to sign Form VR 47 to verify that they understand the IPE process. The participant and counselor are then required to sign Form VR 48, which documents the participant's IPE and the allowable services that will be provided to the participant.

As services are provided to eligible participants based upon the approved IPE, counselors are required to sign invoices related to participant expenses as an indication that the cost has been approved and is allowable under federal regulations. At times when a participant needs something immediately, the district office will confirm with a vendor the cost of the item and write a check from the imprest cash account. An individual grant or cash reimbursement form that replaces the vendor invoice must be signed by the counselor. If it is a consumer grant, then the imprest form is signed by the counselor, and an invoice is kept on file as support. The counselor completes an imprest reimbursement form and indicates the method used to verify the amount of money given. This verification may not be made until a later time and can consist of a receipt, the check being written directly to the vendor, seeing the item, or speaking to someone with knowledge of the purchase.

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During our testwork over allowable costs, we noted the following:

- A. One of forty expenditures selected for testwork was for significant costs paid on behalf of the participant prior to the IPE being completed, and the costs did not appear to be assessment related, which are allowable under federal regulations. We further noted that this participant had been determined eligible for this program for over a year, and there was no documentation to support why an IPE had not been completed timely.
- B. One of forty expenditures selected for testwork was for costs paid on behalf of a participant prior to the participant being determined eligible for the program.
- C. Two of thirty expenditures selected for testwork were for consumer grant payments and each payment did not have any documentation to support the amount paid, such as an invoice or some other form of verification of the amount paid.
- D. One of thirty expenditures selected for testwork was not signed and approved by the counselor.

#### **Cause**

The cause of the condition found is that there were insufficient controls over the review of expenses by counselors.

#### **Effect**

The effect of the condition found is that costs were paid on behalf of this program that were not approved. The lack of controls in place to ensure all costs are allowable could result in improper costs being charged to the program.

The condition found appears to be systemic in nature, and this is considered to be a significant deficiency in internal controls.

#### **Questioned Costs**

Not determinable.

#### **Recommendation**

We recommend that the Department of Aging and Independent Living review its existing policies and procedures and implement controls to ensure that all expenses charged to the program are approved prior to payment and that all cost are properly supported by external documentation. In addition, the Department of Aging and Independent Living should review its existing policies and procedures and implement controls to ensure that all participant costs charged to the program relate to participants who have been determined eligible for services and have an approved IPE for those costs that are nonassessment related.

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

We concur with the above condition found.

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The VR counselor or a regional manager must sign off invoices for consumer services. In circumstances where there are multiple consumers on an individual bill such as supported employment or VABIR, the regional manager will sign off the invoice.

The VR counselor must collect receipts for consumer grants and use of imprest cash. Receipts are always the preferred method of verification. However, if after multiple attempts the consumer is unable to provide a receipt, the VR counselor must provide written verification that the moneys were expended on the appropriate service.

Expenses authorized prior to certification of eligibility may only be for the purpose of determining eligibility. If sufficient existing data is not available to make an eligibility determination, the VR counselor may authorize the provision of VR services to gather additional assessment data. These services may include trial work experiences, assistive technology, personal assistance services, and any other support services that are necessary to determine eligibility. The VR counselor's case notes must clearly demonstrate why the said services are necessary to help determine eligibility.

Expenses authorized prior to IPE completion may only be for assessments intended to inform IPE development. The regulations provide wide latitude to VR counselor to provide VR services to conduct a comprehensive assessment of the consumer's interest and needs. The case record must demonstrate how the VR services are informing the IPE development process.

Regional managers will use the monthly tracking reports to conduct case reviews. In particular, the managers will focus on required time lines, the appropriateness of case expenditures, and case notes regarding exceptions.

On January 8, 2009 and January 16, 2009, Department of VR will conduct a mandatory training for all counselors, case aides, and administrative staff. James Smith, the Budget and Policy Manager, and Susan Seymour, the Department Financial Administrator, will conduct the trainings.

**Scheduled Completion Date:** March 1, 2009.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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Year ended June 30, 2008

#### **Finding 08-05**

#### **U.S. Department of Education**

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

Rehabilitation Services – Vocational Rehabilitation Grants To States CFDA #84.126

#### **Federal Award Numbers and Award Years**

Award #: H126A080067C, 10/1/2007 – 9/30/2009

Award #: H126A070067E, 10/1/2006 – 9/30/2008

Award #: H126A080068C, 10/1/2007 – 9/30/2009

Award #: H126A070068E, 10/1/2006 – 9/30/2008

#### **Criteria**

All State Vocational Rehabilitation (VR) Agency must determine whether an individual is eligible for VR services within a reasonable period of time, not to exceed 60 days, after the individual has submitted an application for the services unless (Section 102(a)(6) of 29 USC 722(a)(6)):

- a. Exceptional and unforeseen circumstances beyond the control of the State VR Agency preclude making an eligibility determination within 60 days and the State VR Agency and the individual agree to a specific extension of time; or
- b. The State VR Agency is exploring an individual's abilities, capabilities, and capacity to perform in work situations through trial work experiences in order to determine the eligibility of the individual or the existence of clear and convincing evidence that the individual is incapable of benefiting in terms of an employment outcome from VR services.

An individualized plan for employment (IPE) meeting the requirements of Section 102(b) of the Act and 34 CFR 361.45 and .46 is developed and implemented in a timely manner for each individual determined to be eligible for VR services, except if the State has implemented an order of selection, an IPE is developed and implemented for each individual to whom the designated state unit is able to provide VR services.

Services to an eligible individual are provided in accordance with the provisions of the IPE.

The IPE is to be developed within 90 days of the person being found eligible for services. Delays in the development of the IPE must be explained in the case record. (VR Policy Manual)

#### **Condition Found**

During our testwork over the eligibility process, we noted that the eligibility determination was made more than 60 days after the application date for three of forty participants. There was no documentation noted within the case notes that would support why the determination had been delayed beyond the federal requirements.

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In addition to the above, during our testwork over the completion of the participant's IPE, we noted the following:

- A. One of forty participants did not have an IPE completed.
- B. Two of forty participants' IPEs were completed more than 90 days after the participants were determined to be eligible, and there was no documentation to justify the delay within the case notes.

#### **Cause**

The cause of the condition found is that at times a counselor cannot determine eligibility within the 60-day requirement due to the participant not being available. If this is the case, the counselor must then request more time to determine the participant's eligibility. In addition, while the Department of Aging and Independent Living has procedures in place for developing IPEs, these procedures were not followed, or there was no documentation to support why such delays occurred.

#### **Effect**

The effect of the condition found is that eligibility determination and IPEs were not completed timely. The time delay could impact the participant's opportunity to receive VR services allowed under the federal program on a timely basis.

The condition found appears to be systemic in nature, and this is considered to be a significant deficiency in internal controls.

#### **Questioned Costs**

None noted.

#### **Recommendation**

We recommend that the Department of Aging and Independent Living review its existing policies and procedures and implement controls to ensure that all eligibility determinations are made timely and IPEs are developed in accordance with federal regulations. In addition, controls and procedures should be implemented to ensure that all facts associated with a participant's case are properly documented within the case notes.

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

We concur with the above condition found.

The Department of Vocational Rehabilitation (DVR) regulations require the certification of eligibility be completed within 60 days. If certification of eligibility cannot be completed within the 60-day time frame, the VR counselor must include a case note describing the "exceptional and unforeseen circumstances" that precluded the determination.

DVR has developed a standard case record checklist. DVR will require the checklist to be attached to the inside cover of all case records and used to track compliance with DVR Policies and Procedures.

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Federal regulations require that an IPE be developed in a “timely manner.” The Vermont DVR policy and procedure manual defines timely as within 90 days of certification of eligibility.

Federal regulations require that an IPE for in-school youth be developed prior to high school exit.

Delays in development of an IPE must be explained in the case note.

The DVR Program Evaluation will generate monthly reports for the DVR regional offices tracking application dates, certification dates, and IPE dates. These reports will help alert counselors and regional managers regarding case time lines.

The DVR regional managers will use the monthly tracking reports to conduct case reviews. In particular, the managers will focus on required time lines, the appropriateness of case expenditures, and case notes regarding exceptions.

On January 8, 2009 and January 16, 2009, DVR will conduct a mandatory training for all counselors, case aides, and administrative staff. James Smith, the Budget and Policy Manager, and Susan Seymour, the Department Financial Administrator, will conduct the trainings.

**Scheduled Completion Date:** March 1, 2009.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **Finding 08-06**

##### **U.S. Department of Education**

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

Rehabilitation Services – Vocational Rehabilitation Grants To States CFDA #84.126

##### **Federal Award Numbers and Award Years**

Award #: H126A080067C, 10/1/2007 – 9/30/2009

Award #: H126A070067E, 10/1/2006 – 9/30/2008

Award #: H126A080068C, 10/1/2007 – 9/30/2009

Award #: H126A070068E, 10/1/2006 – 9/30/2008

##### **Criteria**

States, and governmental subrecipients of states, shall use the same state policies and procedures used for procurements from nonfederal funds. They also shall ensure that every purchase order or other contract includes any clauses required by federal statutes and executive orders and their implementing regulations.

##### **Condition Found**

During our testwork over vendor grant payments, we noted that the Department of Aging and Independent Living (the Department) enters into agreements referred to as vendor grant agreements whereby the vendor provides services during their normal course of business. Per review of each vendor grant agreement, the agreement specifically stated it was not a grant agreement.

State Bulletin 3.5, which outlines the State of Vermont's procurement policy, requires the Department to either go through a formal bid process for these services or document why the vendor agreement qualified as a sole source agreement. We were unable to find any bid documents or verify that these were approved as a sole source agreement as required by State Bulletin 3.5 for all nine vendor grants selected for testwork.

##### **Cause**

The cause of the condition found is that the Department used a vendor grant agreement that was commonly used throughout the Agency of Human Services, and it was believed that this was an alternative agreement that did not require compliance with State Bulletin 3.5.

##### **Effect**

The effect of the condition found is that the Department has not complied with the State of Vermont's procurement policy and, therefore, is in direct violation of both federal and state requirements. In addition, the Department is unable to conclude whether or not money could have been saved by using an alternative vendor since no bids were solicited for the work to be performed.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

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**Questioned Cost**

None noted.

**Recommendation**

We recommend that the Department develop controls and procedures to ensure that all of its awards for services are awarded in accordance with State Bulletin 3.5.

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

We concur with the above condition found.

State Bulletin 3.5 provides for the Secretary of the Agency of Administration (AoA) to approve contracting plans for the administration of procurement actions for which the State Bulletin's procedures are not suited. The AoA has approved a contracting plan under which vendor grants such as those identified in this finding will be administered.

**Scheduled Completion Date:** November 18, 2008.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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Year ended June 30, 2008

**Finding 08-07**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Immunization Grants CFDA #93.268

**Federal Award Numbers and Award Years**

Award #: 2H23IP122529-06, 1/1/2008 – 12/31/2008

Award #: 5H23CCH122529-05, 1/1/2007 – 12/31/2007

**Criteria**

Effective control and accountability must be maintained for all vaccines. Vaccines must be adequately safeguarded and used solely for authorized purposes (A-102 Common Rule).

**Condition Found**

The Department of Health (the Department) enters into provider agreements with healthcare providers to administer vaccines funded under the Immunization Grants program. Healthcare providers who participate in this program receive vaccines directly from the federal government. On an annual basis, the Department performs monitoring over each healthcare provider to ensure that the vaccines received under this program are properly safeguarded, accounted for, and administered to individuals eligible to receive vaccine under this program. During our testwork over the provider monitoring performed by the Department, we noted the following:

- A. For all thirty providers selected for testwork, it does not appear that the Department evaluated the healthcare providers' safeguarding techniques as part of the monitoring review.
- B. For eight of thirty providers selected for testwork, the chart review checklist completed by the Department indicated that not all patients were verified as being eligible to receive vaccines under this program, and no corrective action was required for these providers to correct the deficiency.
- C. For nine of thirty providers selected for testwork, the Department identified issues that needed correction as part of its monitoring review; however, there was no documentation to support that the Department had followed up to ensure that the corrective actions had been implemented by the healthcare provider. In total, nine providers had ten exceptions that required corrective actions and, for each exception, we noted the following during our review:
  - 1. For four of ten exceptions, the reviewer at the Department indicated that a corrective action plan (CAP) was necessary, but the healthcare provider's CAP could not be provided.
  - 2. For five of ten exceptions, the reviewer at the Department identified a deficiency during the review that did not require a CAP plan. However, there was no documentation provided to ensure that the deficiency that needed correcting had been corrected by the healthcare provider.

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3. For one of ten exceptions, the healthcare provider submitted a CAP, but there was no evidence to support that the Department had followed up with the healthcare provider to ensure that the plan had been implemented and the deficiency corrected.

#### **Cause**

The cause of the condition found is that there are no procedures performed during the monitoring review to ensure the reviews are complete, deficiencies are followed up on to ensure that they are corrected by the healthcare provider as well as to determine whether or not there is sufficient documentation to support the procedures, and conclusions reached.

#### **Effect**

The effect of the condition found is that the results of monitoring reviews are not properly documented and the Department is not able to adequately follow up with healthcare providers to ensure that all deficiencies are corrected. This could result in vaccines not being properly safeguarded and vaccines being provided to individuals that are not eligible to receive vaccine under this program.

This condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

#### **Questioned Cost**

None noted.

#### **Recommendation**

We recommend that the Department review its existing policies and procedures to ensure that there is an adequate review performed over the documentation that is prepared to record the results of each healthcare provider monitoring visit. This should include documentation of all activities performed during the monitoring visit. As part of those monitoring procedures, the Department should ensure that it is adequately reviewing the healthcare provider's process for safeguarding vaccines received under this program. In addition, we recommend that the Department implement procedures to track the results of its monitoring visits to ensure it has adequately followed up on all deficiencies noted during the monitoring visit to ensure that the healthcare provider has taken the necessary steps to correct the identified deficiencies.

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

We concur with the above condition found.

CAPs are written for providers when needed and are followed up upon. The change to the Department's procedures to address this will be to add a responsibility to the Vaccine for Children (VFC) coordinator's position to check the visits to make sure this is happening. This check will be documented. This action will begin with the 2009 correct visits.

While the deadline for adding a safeguarding of vaccines section to the Centers for Disease Control (CDC) approved questionnaire has passed for the current cycle, it will be added to the 2009 CDC-approved site

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visit questionnaire. Safeguarding of vaccines protocol is being added for the current site visits and will be documented through internal communication to all personnel responsible for site visits.

While the program staff will continue in its efforts to obtain CDC certification of the 90% standard for verification of patient eligibility, any eligibility issue that arises from site visits of less than 100% will be added to the provider's CAP regardless of the CDC-approved standard.

The AHS Internal Audit Group (IAG) will work with the Immunization Grant program staff to organize a standard monitoring program. This will include selecting a number of practices to be monitored annually so that all practices will be visited at least once every three years and practices with findings will be visited annually until the finding is corrected. The monitoring program will include a standard list of compliance requirements and a checklist to document the practice's compliance. Each checklist will provide for the program's monitor to sign and date indicating performance of the monitoring visit. This program will be in place by January 31, 2009. The IAG will monitor performance of the program thereafter and report that performance to the Vermont Department of Health chiefs of fiscal and administrative operations.

**Scheduled Completion Date:** January 31, 2009.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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**Finding 08-08**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Immunization Grants CFDA #93.268

**Federal Award Numbers and Award Years**

Award #: 2H23IP122529-06, 1/1/2008 – 12/31/2008

Award #: 5H23CCH122529-05, 1/1/2007 – 12/31/2007

**Criteria**

A record of vaccine administered shall be made in each person's permanent medical record (or in a permanent office log or file to which a legal representative shall have access upon request) (42 USC 300aa-25), which includes:

- a. Date of administration of the vaccine
- b. Vaccine manufacturer and lot number of the vaccine
- c. Name and address and, if appropriate, the title of the healthcare provider administering the vaccine

**Condition Found**

The Department of Health (the Department) enters into provider agreements with healthcare providers to administer vaccines funded under the Immunization Grants program. Healthcare providers who participate in this program receive vaccines directly from the federal government. On an annual basis, the Department performs monitoring over each healthcare provider to ensure that the healthcare provider has complied with federal requirements for this program. As part of this monitoring review, the Department completes a chart review to ensure that the healthcare provider has the information required as part of the vaccine record. During our testwork over the Department's monitoring reviews, we noted the following:

- A. For ten of thirty providers selected for testwork, the Department noted during the chart review that not all patients' records contained all the information required as part of the vaccine record. There was no documentation to support that the Department had followed up with the healthcare provider to ensure that the deficiency was corrected.
- B. For two of thirty providers selected for testwork, there was no evidence to support that the Department had completed the chart review during the monitoring review.

**Cause**

The cause of the condition found is that monitoring review procedures performed were not complete and there is insufficient documentation to support the procedures and conclusions reached.

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#### **Effect**

The effect of the condition found is that vaccine records are not complete and in accordance with federal regulations.

This condition found is considered to be systemic in nature, and this is considered to be a material weakness in internal controls.

#### **Questioned Cost**

None noted.

#### **Recommendation**

We recommend that the Department review its existing policies and procedures and implement the necessary procedures and controls to ensure that all monitoring visits performed over healthcare providers include a chart review and that this chart review is properly documented. In addition, procedures and controls should be implemented to ensure that all deficiencies noted during its review of providers records are communicated to the healthcare provider and that those deficiencies are monitored to ensure that the healthcare provider corrects the matter.

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

We concur with the above condition found.

The Agency of Human Service Internal Audit Group (IAG) will work with the Immunization Grant program staff to organize a standard monitoring program. This will include selecting a number of practices to be monitored annually so that all practices will be visited at least once every three years and practices with findings will be visited annually until the finding is corrected. The monitoring program will include a standard list of compliance requirements and a checklist to document the practice's compliance. Each checklist will provide for the program's monitor to sign and date indicating performance of the monitoring visit. This program will be in place by January 31, 2009. The IAG will monitor performance of the program thereafter and report that performance to the Vermont Department of Health chiefs of fiscal and administrative operations.

**Scheduled Completion Date:** January 31, 2009.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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**Finding 08-09**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Centers for Disease Control and Prevention – Investigations and Technical Assistance CFDA #93.283

**Federal Award Numbers and Award Years**

Award #: 5 UPO TP116970-07, 7/1/07 – 6/30/08

Award #: 1 U58DP0008000-1, 7/1/07 – 6/30/08

Award #: 3 U58DP122788-05UU1, 7/1/07 – 6/30/08

**Criteria**

A pass-through entity is responsible to identifying to the subrecipient the federal award information (e.g. CFDA title and number, award name, name of federal agency, etc.) and applicable compliance requirements at the time of granting the award to the subrecipient.

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 and that performance goals are achieved.

**Condition Found**

During our testwork over the Department of Health’s (the Department) subrecipient monitoring process, we noted the following:

- A. For fourteen of twenty subrecipients selected for testwork, the grant agreement did not adequately identify the compliance requirements (i.e., allowable costs, subrecipient monitoring, etc.) that were applicable to the spending of federal awards by the subrecipient.
- B. For two of twenty subrecipients selected for testwork, the Department either did not obtain the required program and/or financial reports from the subrecipient or did not document that the reports submitted were adequately reviewed to ensure that the subrecipient was properly using the federal funds based upon federal requirements and that performance goals were being achieved.
- C. For one of the twenty subrecipients selected for testwork, there was no documentation of any site visits that were performed over the subrecipient during the grant period to monitor the subrecipient’s activities and use of federal funds. We noted that seven of the twenty grants selected for testwork were considered to be large (greater than \$50,000) grants and the Department’s subrecipient monitoring policy requires that at least one site visit is performed for large grants.
- D. As part of the Department’s subrecipient monitoring process, the grant administrator utilizes a “subrecipient monitoring” checklist to ensure that all monitoring activities are performed over the subrecipient. The grant administrator will check off date and sign the checklist each time a monitoring activity is performed and when required reports are submitted by the subrecipient.

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We noted that for two of twenty subrecipients selected for testwork the Department did not complete the “subrecipient monitoring” checklist to document the monitoring activities performed over the subrecipient.

#### **Cause**

The cause of the condition found is that the Department’s subrecipient monitoring policy was not properly followed.

#### **Effect**

The effect of the condition found is inadequate monitoring of subrecipients and ultimately inappropriate costs could be paid by the Department.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

#### **Questioned Costs**

None noted.

#### **Recommendation**

We recommend that the Department review its existing subrecipient monitoring procedures and controls to ensure that uniform subrecipient monitoring procedures are performed across the entire Department and that those procedures are adequately documented. In addition, we recommend that the Department review its procedures for drafting a grant agreement to ensure that the required data has been included.

#### **Management’s Response and Corrective Active Plan**

We concur with the above condition found.

The Department has implemented a program of appropriate controls and procedures to include subrecipient monitoring requirements. To this end, program managers have been instructed by Department management of the necessity of completing and documenting subrecipient monitoring. Program managers who require training in this area due to staff turnover and other events will be identified and training will be provided.

At the department level, the Administration Fiscal Operations Director and Business Office managers lead this effort. Other department staff involved includes both divisional staff including the Deputy Commissioner for Health Protection and Disease Prevention and the directors and chiefs responsible for the Centers for Disease Control programs.

The Internal Audit Group (IAG) will perform tests, starting on a monthly basis, of records and will report results to Department and agency management in order to ensure compliance. These tests will begin no later than December 2008.

**Scheduled Completion Date:** Ongoing IAG monitoring of compliance. The IAG has been working with the Department following the June 30, 2007 audit to improve its performance through education and process review. This process will continue until the matter has been corrected.

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
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**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Finding 08-10**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Centers for Disease Control and Prevention – Investigations and Technical Assistance CFDA #93.283

**Federal Award Number and Award Year**

Award #: 3 058DP122788-05UU1, 7/1/07 – 6/30/08

**Criteria**

Cost must be reasonable and necessary for the performance and administration of federal awards. Costs must be allocable to the federal awards under the provisions of the cost principles or Cost Accounting Standards Board (CASB) Standards, as applicable. A cost is allocable to a particular cost objective (e.g., a specific function, program, project, department, or the like) if the goods or services involved are charged or assigned to such cost objectives in accordance with relative benefits received.

**Condition Found**

The Department of Health requires all programs requesting a payment for services or goods to complete and sign a coding/cover sheet in order for a payment to be paid. This sheet contains the account code to be charged, along with the fund, department identification number, program code, and the project grant code. The program director/program chief for each program is responsible for reviewing the invoice and requesting the coding/cover sheet to be completed if the costs are appropriate and allowable under the grant. Once the coding/cover sheet has been completed, it is required to be signed indicating that the cost has been approved prior to being sent to the Business Office for payment processing within the VISION system.

During our testwork over nonpersonal expenditures, we noted that one of thirty coding/cover sheet and supporting invoices selected was coded to the improper expenditure account. As a result, the cost was incorrectly charged to this program and should have been charged to another federal program.

**Cause**

The cause of the condition found was due to a transposition error of the program number between approval by the program manager and system input by accounts payable.

**Effect**

The effect of the condition found is that the transposition error led to unallowable costs being charged against the program.

**Questioned Costs**

\$11,525 – the value of the invoice identified above.

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#### **Recommendation**

We recommend that the Department of Health implement the necessary policies and procedures to ensure that costs charged to federal programs are in compliance with Office of Management and Budget (OMB) Circular A-87, *Cost Principles for States, Local and Indian Tribal Governments*.

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

We agree with the condition found.

Program and divisional managers will become the primary check on controls to insure that VISION codes are properly entered. This is done by verification by the program manager that the department "coding sheet" has been properly filled out, including that the appropriate VISION program code has been entered correctly. This policy is effective from November 2008.

The agency through the Internal Audit Group (IAG) will do testwork starting monthly to insure that controls are effective. These tests will begin no later than December 2008.

**Scheduled Completion Date:** Ongoing IAG monitoring of compliance. The Department believes that this is an isolated instance. The IAG will work with the Department to substantiate this claim. If the Department is not correct, the IAG will work with the Department to establish procedures to reduce the error rate. At this time, we are not able to determine when the process will be completed.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Finding 08-11**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Child Support Enforcement CFDA #93.563

**Federal Award Numbers and Award Years**

Award #: 0704VT4004, 10/1/06 – 9/30/07

Award #: 0804VT4004, 10/1/07 – 9/30/08

**Criteria**

The IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock. The agency must establish a support obligation when paternity is not an issue. These services must be provided for any child in cases referred to the IV-D agency or to individuals applying for services under 45 CFR section 302.33 or 45 CFR section 309.65(a)(2) for whom paternity or a support obligation had not been established (45 CFR sections 303.4 and 303.5, 309.100, and 309.105). For State IV-D agencies, these services must be provided within the time frames specified in 45 CFR sections 303.3(b)(3), 303.3(b)(5), 303.3(c), and 303.4(d).

45 CFR section 303.4(d) states “Within 90 calendar days of locating the alleged father or the noncustodial parent, regardless of whether paternity has been established, establish an order for support or complete service of process necessary to commence proceedings to establish a support order, and if necessary, paternity (or document unsuccessful attempts to serve process in accordance with the State’s guidelines defining diligent efforts under 45 CFR section 303.3(c).

45 CFR section 303.3(b)(1) indicates that for all cases referred to the IV-D agency or applying for services, the IV-D agency must attempt to locate all noncustodial parents. 45 CFR section 303.3(b)(3) indicates that within no more than 75 calendar days of determining that location is necessary, access all appropriate location sources. Under the regulations of 45 CFR 303.3(c) Location of Noncustodial Parents, the State must establish guidelines defining diligent efforts to serve process. These guidelines are an integral part of many of the sections of the compliance requirements which the IV-D agency must meet. Diligent efforts are referred to in 45 CFR sections 303.4 and 303.6.

**Condition Found**

During our testwork over the Office of Child Support’s compliance with federal requirements over the establishment of paternity and support obligations, we noted the following:

- A. For five of forty cases selected for testwork, the 90-day threshold to establish an order for support or complete the service of process necessary to commence proceedings to establish a support order was not met.

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- B. The Office of Child Support does not define diligent efforts as required by 45 CFR section 303.4 and as such, we were unable to verify that the Office of Child Support was in compliance with this requirement.
- C. The Office of Child Support relies on a variety of IT controls to help monitor its compliance with federal regulations. A test of design over IT general controls was completed for the year ended June 30, 2008 over the ACCESS system, the Office of Child Support's due diligence system, and the results of the test of design indicated several material weaknesses in internal control as identified in the 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*, finding 2008-C. As a result, we are not able to rely on any system controls over this process. We were unable to identify any additional manual controls over this compliance requirement and, as a result, we were unable to perform any test, controls related to this compliance requirement.

#### **Cause**

The cause of the condition found is that the progression of each case was not monitored due to insufficient staff to implement the current procedures in place that are required to be followed by the Office of Child Support.

#### **Effect**

The effect of the condition found is the lack of compliance with federal time periods and paternity and support obligations not being established in a timely basis.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

#### **Questioned Costs**

None identified.

#### **Recommendation**

We recommend that the Office of Child Support review its existing control procedures to ensure that procedures and controls are implemented to ensure that the Office of Child Support complies with the time requirements outlined in the federal regulations concerning the establishment of support obligations. We further recommend that the Office of Child Support review its existing procedures to ensure it includes a definition of what diligent effort is and the types of activities that are performed to meet the diligent efforts requirement. In addition, we recommend that the Office of Child Support and the AHS review their control procedures for both manual and IT controls to ensure that there are adequate controls in place to ensure compliance with all federal requirements.

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

The Office of Child Support (OCS) concurs there were five errors out of the forty cases reviewed, which is an 87% accuracy rate for OCS. The federal child support requirement for substantial program compliance during an internal federal review is 75%, which we far exceed.

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Also, it was a recommendation that OCS establish guidelines defining diligent efforts to serve process. This will be incorporated into OCS procedures documentation. OCS does not agree this must be accomplished by incorporating into the state plan. Our guidelines will be established in procedure.

#### ***Methods for Improvement***

The finding demonstrated a need for:

- Programming enhancements
  - (Example) The mainframe (ACCESS) should show workers the number of days to the end of the time line. Worker's daily messages (DAIL) do not state how many days until the end of a process.
  - In finding 08-12, ACCESS is not generating required notices.
- Training improvements
- Staff performance

Ultimately, if our mainframe computer system were programmed to assist staff with its work flow for casework, there would be less reliance on the need for improvement of training or staff performance. Staff each have in excess of 700 cases in which both parties in a case have case processing needs going on simultaneously.

As an interim step before mainframe programming occurs, OCS has begun to utilize our data warehouse to focus on more high-risk cases and to monitor specific time lines. Reports will assist managers in monitoring performance more closely.

OCS will pursue additional training and staff performance during this year. However, improved programming is the primary solution to successfully working with overwhelming caseloads.

**Scheduled Completion Date:** December 2009.

**Contact Persons:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

Christine Cassel, OCS Federal Program Chief,  
Agency of Human Services, 802-241-1539

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**Finding 08-12**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Child Support Enforcement CFDA #93.563

**Federal Award Numbers and Award Years**

Award #: 0704VT4004, 10/1/06 – 9/30/07

Award #: 0804VT4004, 10/1/07 – 9/30/08

**Criteria**

For all cases in which an obligation to support and the amount of the obligation has been established, the agency must maintain a system for (a) monitoring compliance with the support obligation; (b) identifying on the date the parent fails to make payments in an amount equal to support payable for one month, or an earlier date in accordance with state or tribal law, those cases in which there is a failure to comply with the support obligation; and (c) enforcing the obligation. To enforce the obligation the agency must initiate income withholding, if required by and in accordance with 45 CFR section 303.100 or 45 CFR section 309.110. State IV-D agencies must initiate any other enforcement action, unless service of process is necessary, within 30 calendar days of identification of the delinquency or other support-related noncompliance, or location of the absent parent, whichever occurs later. If service of process is necessary, service must be completed and enforcement action taken within 60 calendar days of identification of the delinquency or other noncompliance, or the location of the absent parent, whichever occurs later. If service of process is unsuccessful, unsuccessful attempts must be documented and meet the State's guidelines defining diligent efforts. If enforcement attempts are unsuccessful, the state IV-D agency should determine when it would be appropriate to take an enforcement action in the future and take it at that time (45 CFR section 303.6). Optional enforcement techniques available for use by the States are found at 45 CFR sections 303.71, 303.73, and 303.104.

**Condition Found**

During our testwork over enforcement of child support obligations, we noted the following:

- A. For seven of forty cases selected for testwork enforcement actions were completed but the action was not within the 30-or 60-day requirement as defined above.
- B. For five of forty cases, an enforcement action was required, but no enforcement action was taken.
- C. The Office of Child Support (OCS) relies on a variety of IT controls to help monitor their compliance with federal regulations. A test of design over IT general controls was completed for the year ended June 30, 2008 over the ACCESS system, the OCS's due diligence system, and the results of the test of design indicated several material weaknesses in internal control as identified in the 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*, finding 2008-C. As a result, we are not able to rely on any system controls over this process. We

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were unable to identify any additional manual controls over this compliance requirement, and as a result, we were unable to perform any tests controls related to this compliance requirement.

#### **Cause**

The cause of the condition found is that the progression of each case was not monitored due to insufficient staff to implement the current procedures in place that are required to be followed by the OCS.

#### **Effect**

The effect of the condition found is the lack of compliance with federal time periods and requirements for enforcement support orders.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

#### **Questioned Costs**

None noted.

#### **Recommendation**

We recommend that management strengthen the organization's processes and implement both IT and manual controls to help to ensure that enforcement is taken on those cases identified as needing enforcement within the guidelines as established by the code.

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

OCS concurs there were 12 errors out of the 40 cases reviewed, which is a 70% accuracy rate is for OCS. We understand this is below the federal child support program requirement for substantial program compliance of 75% that is measured during an internal federal review.

#### ***Methods for Improvement***

The finding demonstrated a need for:

- Programming enhancements
  - (Example) The mainframe (ACCESS) should show workers the number of days to the end of the time line. Worker's daily messages (DAIL) do not state how many days until the end of a process.
  - ACCESS is not generating required notices.
- Training improvements
- Staff performance

Ultimately, if our mainframe computer system were programmed to assist staff with its work flow for casework, there would be less reliance on the need for improvement of training or staff performance. Staff each have in excess of 700 cases in which both parties in a case have case processing needs going on simultaneously.

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As an interim step before mainframe programming occurs, OCS has begun to utilize our data warehouse to focus on more high-risk cases and to monitor specific time lines. Reports will assist managers in monitoring performance more closely.

OCS will pursue additional training and staff performance during this year. However, improved programming is the primary solution to successfully working with overwhelming caseloads.

**Scheduled Completion Date:** Ongoing. While the Agency of Human Services, the State of Vermont House and Senate are aware of the inadequacies of the ACCESS system, without an increase in funding we are not able to establish a timeline to correct the problems with the ACCESS system. To place a date for our scheduled completion date would be misleading.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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**Finding 08-13**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Child Support Enforcement CFDA #93.563

**Federal Award Numbers and Award Years**

Award #: 0704VT4004, 10/1/06 – 9/30/07

Award #: 0804VT4004, 10/1/07 – 9/30/08

**Criteria**

Per 45 CFR section 303.7 (b)(2), except as provided under the long arm statute, within 20 calendar days of determining that the noncustodial parent is in another state, and if appropriate, receipt of any necessary information needed to process the case, the State is required to refer the case to the appropriate out-of-state interstate registry for action including requests for location, document verification, administrative reviews in federal income tax refund offset cases, income withholding, and state income tax refund offset.

Per 45 CFR section 303.7 (b)(4), within 30 calendar days of receipt of a request for information, provide the IV-D agency or central registry in the responding state with any requested additional information or notify the responding state when the information will be provided.

**Condition Found**

During our testwork over compliance with interstate cases, we noted the following:

- A. Three of twenty-four cases selected for Initiating Interstate testwork were not referred to the registry within twenty calendar days of determining that the noncustodial parent was in another state or upon receipt of any necessary information needed to process the case.
- B. One of twenty-four cases selected for Initiating Interstate testwork had a request for information from the other state agency that was not responded to within thirty calendar days.
- C. The Office of Child Support (OCS) relies on a variety of IT controls to help monitor their compliance with federal regulations. A test of design over IT general controls was completed for the year ended June 30, 2008 over the ACCESS system, the OCS's due diligence system, and the results of the test of design indicated several material weaknesses in internal control as identified in the 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*, finding 2008-C. As a result, we are not able to rely on any system controls over this process. We were unable to identify any additional manual controls over this compliance requirement, and as a result, we were unable to perform any tests controls related to this compliance requirement.

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#### **Cause**

The cause of the condition found is that the progression of each case is not monitored due to insufficient staff to implement the current procedures in place that are required to be followed by the OCS.

#### **Effect**

The effect of the condition found is the lack of compliance with federal time periods and requirements for interstate cases.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

#### **Questioned Costs**

None noted.

#### **Recommendation**

We recommend that management strengthen the organization's processes and implement both manual and IT controls to help to ensure that information that needs to be sent to the registry or another state agency is properly sent within the necessary time requirement.

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

We concur there were 4 errors out of the 24 cases reviewed which is an 83% accuracy rate for the Office of Child Support (OCS). The federal child support program requirement for substantial compliance is 75% for an internal federal review, which we have exceeded for this audit.

#### ***Methods for Improvement***

The finding demonstrated a need for:

- Programming enhancements
  - (Example) The mainframe (ACCESS) should show workers the number of days to the end of the time line. Worker's daily messages (DAIL) do not state how many days until the end of a process.
  - In finding 08-12, ACCESS is not generating required notices.
- Training improvements
- Staff performance

Ultimately, if our mainframe computer system were programmed to assist staff with its work flow for casework, there would be less reliance on the need for improvement of training or staff performance. Staff each have in excess of 700 cases in which both parties in a case have case processing needs going on simultaneously.

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As an interim step before mainframe programming occurs, OCS has begun to utilize our data warehouse to focus on more high-risk cases and to monitor specific time lines. Reports will assist managers in monitoring performance more closely.

OCS will pursue additional training and staff performance during this year. However, improved programming is the primary solution to successfully working with overwhelming caseloads.

**Scheduled Completion Date:** December 2009.

**Contact Persons:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091  
Christine Cassel, OCS Federal Program Chief,  
Agency of Human Services, 802-241-1539

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**Finding 08-14**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Medical Assistance Program CFDA #93.775

**Federal Award Numbers and Award Years**

Award #: 11-W-00191/1, 10/1/05 – 9/30/10

Award #: 11-W-00194/1, 10/1/05 – 9/30/10

**Criteria**

Within 30 days of receipt of the utilization data from the State, the manufacturers are required to pay the rebate or provide the State with notice of disputed items not paid because of discrepancies found.

**Condition Found**

During our testwork over drug rebates, we noted that the State of Vermont did not receive payment for thirteen of thirty drug rebates selected for testwork within 30 days of the invoice date.

**Cause**

The cause of the condition found is that while there are controls in place to monitor any uncollected amounts after 30 days, the State is unable to ensure that the manufacturer pays or disputes the invoiced amount within the required time period.

**Effect**

The effect of the condition found is that the State is not in compliance with the federal requirements, and the drug rebate amount is not collected timely to offset current expenses incurred under the Medical Assistance program.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal control.

**Questioned Costs**

None.

**Recommendation**

We recommend that the State of Vermont review its procedures over collections from manufacturers and implement controls and procedures to ensure that the State of Vermont collects timely the amount owed by the manufacturer in an effort to timely offset its current expenses incurred under the Medical Assistance program.

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**Management's Response and Corrective Action**

We concur with the condition found.

The Office of Vermont Access (OVHA) and Electronic Data Service (EDS), its Medicaid Management Information System (MMIS) contractor, implemented a procedure in the third quarter of 2008 to track manufacturer compliance with the 30-response requirement and to assess interest for payment determined to be late under Medicaid regulations.

**Scheduled Completion Date:** March 31, 2009.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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**Finding 08-15**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Medical Assistance Program CFDA #93.775

**Federal Award Number and Award Year**

Award #: 75X0512, 7/1/07 – 6/30/08

**Criteria**

Federal financial participation is available for aggregate payments to hospitals that serve a disproportionate number of low-income patients with special needs. The State plan must specifically define a disproportionate share hospital and the method of calculating the rate for these hospitals. Specific limits for the total disproportionate share hospital (DSH) payments for the State and the individual hospitals are contained in the legislation (Section 1923 of the Social Security Act and 42 USC 1396(r)).

**Condition Found**

During our testwork over DSH payments, we noted the following:

- A. Under 42 USC 1396(r), in order to qualify as an eligible hospital to receive a DSH payment, the following criteria must be met:
  - 1. Each hospital must generally have at least two obstetricians who have staff privileges at the hospital and who have agreed to provide nonemergency obstetric services to Medicaid patients
  - 2. Each hospital must have a Medicaid inpatient utilization rate (MIUR) of at least 1%
  - 3. Each hospital must have a low income utilization rate (LIUR) that exceeds 25%

The State currently does not solicit the necessary information to ensure that DSH payments are only made to hospitals with the required number of obstetricians and does not calculate the hospital's MIUR or LIUR calculation. The State in practice has defined DSH-eligible hospitals more broadly by including in the definition to include general hospitals otherwise not qualifying for DHS payments and does not perform any tests to ensure it is actually paying an eligible DSH hospital. As a result, the State does not appear to be in compliance with this requirement.

- B. 45 CFR Section 413.80(c) prohibits the inclusion of bad debts in the calculation of the DSH payment to be made to a hospital as bad debts are a reduction in revenue and are not an allowable cost. As required by the Medicaid state plan, the State currently includes bad debts as part of its DSH calculation. As a result, the State does not appear to be in compliance with this requirement.
- C. 42 USC 1396(r) provides that states are limited in the amount that they can pay a hospital by the hospital-specific DSH cap. This cap is defined in statute as the costs incurred during the year of furnishing hospital services (net of Medicaid payments (other than DSH) and payments by uninsured patients) by the hospital to individuals who are Medicaid-eligible or have no health insurance or

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other source of third-party coverage. The Medicaid state plan in Vermont does not address hospital-specific DSH payment limits and the limits are not calculated in practice. As a result, we do not have any evidence to support that a limit was taken into consideration to the payments made to each hospital and we are not able to conclude whether or not hospitals received more than what they were entitled to. As a result, we can not conclude that the State is in compliance with this requirement.

- D. 42 USC 1396(r) requires states to complete an annual report to the federal government concerning the DSH payments made. For the year ended June 30, 2008, the State did not submit this report nor has the State ever submitted the required report. As a result, the State is not in compliance with this requirement.

#### **Cause**

The State has been aware of this error for two years and has been in the process of developing a new methodology for calculating DHS payments that was implemented for state fiscal year 2009.

#### **Effect**

The effect of the condition found is that there were no procedures to ensure that DSH payments are calculated and paid to eligible hospitals in accordance with federal regulations, which could result in unallowable payments being made.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

#### **Questioned Costs**

Not determinable.

#### **Recommendation**

We recommend that the State review its Medicaid state plan and the above cited federal regulations and implement the necessary controls to ensure that the State has properly identified eligible hospitals, that DSH payments are calculated correctly, and that the required federal reports are filed on an annual basis.

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

We concur with the condition found.

Prior to the payments in the fiscal year ending June 30, 2009, Office of Vermont Health Access (OVHA) employed an expert in DSH payments to review and revise the process by which the Vermont Medicaid program computes and pays the payments. The state fiscal year 2009 payments were made in accordance with that revised process and we believe that they were made in accordance with the applicable federal requirements.

**Scheduled Completion Date:** July 1, 2008.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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**Finding 08-16**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Medical Assistance Program CFDA #93.775

**Federal Award Numbers and Award Years**

Award #: 11-W-00194/1, 10/1/05 – 9/30/10

Award #: 11-W-00191/1, 10/1/05 – 9/30/10

**Criteria**

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. The State is required to request and obtain information regarding unearned income from the Internal Revenue Service (IRS) as follows (42 USC 1320b-7; 45 CFR section 205.55).

**Condition Found**

Information is received from the IRS regarding income reported in Form 1099. This information is uploaded into the ACCESS system, the State of Vermont's benefit eligibility system, to perform data matches with information reported from recipients that have applied for Medicaid services. We noted that the information has not been updated in ACCESS from the IRS since June 2007.

**Cause**

In discussing this with Computer Services (Agency of Human Services), the IRS has changed the method in which the State receives the information. The information used to be delivered by tape, but now it is being delivered with an online transmission. With the online transmission, there are specific security measures the State needs to ensure. The security measures are being researched to ensure they meet the IRS specification, which are currently in progress.

**Effect**

The effect of the condition found is that applicants could be providing inaccurate information related to unearned income that would impact an applicant's eligibility for the Medical Assistance Program, and the AHS would not be able to timely identify the matter, and benefits could be paid on behalf of individuals not eligible for the program.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

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#### **Questioned Costs**

None.

#### **Recommendation**

We recommend that the AHS review its procedures over the IRS date matches to ensure the IRS information is uploaded into ACCESS, and it is uploaded timely to ensure the validity of the unearned income information used to determine the eligibility of its participants in the Medicaid program.

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

We concur with the condition found.

The State of Vermont (the State) ceased performing the Form 1099 match following its signing a memorandum of understanding (MOU) governing the data transfer with the IRS. That agreement contained IT security requirements as embodied in IRS Publication 1075 and Presidential Directive M-06-16. The State determined that it could not meet all of those requirements. It is for that reason that the State ceased performing the Form 1099 match even though it could physically perform the transfer required.

We are simultaneously taking long-term as well as immediate steps to comply with the requirement that we perform the match. We are assessing and documenting the tasks that must be accomplished in order to be in complete compliance with the security requirements that prevent us from being able to operate under the MOU. We are also reopening discussion of the MOU with the IRS to determine if there is a way we can meet sufficient security standards that we can proceed to perform the match. This discussion will include requesting funding to perform the tasks if that is available.

**Scheduled Completion Date:** As resources permit. The compliance failure is a result of the inability to meet the ADP system security requirements as stated in finding 08-18. While it may be feasible to meet these requirements as of June 30, 2010, it is unclear at this time if this timeline is realistic.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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#### **Finding 08-17**

##### **U.S. Department of Health and Human Services**

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

Medical Assistance Program CFDA # 93.775

##### **Federal Award Number and Award Year**

Award #: 11-W-00194/1, 10/1/05 – 9/30/10

##### **Criteria**

The State of Vermont has entered into an 1115 demonstration waiver under the Medicaid program, referred to as Global Commitment to Health. As part of this 1115 demonstration waiver, the AHS of the State of Vermont has entered into an intergovernmental agreement with the Office of Vermont Health Access, whereby the Office of Vermont Health Access services as the managed care organization for the State of Vermont under the 1115 demonstration waiver. Section 3.2 of the intergovernmental agreement between the Office of Vermont Health Access and the AHS states that the AHS will establish fixed rates (capitation payments) for monthly payments for global commitment enrollees. The capitation payments will be based on the fee-for-service equivalent cost for the package of services that are administered through the Office of Vermont Health Access.

##### **Condition Found**

During our testwork over capitated payments made to the Office of Vermont Health Access, we noted that the AHS did not pay the Office of Vermont Health Access in accordance with the intergovernmental agreement, but instead the AHS paid the Office of Vermont Health Access one-twelfth of the annual appropriation (which includes both federal and state dollars) on a monthly basis. As a result, we are unable to conclude that the capitated payment was calculated correctly.

##### **Cause**

The cause of the condition found is that the AHS has not received final approval from the Center for Medicaid Services for the capitated rates to be used for current year. As of June 30, 2008, the AHS has only received approval for the rates that were used for 2006.

##### **Effect**

The effect of the condition found is that the Office of Vermont Health Access may not be paid accurately based on the actual enrolled participants and actuarially determined rate. The AHS does not appear to have any procedures or controls in place to approximate a monthly payment to the Office of Vermont Health Access based on the requirements of the terms and conditions of the federal 1115 demonstration waiver and the intergovernmental agreement.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

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**Questioned Costs**

Not determinable.

**Recommendation**

We recommend that the AHS review its existing procedures and implement controls and procedures to ensure that the Office of Vermont Health Access is paid consistently throughout the year based on the requirements of the terms and conditions of the 1115 demonstration waiver and the intergovernmental agreement.

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

We concur with the condition found.

The Agency has established procedures that meet the requirements of the Medicaid 1115 demonstration waiver for the computation and payment of the managed care organization premium payment. They are being implemented in the calendar quarter ending March 31, 2009.

**Scheduled Completion Date:** March 31, 2009.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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### Schedule of Findings and Questioned Costs

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#### **Finding 08-18**

#### **U.S. Department of Health and Human Services**

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

Medical Assistance Program CFDA #93.775

#### **Federal Award Numbers and Award Years**

Award #: 11-W-00194/1, 10/1/05 – 9/30/10

Award #: 11-W-00191/1, 10/1/05 – 9/30/10

#### **Criteria**

State Automated Data Processing (ADP) security programs shall include the following components (1) a security plan and appropriate policies and procedures to address various areas, such as physical security, telecommunications security, and contingency plans, (2) periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems, and (3) biennial ADP system security reviews of installations involved in the administration of Health and Human Services (HHS) programs, which cover, at a minimum, an evaluation of physical and data security operating procedures and personnel practices (45 CFR section 95.621).

#### **Condition Found**

The Agency of Human Services (AHS) is the designated single state Medicaid agency. Within AHS, the Office of Vermont Health Access (OVHA) has been designated as the medical assistance unit and the Department of Children and Families (DCF) is responsible for determining client eligibility. In addition, other AHS organizations, such as the Departments of Health and Aging and Independent Living play significant roles in the Medicaid program. While Medicaid eligibility is determined by AHS, claims processing is performed through a combination of State and contractor systems and resources. For example, OVHA contracts with Electronic Data Services (EDS) to process all Medicaid claims for payment. In addition, MedMetrics Health Partners, Inc. serves as the State's pharmacy benefit manager. MedMetrics, in turn, subcontracts with SXC Health Solutions Inc. for the IT aspects of the pharmacy claims approval process. The State itself is also a major control point for ensuring the integrity of claims processing. For example, the State controls access to the claims processing system by State personnel and approves changes to the system.

AHS does not meet the federal ADP security program requirements because there are significant elements of the requirements that have not been completed or were completed for some, but not all, of the applicable state or service provider entities. Specifically,

- *Security Plan.* AHS is in the process of developing a Medicaid security plan. Various pieces of the plan are in draft, but significant elements have not yet been initiated.
- *Risk Assessment.* Risk assessments have been performed by EDS and AHS for the Medicaid claims processing and eligibility systems, respectively. However, a risk assessment has not been performed for critical elements of the Medicaid program as a whole, such as for the pharmacy IT service provider,

## STATE OF VERMONT

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SXC Health Solutions, Inc. and the State's internal operations related to claims processing. In addition, a mechanism to track whether the weaknesses identified in the AHS eligibility system risk assessment have been, or are being, fixed has not been established. In contrast, AHS, OVHA, and EDS have established such a mechanism to track the correction of weaknesses found in the EDS risk assessment, which provides sustained attention to this important area.

- *System Security Review.* Independent examinations of the effectiveness of controls (also known as SAS 70 type II reports) serve as the system security reviews for the EDS and SXC Health Solutions systems and processes. However, these reports do not include an assessment of the effectiveness of the State's security controls related to the Medicaid program; so, by themselves, they only partially satisfy the federal requirement for biennial system security reviews. Indeed, the importance of the State's security controls is recognized in both SAS 70 reports, which indicate that the auditor's opinions are based upon the application of relevant controls at the user organizations (i.e., the State).

Each of the major elements of the federal system security requirements – security planning, risk assessments, and security reviews – is an important component of a strong IT security program. Moreover, if all aspects of the Medicaid program – whether conducted by service providers or state agencies – are not considered in the execution of these requirements, then critical security weaknesses may not be identified and corrected.

#### **Cause**

The cause of the condition found is a lack of a defined system security plan.

#### **Effect**

The effect of the condition found is that critical security weaknesses may not be identified and corrected, and this could impact the integrity of the data used to process claims and determine program eligibility, as well as provide security to personal identifying information that is maintained in the system.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal control.

#### **Questioned Costs**

None.

#### **Recommendation**

We recommend that AHS develop a security plan for the Medicaid program that encompasses both eligibility and claims processing. The AHS should perform a comprehensive risk assessment of the Medicaid systems and control processes that includes all major state and contractor organizations. The AHS should develop action plans or processes to track the activities, milestones, and resources needed to fix the weaknesses found in the risk assessment of the Medicaid eligibility system. Finally, the AHS should perform a comprehensive ADP system security review of the Medicaid program which includes all major state and contractor organizations, and establish a process to complete such reviews biennially.

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### Schedule of Findings and Questioned Costs

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

We concur with the condition found.

The finding recommends four actions to bring AHS into compliance with 45 CFR section 95.621.

1. Develop an ADP security plan that encompasses all the ADP systems involved in Medicaid eligibility determination and claims processing
2. Perform a comprehensive risk assessment of the system composed of the identified ADP systems
3. Develop a plan to mitigate unacceptable levels of risk that are identified in the system risk assessment
4. Perform the biennial risk assessments specifically identified in 45 CFR section 95.621

The Agency agrees with the recommendations and is in process of implementing the actions. At this time progress toward completing the process is uneven. In some areas like the Medicaid Management Information System (MMIS) operated by EDS, the process is quite mature and complete. In other areas AHS is just at the point of identifying the ADP systems that must be included in the plan and gathering documentation of its security risks and plans. Generally, it is fair to say that the more integral the ADP system is to claims processing, the more complete the processes. It becomes less complete as the ADP systems become less directly involved with claims processing and eligibility determination.

The following is an assessment of the present status of this work:

- *Security plan.* AHS is in the process of developing a Medicaid security plan. Various pieces of the plan are in draft, but significant elements have not yet been initiated.

Here are the six portions of the Medicaid Security Plan and status for each (as of December 17, 2008):

- MMIS security plan (EDS portion) – a comprehensive MMIS security plan based on NIST 800-18 for the EDS portion of the MMIS has been delivered by EDS to the State in final form on December 11, 2008. (100% complete)
- MMIS security plan (State portion) – AHS has written a draft MMIS security plan that covers the Vermont portion of the MMIS based on NIST 800-18. A section on change control/management is being added. (estimate: 90% complete)
- Pharmacy security plan (SXC portion) – the SXC/Medmetrics security plan is being requested from the vendor. (0% complete)
- Pharmacy security plan (Vermont portion) – this will be initiated within next six months. (0% complete)
- Access security plan (DII portion) – the DII Security Director is currently updating the existing outdated DII mainframe security plan. (estimate: 5% complete)
- Access security plan (State portion) – DCF has a formal ACCESS security document that AHS is in the process of converting into a security plan based on NIST 800-18. (estimate: 20% complete)

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- *Risk Assessment.* Risk assessments have been performed by EDS and AHS for the Medicaid claims processing and eligibility systems, respectively. However, a risk assessment has not been performed for critical elements of the Medicaid program as a whole, such as for the pharmacy IT service provider, SXC Health Solutions, Inc. and the State's internal operations related to claims processing. In addition, a mechanism to track whether the weaknesses identified in the AHS eligibility system risk assessment have been, or are being, fixed has not been established. In contrast, AHS, OVHA, and EDS have established such a mechanism to track the correction of weaknesses found in the EDS risk assessment, which provides sustained attention to this important area.

The SXC/Medmetrics risk assessment has been received from the vendor, December 17, 2008.

The mechanism to track status of items identified in the AHS eligibility system will be enhanced in the next month to better facilitate risk management.

- *System Security Review.* Independent examinations of the effectiveness of controls (also known as SAS 70 type II reports) serve as the system security reviews for the EDS and SXC Health Solutions systems and processes. However, these reports do not include an assessment of the effectiveness of the State's security controls related to the Medicaid program; so, by themselves, they only partially satisfy the Federal requirement for biennial system security reviews. Indeed, the importance of the State's security controls is recognized in both SAS 70 reports, which indicate that the auditor's opinions are based upon the application of relevant controls at the user organizations (i.e., the State).

AHS conducted an internal security controls review for the Access system in 2007 but not the State of Vermont portions of the MMIS or Pharmacy systems. AHS will start an internal controls review for the State of Vermont portions of the MMIS and Pharmacy systems within the next six months. (33% complete)

**Scheduled Completion Date:** AHS is continuing in its efforts to meet the required standards of ADP security. This is an ongoing program since both the systems and the requirements are always evolving. AHS is working with the ADP system operations within that universe to establish their compliance. This process will begin in fiscal year 2009. If it is feasible, it will be completed in 2010, but it is unclear at this time if this timeline can be met.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Finding 08-19**

**U.S. Department of Health and Human Services**

**Program Name and CFDA Number**

Medical Assistance Program CFDA #93.775

**Federal Award Number and Award Year**

Award #: 11-W-00194/1, (10/1/05 – 9/30/10)

**Criteria**

Per review of the 1115 demonstration Waiver Global Commitment to Health (the Waiver), the Waiver provides that if the Managed Care Organization's (MCO) contractual obligation to the population covered under the Waiver is met, any revenue from capitation payments related to the beneficiaries covered under the Waiver must be used to (1) reduce the rate of uninsured and/or underinsured in the State of 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; and (4) encourage the formation and maintenance of public-private partnerships in healthcare. This revenue is referred to as MCO Investments.

**Condition Found**

During our testwork over the allowability of MCO Investment payments, we selected MCO Investment payments of approximately \$38.0 million out of a total of \$58.6 million MCO Investment payments made for the year ended June 30, 2008 and noted the following:

- A. MCO Investments totaling \$8 million were used to fund school health services provided by the Department of Education through various local school districts that are not currently funded through Medicaid and the Special Education Cluster. This program is directly appropriated by the Vermont State Legislature as part of the annual budget process. The funds paid under this program were to have met MCO Investment category 2, as defined above. While it is evident that there were healthcare related services performed, we were unable to obtain evidence to support that the services provided met the definition of MCO Investment category 2. In addition, we noted that while the Department of Education provides a report that shows the amount of eligible funding that can be paid under this MCO Investment, there are no procedures in place to validate this data to ensure that it is accurate.
- B. MCO Investments totaling \$1.3 million were used to fund the Health Care Administration program administered by the Department of Banking, Insurance, Securities and Health Care Administration (BISCHA). This program is directly appropriated by the Vermont State Legislature as part of the annual budget process. The funds paid under this program were to have met MCO Investment category 2, as defined above. We noted that the costs of services provided under this program were allocated to MCO Investments using a rate of 34%. While the costs incurred under this MCO Investment appeared to have met the objectives of MCO Investment category 2, we were unable to obtain evidence to support the reasonableness of the 34% allocation rate.

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- C. MCO Investments totaling \$913,000 were paid to the Vermont Veterans Home, which is a skilled nursing facility that serves veterans, spouses, and Gold Star parents (parents of soldiers killed in action). This program is directly appropriated the Vermont State Legislature as part of the annual budget process. The funds paid were to have met MCO Investment category 2, as defined above. We were unable to obtain any evidence to support what types of costs were incurred by the Vermont Veterans Home or who received services under the MCO Investment payments.
- D. MCO investments totaling \$4 million were paid to the University of Vermont to provide services under the Vermont Physician Training program. This program is directly appropriated by the Vermont State Legislature. The funds paid under this program were to have met MCO Investment category 2, as defined above. The University of Vermont indicated that the funds had been used to support the University's College of Medicine's educational programs; however, the University did not maintain any detailed accounting records, effort reports or other documentation to support how the funds were spent, nor are they required to by the Memorandum of Understanding that the State of Vermont enters into with the University of Vermont. Accordingly, we were unable to determine if the University of Vermont had spent the funds in accordance with the waiver agreement.
- E. MCO Investments totaling \$627,000 were paid to fund the Emergency Medical Service program administered by the Department of Health. The funds paid under this program were to have met MCO Investment category 2, as defined above. We noted that the costs of services provided under this program were allocated to MCO Investments using a rate of 100%. We were unable to obtain evidence to support the reasonableness of the 100% allocation rate or who received services under the MCO Investment payments.
- F. MCO Investments totaling \$2 million were paid to fund the Health Laboratory program administered by the Department of Health. The funds paid under this program were to have met MCO Investment category 3, as defined above. Costs under this program were allocated using a rate of 56.3%, which represents the percentage of Vermonters that reside in Vermont with household incomes below 300% of the federal poverty level that was determined in the year 2000. While this appeared to be a public health approach to healthcare and the intent was to allocate costs using a rate that represented Medicaid eligible individuals, we note that the allocation rate used was eight years old and no evidence was provided to show that this rate was accurate and reasonable to use in the current year.
- G. MCO Investments totaling \$1.1 million were paid to fund the Tobacco Cessation program administered by the Department of Health. The funds paid under this program were to have met MCO Investment category 3, as defined above. Costs under this program were allocated using a rate of 56.3%, which represents the percentage of Vermonters that reside in Vermont with household incomes below 300% of the federal poverty level that was determined in the year 2000. While this appeared to be a public health approach to healthcare and the intent was to allocate costs using a rate that represented Medicaid eligible individuals, we note that the allocation rate used was eight years old and no evidence was provided to show that this rate was accurate and reasonable to use in the current year.
- H. MCO Investments totaling \$562,000 were paid to fund costs paid in excess of what was reimbursed under the Special Supplemental Program for Women, Infants, and Children (WIC) federal program administered by the Department of Health. Funds paid under this program were to have met MCO

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Investment category 3, as defined above. The Department was unable to provide sufficient evidence to support that the payments met the definition of MCO Investment category 3.

- I. MCO Investments totaling \$2.8 million were paid to fund the Substance Abuse Treatment program administered by the Department of Health. Funds paid under this program were to have met the MCO Investment category 2, as defined above. The costs incurred represent the excess cost incurred under this program that was not reimbursed by the Block Grant for the Prevention and Treatment of Substance Abuse or the State of Vermont's Maintenance of Effort requirement for this federal program. The excess costs were allocated using a rate of 56.3%, which represents the percentage of Vermonters that reside in Vermont with household incomes below 300% of the federal poverty level that was determined in the year 2000. While this appeared to be a public health approach to healthcare and the intent was to allocate costs using a rate that represented Medicaid eligible individuals, we note that the allocation rate used was eight years old and no evidence was provided to show that this rate was accurate and reasonable to use in the current year.
- J. MCO Investments totaling \$10.1 million were used to fund payments made for residential care for youth and substitute care payments made by the Department of Children and Families. Funds paid under this program were to have met MCO Investment category 2, as defined above. Costs charged under this program were for services, such as treatment costs and/or room and board charges for children ineligible for Medicaid or Foster Care. While treatment costs appear to be healthcare related, we were unable to obtain evidence to support the reasonableness of the 100% allocation rate or that all the costs incurred were fully healthcare related.
- K. MCO Investments totaling \$2.7 million were used to fund payments made for Aid to the Aged, Blind and Disabled CCL III program, administered by the Department of Children and Families. Funds paid under this program were to have met MCO Investment category 2, as defined above. The costs incurred under this program represented additional payments made to individuals who receive Social Supplemental Income (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. We were unable to obtain evidence to support that the participant used this payment for healthcare related services. As such, these costs do not appear to be healthcare related and, accordingly, do not meet the definition of MCO Investment category 2.
- L. MCO Investments totaling \$516,000 were used to fund the Women's Health Program (Tapestry) administered by the Department of Corrections. Funds incurred under this program were to have met MCO Investment category 2, as defined above. Services provided under this program include treatment for substance abuse, mental health, educational/vocational skills training, parenting and relationship training, wellness and skills to promote self reliance. We noted that the costs of services provided under this program were allocated to MCO Investments using a rate of 100%. We were unable to obtain evidence to support the reasonableness of the 100% allocation rate or that the costs incurred were fully healthcare related.
- M. MCO Investments totaling \$2 million were used to fund the Community Rehabilitative Care Program administered by the Department of Corrections. Funds incurred under this program were to have met MCO Investment category 2, as defined above. The services under this program represented salary costs of Probation and Parole Officers who provided case management services

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and construct and implement case plans to address criminogenic behaviors. Costs were allocated to this program using a rate of 38%, which is an estimated made by the Department of Corrections as to the percentage of Vermont residents who are uninsured, underinsured or Medicaid eligible and then 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 documentation to support that the case management services provided by the Probation and Parole Officers met the definition of healthcare services, nor were we able to obtain evidence to support that the services rendered met the definition of MCO Investment category 2. In addition, we were unable to obtain evidence to support the reasonableness of the allocation rates used by the Department of Corrections to allocate the payroll cost to this program.

While the AHS and the Office of Vermont Health Access have developed procedures for defining how they will 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.

This finding appears to be systemic in nature and is considered to be a material weakness.

#### **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 condition found appears to be systemic in nature, and this is considered to be a material weakness in internal control.

#### **Questionable Costs**

Not determinable.

#### **Recommendation**

We recommend that the AHS implement policies and procedures for documenting what an MCO Investment is and arriving at adequate documentation to support how costs are allocated to this program.

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

AHS met with KPMG regarding the definition of the scope of allowable activities for MCO Investments under the Global Commitment Waiver. AHS agrees with the finding with regard to documentation. Our belief is that AHS and KPMG have agreed that the scope of MCO Investments' activities is something that is the subject of the demonstration and will be evaluated as such.

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There are two distinct aspects to this finding concerning the allowable cost of MCO Investments (capitated revenue expenditures in the special terms and conditions of the Waiver). The first is the scope of activities that are allowable as purposes for MCO Investments. The second is the documentation of the amount as an investment.

The Centers for Medicaid Services (CMS) used the following language in its October 2007 transmittal letter informing Vermont of CMS approval of the inclusion of health insurance premium assistance under the existing waiver:

*“Using a multi-disciplinary approach including the basic principles of public health, the fundamentals of effective administration of a Medicaid managed care delivery system, and flexibility under this demonstration, Vermont will continue to demonstrate its ability to promote universal access to health care, cost containment, and improved quality of care. Vermont will be required to conduct an evaluation of the impact of the demonstration program during the 5-year period.”*

The provision of flexibility in the use of Medicaid funding is the essence of the concept of demonstration waivers. It is Vermont’s responsibility to make use of the waiver authority to demonstrate that innovative implementations of the Medicaid program improve the outcomes of the program. We believe these investments will support such improved outcomes and are within scope especially given state and national research on best practices. Additionally, under state statute, Vermont is the first state in the country to tackle broad based healthcare reform using multifaceted and population based approaches. The Waiver, including the use of investment funds, is but one piece of the healthcare reform initiative, all of which are annually reviewed and approved by the Vermont legislature. Attaining the demonstration goals of access, quality, and cost containment is part of the State’s responsibility under the demonstration.

In developing procedures for managing the MCO the AHS has established criteria for determining the allowable amount of MCO investments in each of the four investment categories. Some of those criteria involve the allocation to uninsured, underinsured and Medicaid-eligible Vermonters of expenditures for all Vermonters. The AHS has used the most recent independently determined and verifiable information available to make those allocations. The AHS generally relies on the providers’ accounting controls that are independently audited for assurance that the amounts claimed are correctly reported. Vermont believes that it has established methods to document the MCO Investments. We will continue to work with the auditors better to understand and meet their needs for documentation.

**Scheduled Completion Date:** All documentation issued will be corrected as of June 30, 2009.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

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#### **Finding 08-20**

#### **U.S. Department of Health and Human Services**

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

Medical Assistance Program CFDA #93.775

#### **Federal Award Number and Award Year**

Award #: 11-W-00194/1, 10/1/05 – 9/30/10

#### **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 and valued.

#### **Condition Found**

As part of the required match for the monthly capitated payment made to the Office of Vermont Health Access (OVHA) under the Medicaid 1115 demonstration waiver, Global Commitment to Health (the Waiver), the AHS used certain funds that are referred to as a certified state match that is essentially a third-party in-kind contribution. During the year ended June 30, 2008, the amount of the certified state match was approximately \$35 million. The source of funds to be used for the certified state match is outlined annually by the Vermont State Legislature during the annual budget process.

During our testwork over the documentation to support the certified state match, we noted the following:

- A. Approximately \$8.9 million of certified state match was provided by school districts. The costs associated with this match represented healthcare-related costs incurred by the schools that are not currently reimbursed through Medicaid or Special Education Cluster funds. The schools are required to submit a report to the Department of Education that shows the amount of eligible certified match, and this information is forwarded on to AHS. AHS does not have any procedures in place to validate the accuracy of the certified state match to ensure that it is properly calculated and valued.
- B. Approximately \$4.8 million of certified state match was provided by designated agencies throughout the State of Vermont. Designated agencies work directly with the Department of Mental Health and the Department of Aging and Independent Living and provide a variety of services that are healthcare related, such as mental health counseling. The designated agencies are required to submit to AHS a letter certifying the amount of eligible certified state match that is available for use on an annual basis. While the Department of Mental Health does perform extensive monitoring procedures over the services provided at the designated agencies, AHS does not have any procedures in place to validate the accuracy of the certified state match to ensure that it is properly calculated and valued.

As a result, we are unable to conclude that the value of the certified state match for these items is accurate.

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#### **Cause**

The cause of the condition found is that AHS does not review the accuracy of the data submitted by the third party certifying the certified state match that is available. AHS does not require the third party to submit documentation to substantiate the value of the state match that has been certified.

#### **Effect**

The effect of the condition found is that AHS is not able to substantiate the value used to determine the certified state match, and this could result in AHS not properly providing for the correct amount of funds for the required state match.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

#### **Questioned Costs**

Not determinable.

#### **Recommendation**

We recommend that AHS implement controls and procedures to ensure that the source of funds for all certified state match components is properly documented and that the value of the related certified state match is properly supported and reviewed for accuracy.

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

AHS believes that the required reporting of the schools and providers who provide certified match and the audits to which they are subject annually are sufficient assurance that the amounts they certified are accurate.

The certified state match is based on qualifying revenues expended on Managed Care Organization investment activities by the certifying organizations and is reported at the amount of those revenues. The certifying organizations are subject to independent audits and are required to make extensive reports to both the state and federal governments. AHS will establish analytical procedures by which it may be reasonably assured that the certified expenditures are consonant with the organizations' existing reports.

#### **Scheduled Completion Date**

All documentation issued will be corrected as of June 30, 2009.

**Contact Person:** Jan Westervelt, Audit Chief, Agency of Human Services, 802-241-1091

**STATE OF VERMONT**

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**Finding 08-21**

**U.S. Department of Homeland Security**

**Program Name and CFDA Number**

Disaster Grants – Public Assistance (Presidentially Declared Disaster) CFDA #97.036

**Federal Award Number and Award Year**

Award #: Declarations 1715 and 1698, 7/1/07 – 6/30/08

**Criteria**

Per 31 USC 7502(f)(2)(B), each pass-through entity shall monitor the subrecipient’s use of federal awards through site visits, limited scope audits, or other means.

In accordance with 44 CFR section 13.20, all administrative costs must be supported by source documentation such as canceled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documentation, etc. If the indirect cost rate exceeds the 3% administrative costs allowance after all other eligible administrative costs have been identified and budgeted, the grantee must submit a request for a waiver with justification to validate the need for additional administrative costs.

Per 44 CFR section 206.47(a), the Federal Emergency Management Agency (FEMA) will pay 75% of the eligible cost of permanent restorative work under section 406 of the Stafford Act and for emergency work under section 403 and section 407 unless the Federal Share is increased under this section.

Per 44 CFR section 206.205(b)(1), the Grantee shall make accounting to the regional director of eligible costs for each large project. In submitting the accounting, the Grantee shall certify that reported costs were incurred in the performance of eligible work, that the approved work was completed, that the project is in compliance with the provisions of the FEMA-State Agreement, and that the payments for the project have been made in accordance with 44 CFR section 13.21. Each large project shall be submitted as soon as practicable after the subgrantee has completed the approved work and has requested payment.

**Condition Found**

The Agency of Transportation (the Agency) enters into grant agreements with subrecipients for disaster-related projects that are approved directly by the FEMA. During our testwork over the Agency’s monitoring of these grants, we noted that the Agency lacked documentation to support that the Agency had properly monitored its subrecipients to ensure that the subrecipients had complied with federal regulations. Specifically, the following were noted:

- A. For all twenty-five subrecipients selected for testwork, there was no documentation to support that the subrecipient did not exceed the 3% maximum allotment for administrative costs. In addition, there was no documentation obtained to support the administrative costs incurred by the subrecipients.
- B. For eight of the twenty-five subrecipients selected for testwork, we noted that the grants were related to small projects that were not 100% complete at the date of the original assessment visit by FEMA

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### Schedule of Findings and Questioned Costs

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and the Agency. A small project is defined by FEMA as a project that costs less than \$60,900 for the period of October 1, 2007 to September 30, 2008, and \$59,??? for the period of October 1, 2006 to September 30, 2007. The Agency did not perform any monitoring procedures on these small projects other than obtain a certification that the project was completed by the subrecipient, and there was no documentation to support that the Agency had reviewed the costs incurred by the subrecipient to ensure that the costs were allowable and in accordance with what was approved by FEMA. In addition, there was no documentation to support that the Agency had monitored to ensure that if the actual costs of the project was less than what had originally been funded and approved by FEMA, then the excess funds received were used for other public works projects.

- C. While the Agency obtains a certification that a project has been completed by its subrecipients, the Agency does not send a certification directly to FEMA as required by the above-stated regulations.
- D. There is no documentation to support that the Agency monitored to ensure that the subrecipient had provided the required local match in order to receive federal funding.

#### **Cause**

The cause of the condition found is that all small projects are not considered significant for monitoring purposes, and as such, the Agency does not perform monitoring procedures over these projects.

The Agency will obtain certification along with support documentation from the subrecipient to support the project costs that are eligible for large projects only. This information is sent to FEMA as required; however, there is no state certification sent acknowledging that the reported costs were incurred in the performance of eligible work, the approved work was completed, the project is in compliance with the FEMA-State Agreement, and the payments for the project have been made in accordance with 44 CFR section 13.21. In sending to FEMA the Agency certification as well as support documentation, the Agency believed this was adequate for the requirements.

Declarations prior to November 13, 2007 had a standard total administrative cost of 3% of the total project paid out by FEMA, regardless of the actual expenditures incurred for projects. As a result, it did not appear as a requirement that records of the associated administrative costs needed to be documented as part of the project.

#### **Effect**

The effect of the condition found is that the Agency has not monitored whether or not these projects have been completed in accordance with federal regulations and that the costs incurred on these projects are allowable.

The condition found appears to be systemic in nature, and this is considered to be a material weakness in internal controls.

#### **Questionable Costs**

Not determinable.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **Recommendation**

We recommend that the Agency review its existing policies and procedures and develop procedures and controls to ensure it properly monitors all subrecipients under this program and that it documents those activities. This would include obtaining documentation to support the costs paid for all projects and ensuring that the costs are allowable in accordance with federal regulations. In addition, the Agency should ensure that all subrecipients comply with spending limitations and have provided the required local match in order to be eligible for federal funds. Finally, a certification should be made to FEMA for each project funded.

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

We concur with the following findings:

- (A) Lack of supporting documentation verifying that the 3% maximum grant administrative costs were not exceeded by subrecipient.
- (B) Lack of documented monitoring procedures on small projects. As a result, there was no documentation to support that costs incurred by the subrecipient were allowable and in accordance with what was approved by FEMA. There was no documentation to support that monitoring had occurred to ensure that if the actual costs of the project was less than what had originally been funded and approved by FEMA, that the excess funds received were used for other public works projects.
- (D) Project Completion Documents for Public Assistance grants were not filed with FEMA.
- (E) Inability to verify State's 25% matching requirement on small projects due to the lack of tracking expenditures.

These deficiencies, for the most part, are attributable to the lack of or production of supporting documentation. The workload in administrating FEMA grants is volatile in nature from year to year. In the years with a high rate of disasters, as was the case for this fiscal year, monitoring all projects becomes extremely difficult given current budget constraints. Financial Operations will work with the new emergency relief program manager to assure that this new program manager fully understands the record-keeping and monitoring requirements. We will also include a segment in future program manager training sessions on the need for an orderly transfer of all documentation, even for small projects.

**Scheduled Completion Date:** April 30, 2009.

**Contact Persons:** Marlene McIntyre, Financial Operations Manager,  
Agency of Transportation, 802-828-3444  
Alec Portalupi, AOT Manager III,  
Agency of Transportation, 802-828-3889

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2008

**Finding 08-22**

**U.S. Department of Homeland Security**

**Program Name and CFDA Number**

Disaster Grants – Public Assistance (Presidentially Declared Disaster CFDA #97.03)

**Federal Award Number and Award Year**

Award #: Declarations 1715 and 1698, 7/1/07 – 6/30/08

**Criteria**

In accordance with FEMA State Agreement, The Grantee shall submit Financial State Reports, SF 269 or FF-2010, to the FEMA Regional Office 30 days after the end of the first federal quarter following the initial grant award. The Grantee shall submit quarterly financial status reports thereafter until the grant ends. Reports are due on January 30, April 30, July 30, and October 30.

In compliance with 44 CFR section 13.20(b)(1), *Financial Reporting*, accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant and subgrantees.

**Condition Found**

During our testwork over the Agency of Transportation’s reporting process for this program, we noted the following:

- A. All of the reports filed for the quarters ended September 30, 2007 and June 30, 2008, were not filed within the 30-day time period required.
- B. All of the reports filed for the quarters ended September 30, 2007 and June 30, 2008, contained several reporting errors and were not accurate.
- C. All of the reports filed for the quarters ended September 30, 2007 and June 30, 2008, utilized management estimates in determining the subrecipient matching component for the outlays during the reporting period. Utilization of the estimate does not necessarily contain a complete and accurate account of the financial activities during the reporting period as required under federal regulations.

**Cause**

The cause of the condition found is that there is no notification that the report is overdue or nearing its due date and procedures do not appear to be in place to ensure the mathematical accuracy of the data used to compile the reports.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2008

#### **Effect**

The effect of the condition found is that reports are not filed timely, and the amounts reported are inaccurate.

#### **Questionable Costs**

Not determinable.

#### **Recommendation**

We recommend a tracking system be implemented over the reporting process that would notify when reports are due to be submitted in accordance with federal regulations. We further recommend a review take place over the reports being filed to check for accuracy. Recalculations should be performed to verify the accuracy of the financials of the report. Finally, we recommend that monitoring be performed over the subrecipient to accurately obtain costs incurred by the subrecipient during the work of the project.

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

We concur with the following findings relating to FEMA reporting:

- (A) Declarations 1698 and 1715 not filed within the 30-day time window.
- (B) Expenditure calculation inaccuracies occurred in Declarations 1698 and 1715.
- (C) Expenditure estimates were used on reports as opposed to actuals in determining subrecipient project matching components.

Financial Operations will work with the new emergency relief program manager to assure that the new program manager fully understands the record-keeping and reporting requirements. We will also include a segment in future program manager training sessions on the need for an orderly transfer of all documentation, even for small projects.

**Scheduled Completion Date:** April 30, 2009.

**Contact Persons:** Marlene McIntyre, Financial Operations Manager,  
Agency of Transportation, 802-828-3444  
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