



**STATE OF VERMONT**

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

Year ended June 30, 2009

(With Independent Auditors' Report Thereon)

# STATE OF VERMONT

## Table of Contents

	<b>Page(s)</b>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters and Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 – 2
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	3 – 6
Schedule of Expenditures of Federal Awards	7 – 13
Schedule of Expenditures of Federal Awards by Vermont State Agency	14 – 20
Notes to Schedule of Expenditures of Federal Awards and Schedule of Expenditures of Federal Awards by Vermont State Agency	21 – 24
Schedule of Findings and Questioned Costs	25 – 99



**KPMG LLP**  
P.O. Box 564  
Burlington, VT 05402

Suite 400  
356 Mountain View Drive  
Colchester, VT 05446

**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, 2009, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 17, 2009. 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 17; the State adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*. 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 presented 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, and the Tri-State Lotto Commission as described in our report on the State's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

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, Vermont Housing Finance Agency, 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 on 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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no



assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in State's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as findings 2009-01, 2009-02, and 2009-04 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as findings 2009-01, 2009-02, 2009-03 and 2009-04 to be significant deficiencies in internal control over financial reporting.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State's 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 noted certain matters that we reported to management of the State in a separate letter dated December 17, 2009.

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned. 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.

**KPMG LLP**

December 17, 2009



**KPMG LLP**  
P.O. Box 564  
Burlington, VT 05402

Suite 400  
356 Mountain View Drive  
Colchester, VT 05446

**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, 2009. 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.



<b>State agency/ department name</b>	<b>Federal program name</b>	<b>Compliance requirements</b>	<b>Finding number</b>
Agency of Human Services	Supplemental Nutritional Assistance Cluster	Subrecipient Monitoring	09-06
Agency of Natural Resources	Capitalization Grants for Drinking Water State Revolving Funds	Special Tests and Provisions	09-10
Agency of Human Services	Vocational Rehabilitation Cluster	Procurement	09-11
Agency of Human Services	Immunization Grants	Special Tests and Provisions	09-12
Agency of Human Services	Immunization Grants	Special Tests and Provisions	09-13
Agency of Human Services	Temporary Assistance for Needy Families	Subrecipient Monitoring	09-15
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	09-16
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	09-17
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	09-18
Agency of Human Services	Medicaid Cluster	Allowable Costs	09-21
Agency of Human Services	Medicaid Cluster	Allowability, Eligibility	09-22
Agency of Human Services	Medicaid Cluster	Special Tests and Provisions	09-24
Agency of Human Services	Medicaid Cluster	Matching	09-25
Agency of Human Services	Medicaid Cluster	Allowability	09-26
Agency of Human Services	Medicaid Cluster	Matching	09-27
Agency of Human Services	Medicaid Cluster	Subrecipient Monitoring	09-28
Agency of Transportation	Disaster Grants – Public Assistance (Presidentially Declared Disaster)	Allowability, Matching, Subrecipient Monitoring, Special Tests and Provisions	09-29
Agency of Transportation	Disaster Grants – Public Assistance (Presidentially Declared Disaster)	Reporting	09-30

In our opinion, except for the noncompliance described in the preceding table, 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, 2009. 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 09-05, 09-07, 09-08, 09-09, 09-14, 09-19, 09-20, and 09-23.

### **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 09-05, 09-06, 09-07, 09-09, 09-10, 09-11, 09-12, 09-13, 09-14, 09-15, 09-16, 09-17, 09-18, 09-20, 09-21, 09-22, 09-23, 09-24, 09-25, 09-26, 09-27, 09-28, 09-29, and 09-30 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 09-06, 09-10, 09-11, 09-12, 09-13, 09-15, 09-16, 09-17, 09-18, 09-21, 09-22, 09-24, 09-25, 09-26, 09-27, 09-28, 09-29, and 09-30 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, 2009, and have issued our report thereon dated December 17, 2009, which referred to the use of the reports of other auditors and to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. 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 24, 2010

(except for the schedule of expenditures  
of federal awards, which is as of December 17, 2009)

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2009

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients	Amounts transferred to State Agencies
Direct grants:				
Monetary awards				
U.S. Department of Agriculture:				
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 309,245	—	—
10.156	Federal – State Marketing Improvement Program	32,067	6,000	—
10.163	Market Protection and Promotion	1,925	—	—
10.169	Specialty Crop Block Grant Program	163,243	46,750	—
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	587,169	—	—
10.551	Supplemental Nutrition Assistance Program	15,899,832	—	—
10.553	School Breakfast Program	4,179,289	4,166,890	14,373
10.555	National School Lunch Program	11,927,809	11,898,777	29,034
10.556	Special Milk Program for Children	74,689	74,689	—
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	13,512,397	24,904	—
10.558	Child and Adult Care Food Program	4,509,138	4,451,506	—
10.559	Summer Food Service Program for Children	383,600	354,612	5,856
10.560	State Administrative Expenses for Child Nutrition	429,703	—	—
10.561	State Administrative Matching Grants for the Supplemental Nutritional Assistance Program	8,511,765	2,074,210	—
10.565	Commodity Supplemental Food Program	240,522	240,522	—
10.568	Emergency Food Assistance Program (Administrative Costs)	66,006	66,006	—
10.572	WIC Farmers' Market Nutrition Program (FMNP)	78,850	—	—
10.574	Team Nutrition Grants	45,364	—	—
10.576	Senior Farmers Market Nutrition Program	122,121	85,140	—
10.578	WIC Grants to States (WGS)	13,123	—	—
10.580	Special Nutrition Assistance Program Outreach/Participation Program	151,881	38,840	—
10.582	Fresh Fruit and Vegetable Program	140,300	136,792	—
10.664	Cooperative Forestry Assistance	907,427	447,069	—
10.672	Rural Development, Forestry, and Communities	242,162	173,564	—
10.676	Forest Legacy Program	3,187,286	—	—
10.769	Rural Business Enterprise Grants	19,908	—	—
10.912	Environmental Quality Incentives Program	23,451	—	—
10.999	Organic Certification – Producers	129,154	—	—
		65,889,426	24,286,271	49,263
U.S. Department of Commerce:				
11.555	Public Safety Interoperable Communication Grant Program	26,304	26,304	—
U.S. Department of Defense:				
12.002	Procurement Technical Assistance For Business Firms	245,344	—	—
12.100	Aquatic Plant Control	318,528	110,359	—
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	16,430	—	—
12.400	Military Construction, National Guard	823,867	—	—
12.401	National Guard Military Operation and Maintenance (O&M) Projects	13,714,894	—	—
12.404	National Guard Civilian Youth Opportunities	492,310	—	—
		15,611,373	110,359	—
U.S. Department of Housing and Urban Development:				
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	6,584,245	6,335,266	—
14.231	Emergency Shelter Grants Program	371,237	301,583	—
14.239	HOME Investment Partnerships Program	3,448,689	3,238,525	—
14.999	Office of Fair Housing-Assistance Grant	145,331	—	—
		10,549,502	9,875,374	—
U.S. Department of the Interior:				
15.605	Sport Fish Restoration Program	3,893,925	5,801	—
15.608	Fish and Wildlife Management Assistance	107,239	47,577	2,440

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2009

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients	Amounts transferred to State Agencies
15.611	Wildlife Restoration	\$ 2,097,770	—	—
15.615	Cooperative Endangered Species Conservation Fund	24,632	—	—
15.616	Clean Vessel Act	3,797	—	—
15.622	Sportfishing and Boating Safety Act	153,650	90,039	—
15.631	Partners for Fish and Wildlife	47,655	—	—
15.633	Landowner Incentive Program	97,126	—	—
15.634	State Wildlife Grants	706,898	123,062	—
15.810	National Cooperative Geologic Mapping Program	67,354	13,810	—
15.904	Historic Preservation Fund Grants-In-Aid	501,399	71,743	—
15.916	Outdoor Recreation – Acquisition, Development and Planning	183,959	68,813	—
15.929	Save Americas' Treasures	61,119	—	—
		<u>7,946,523</u>	<u>420,845</u>	<u>2,440</u>
	U.S. Department of Justice:			
16.523	Juvenile Accountability Block Grants	201,369	11,537	—
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	503,248	403,500	—
16.541	Part E-Developing, Testing and Demonstrating Promising New Programs	26,868	103,214	—
16.550	State Justice Statistics Program for Statistical Analysis Centers	34,436	34,436	—
16.554	National Criminal History Improvement Program (NCHIP)	95,717	—	—
16.560	National Institute of Justice Research, Evaluation and Development Project Grants	149,044	—	—
16.575	Crime Victim Assistance	1,067,973	567,288	578,027
16.576	Crime Victim Compensation	208,376	—	—
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	605,398	53,725	—
16.585	Drug Court Discretionary Grant Program	51,424	—	—
16.588	Violence Against Women Formula Grants	743,573	318,155	283,072
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	370,377	182,684	131,055
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	367,937	256,519	103,235
16.593	Residential Substance Abuse Treatment for State Prisoners	42,525	—	42,525
16.606	State Criminal Alien Assistance Program	34,890	—	—
16.607	Bulletproof Vest Partnership Program	6,070	—	(3,762)
16.609	Community Prosecution and Project Safe Neighborhoods	77,316	—	—
16.710	Public Safety Partnership and Community Policing Grants	1,118,232	26,107	—
16.727	Enforcing Underage Drinking Laws Program	180,522	157,252	—
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	471,955	—	—
16.738	Edward Byrne Memorial Justice Assistance Grant Program	840,557	247,171	93,289
16.740	Statewide Automated Victim Information Notification (SAVIN) Program	169,704	—	—
16.741	Forensic DNA Backlog Reduction Program	91,869	—	—
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	101,418	—	19,217
16.744	Anti-Gang Initiative	26,531	—	—
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program (In-House Analysis and Data Review)	65,665	—	—
16.750	Support for Adam Walsh Act Implementation Grant Program	11,853	—	—
16.753	Congressionally Recommended Awards	19,634	—	—
16.999	ATF Task Force	4,797	—	—
16.999	Bulk Cash Initiative	2,788	—	—
16.999	Drug Enforcement Administration – DEA	13,886	—	—
16.999	Marijuana Education	20,785	—	—
16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	261,152	47,330	—
16.999	Operation Moneytree	4,138	—	—
16.999	New England High-Intensity Drug Trafficking Areas (HIDTA)	33,900	—	—
16.999	U. S. Marshall's District Fugitive Task Force	28,365	—	—
16.999	FBI Joint Terrorism Task Force	3,795	—	—
		<u>8,058,087</u>	<u>2,408,918</u>	<u>1,246,658</u>

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2009

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients	Amounts transferred to State Agencies
U.S. Department of Labor:				
17.002	Labor Force Statistics	\$ 586,057	—	—
17.005	Compensation and Working Conditions	26,420	—	—
17.207	Employment Service/Wagner Peyser Funded Activities	2,406,459	—	—
17.207	ARRA – Employment Service/Wagner Funded Activities Peyser	287,223	—	—
17.225	Unemployment Insurance	152,122,785	—	—
17.225	ARRA – Unemployment Insurance	13,877,784	—	—
17.235	Senior Community Service Employment Program	571,093	556,093	—
17.245	Trade Adjustment Assistance	217,073	—	—
17.258	WIA Adult Program	2,382,053	—	—
17.258	ARRA – WIA Adult Program	72,197	—	—
17.259	WIA Youth Activities	2,182,353	119,150	—
17.259	ARRA – WIA Youth Activities	300,684	—	—
17.260	WIA Dislocated Workers	1,424,203	—	—
17.260	ARRA – WIA Dislocated Workers	73,433	—	—
17.261	WIA Pilots, Demonstrations, and Research Projects	185,722	130,542	—
17.266	Work Incentive Grants	318,219	13,795	—
17.503	Occupational Safety and Health – State Program	763,207	—	—
17.504	Consultation Agreements	347,991	—	—
17.505	OSHA Data Initiative	4,050	—	—
17.600	Mine Health and Safety Grants	60,788	71,475	—
17.801	Disabled Veterans’ Outreach Program (DVOP)	149,446	—	—
17.804	Local Veterans’ Employment Representative Program	338,184	—	—
		178,697,424	891,055	—
U.S. Department of Transportation:				
20.106	Airport Improvement Program	1,208,772	52,237	—
20.205	Highway Planning and Construction	144,335,072	13,311,821	135,687
20.205	ARRA – Highway Planning and Construction	12,697,286	—	—
20.218	National Motor Carrier Safety	1,748,233	—	—
20.219	Recreational Trails Program	804,460	458,768	—
20.314	Railroad Development	3,135,522	—	—
20.500	Federal Transit – Capital Investment Grants	1,054,635	523,845	—
20.505	Federal Transit – Metropolitan Planning Grants	423,230	298,258	—
20.509	Formula Grants for Other Than Urbanized Areas	12,323,453	12,113,574	—
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	196,006	297,206	—
20.514	Public Transportation Research	33,860	103,591	—
20.515	State Planning and Research	1	—	—
20.600	State and Community Highway Safety	1,550,770	803,750	379,665
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants	688,066	195,125	278,636
20.602	Occupant Protection Incentive Grants	194,021	—	—
20.608	Minimum Penalties For Repeat Offenders For Driving While Intoxicated	3,573,154	390,627	3,175,721
20.609	Safety Belt Performance Grant	20,466	—	—
20.610	State Traffic Safety Information System Improvement Grants	124,032	—	122,043
20.612	Incentive Grant Program to Increase Motorcyclist Safety	50,713	—	50,636
20.613	Child Safety and Booster Seat Incentive Grants	188,143	4,115	—
20.614	National Highway Transportation Safety Administration (NHTSA) Discretionary Safety Grants	18,555	—	—
20.700	Pipeline Safety Program Base Grants	181,474	77,094	—
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	98,971	30,273	—
		184,648,895	28,660,284	4,142,388
U.S. General Services Administration:				
39.011	Election Reform Payments	1,190,581	710	—
U.S. Institute of Museum and Library Services				
45.301	Museum for America	90,578	—	—
45.310	Grants to States	786,510	46,357	—
		877,088	46,357	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2009

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients	Amounts transferred to State Agencies
	U.S. Environmental Protection Agency:			
66.032	State Indoor Radon Grants	\$ 94,000	8,500	—
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	324,430	16,191	—
66.036	Clean School Bus USA	57,654	—	—
66.040	ARRA – State Clean Diesel Grant Program	11,094	—	—
66.110	Healthy Communities Grant Program	35,056	30,000	—
66.202	Congressionally Mandated Projects	200,221	—	—
66.436	Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements – Section 104(b)(3) of the Clean Water Act	18,784	11,000	—
66.454	Water Quality Management Planning	89,681	39,056	—
66.454	ARRA – Water Quality Management Planning	776	—	—
66.458	Capitalization Grants for Clean Water State Revolving Funds	3,637,065	—	—
66.458	ARRA – Capitalization Grants for Clean Water State Revolving Funds	58,743	—	—
66.468	Capitalization Grants for Drinking Water State Revolving Funds	6,632,129	7,500	—
66.468	ARRA – Capitalization Grants for Drinking Water State Revolving Funds	53,438	—	—
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	159,635	6,728	—
66.474	Water Protection Grants to the States	55,675	—	—
66.481	Lake Champlain Basin Program	288,332	21,500	—
66.511	Office of Research and Development Consolidated Research/Training/Fellowships	95,739	—	—
66.605	Performance Partnership Grants	3,990,946	249,408	—
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	82,173	—	—
66.611	Environmental Policy and Innovation Grants	50,846	—	—
66.641	Wetlands Protection State Development	39,835	—	—
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	356,428	—	—
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	20,879	—	—
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	71,809	—	—
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	20,762	—	—
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	225,806	—	—
66.805	Keep Leaking Underground Storage Tank Trust Fund Corrective Action Program	600,030	—	—
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	158,302	—	—
66.817	State and Tribal Response Program Grants	637,384	34,610	—
		18,067,652	424,493	—
	U.S. Department of Energy:			
81.039	State Heating Oil and Propane Program (SHOPP)	6,429	—	—
81.041	State Energy Program	382,235	270,210	21,000
81.042	Weatherization Assistance for Low-Income Persons	2,405,130	1,194,764	—
		2,793,794	1,464,974	21,000
	U.S. Department of Education:			
84.002	Adult Education – Basic Grants to States	1,074,503	899,321	—
84.010	Title I Grants to Local Educational Agencies	31,814,655	31,391,195	—
84.011	Migrant Education – State Grant Program	835,556	662,350	—
84.013	Title I Program for Neglected and Delinquent Children	545,755	38,999	502,055
84.027	Special Education – Grants to States	23,125,491	21,271,198	7,894
84.048	Career and Technical Education – Basic Grants to States	4,337,603	3,763,791	43,604
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	10,111,387	466,465	—
84.169	Independent Living – State Grants	226,275	146,962	—
84.173	Special Education – Preschool Grants	831,156	643,370	—
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	286,060	225,000	—
84.181	Special Education – Grants for Infants and Families	2,135,315	2,054,093	—
84.185	Byrd Honors Scholarships	75,000	75,000	—
84.186	Safe and Drug-Free Schools and Communities – State Grants	1,350,454	1,301,804	—
84.187	Supported Employment Services for Individuals with Significant Disabilities	346,383	—	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2009

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients	Amounts transferred to State Agencies
84.196	Education for Homeless Children and Youth	\$ 145,632	106,601	—
84.213	Even Start – State Educational Agencies	296,480	295,137	—
84.224	Assistive Technology	462,647	—	—
84.243	Tech-Prep Education	270,833	270,035	—
84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training	73,637	—	—
84.287	Twenty-First Century Community Learning Centers	4,305,803	4,126,552	—
84.298	State Grants for Innovative Programs	126,440	132,533	—
84.318	Education Technology State Grants	1,203,941	1,146,961	—
84.323	Special Education – State Personnel Development	821,395	609,184	—
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	15,563	—	—
84.357	Reading First State Grants	1,790,194	1,683,908	—
84.365	English Language Acquisition Grants	438,701	309,661	—
84.366	Mathematics and Science Partnerships	772,122	696,847	—
84.367	Improving Teacher Quality State Grants	14,198,567	13,720,836	—
84.369	Grants for State Assessments and Related Activities	3,819,071	—	—
84.377	School Improvement Grants	109,817	—	—
84.390	ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act	7,447	—	—
		105,953,883	86,037,803	553,553
	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	24,891	24,891	—
93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	80,060	80,060	—
93.043	Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services	101,341	101,341	—
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	1,959,158	1,959,158	—
93.045	Special Programs for the Aging – Title III, Part C -Nutrition Services	2,932,753	2,932,753	—
93.048	Special Programs for the Aging – Title IV and Title II – Discretionary Projects	315,093	168,312	—
93.051	Alzheimer’s Disease Demonstration Grants to States	81,595	16,500	—
93.052	National Family Caregiver Support, Title III, Part E	813,862	375,355	—
93.053	Nutrition Services Incentive Program	666,624	666,624	—
93.069	Public Health Emergency Preparedness	5,405,518	104,842	—
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	146,151	138,434	—
93.110	Maternal and Child Health Federal Consolidated Programs	548,208	75,000	—
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	140,619	15,250	—
93.127	Emergency Medical Services for Children	122,705	—	—
93.130	Cooperative Agreements to State/Territories for the Coordination and Development of Primary Care Offices	120,838	8,500	—
93.136	Injury Prevention and Control Research and State and Community Based Programs	185,108	84,179	—
93.150	Projects for Assistance in Transition from Homelessness (PATH)	286,676	285,649	—
93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	396,541	—	—
93.217	Family Planning – Services	748,006	738,068	—
93.230	Consolidated Knowledge Development and Application (KD&A) Program	207,897	—	—
93.234	Traumatic Brain Injury State Demonstration Grant Program	146,744	—	—
93.236	Grants for Dental Public Health Residency Training	105,905	98,345	—
93.241	State Rural Hospital Flexibility Program	312,894	259,920	—
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	3,192,648	2,287,284	—
93.251	Universal Newborn Hearing Screening	71,022	60,143	—
93.268	Immunization Grants	1,604,439	—	—
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	4,552,519	532,390	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2009

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients	Amounts transferred to State Agencies
93.301	Small Rural Hospital Improvement Grant Program	\$ 79,986	74,547	—
93.556	Promoting Safe and Stable Families	487,648	407,491	—
93.558	Temporary Assistance for Needy Families	33,365,838	1,383,965	355,850
93.563	Child Support Enforcement	6,149,983	—	—
93.563	ARRA – Child Support Enforcement	694,144	—	—
93.566	Refugee and Entrant Assistance – State Administered Programs	586,448	207,920	—
93.568	Low-Income Home Energy Assistance	35,438,414	3,420,998	—
93.569	Community Services Block Grant	3,316,012	3,296,158	—
93.575	Child Care and Development Block Grant	12,151,306	4,675,933	—
93.576	Refugee and Entrant Assistance – Discretionary Grants	201,101	200,674	—
93.586	State Court Improvement Program	290,361	—	—
93.590	Community-Based Child Abuse Prevention Grants	287,420	287,420	—
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	6,783,777	292,162	—
93.597	Grants to States for Access and Visitation Programs	110,380	103,809	—
93.599	Chafee Education and Training Vouchers Program (ETV)	26,850	—	—
93.600	Head Start	114,777	36,317	—
93.617	Voting Access for Individuals with Disabilities – Grants to States	117,727	96,815	—
93.630	Developmental Disabilities Basic Support and Advocacy Grants	366,383	223,392	—
93.631	Developmental Disabilities Projects of National Significance	184,544	162,052	—
93.643	Children’s Justice Grants to States	51,902	42,898	—
93.645	Child Welfare Services – State Grants	595,197	40,000	—
93.658	Foster Care – Title IV-E	11,141,470	61,620	—
93.658	ARRA – Foster Care – Title IV-E	550,218	—	—
93.659	Adoption Assistance	7,653,616	—	—
93.659	ARRA – Adoption Assistance	581,323	—	—
93.667	Social Services Block Grant	8,227,508	1,185,012	181,801
93.669	Child Abuse and Neglect State Grants	203,193	13,240	—
93.671	Family Violence Prevention and Services/Grants for Battered Women’s Shelters – Grants to States and Indian Tribes	718,979	730,550	—
93.674	Chafee Foster Care Independence Program	450,511	450,511	—
93.767	State Children’s Insurance Program	6,037,204	—	—
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	880,597	208,274	—
93.775	State Medicaid Fraud Control Units	500,209	—	—
93.777	State Survey and Certification of Health Care Providers and Suppliers	1,385,972	—	—
93.778	Medical Assistance Program	684,763,751	20,451	—
93.778	ARRA – Medical Assistance Program	72,810,652	—	330,771
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,125,492	352,061	—
93.889	National Bioterrorism Hospital Preparedness Program	1,461,425	941,070	—
93.913	Grants to States for Operation of Offices of Rural Health	142,449	21,500	—
93.917	HIV Care Formula Grants	701,941	357,973	—
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	260,212	51,360	39,000
93.940	HIV Prevention Activities – Health Department Based	1,452,581	670,004	—
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	102,354	—	—
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	167,174	—	—
93.958	Block Grants for Community Mental Health Services	744,138	744,138	—
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,218,269	5,000,000	—
93.977	Preventive Health Services – Sexually Transmitted Diseases Control Grants	177,367	34,260	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2009

CFDA number	Federal agency/program title	Expenditures	Amounts passed through to subrecipients	Amounts transferred to State Agencies
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	\$ 256,567	37,247	—
93.991	Preventive Health and Health Services Block Grant	260,114	33,792	—
93.994	Maternal and Child Health Services Block Grant to the States	1,683,054	718,002	—
		<u>936,328,353</u>	<u>37,596,614</u>	<u>907,422</u>
	U.S. Corporation for National Community Service:			
94.003	State Commissions	117,701	—	—
94.006	AmeriCorps	1,100,781	1,099,477	—
94.007	Planning and Program Development Grants	35,879	—	—
94.009	Training and Technical Assistance	80,610	—	—
		<u>1,334,971</u>	<u>1,099,477</u>	<u>—</u>
	U.S. Social Security Administration:			
96.001	Social Security – Disability Insurance	3,813,558	—	—
96.008	Social Security – Work Incentives Planning and Assistance Program	99,819	27,385	—
		<u>3,913,377</u>	<u>27,385</u>	<u>—</u>
	U.S. Department of Homeland Security:			
97.001	Interoperable Emergency Communications Grant Program	12,350	—	—
97.012	Boating Safety Financial Assistance	742,565	20,000	200,000
97.017	Pre-Disaster Mitigation Competitive	326,744	322,752	—
97.023	Community Assistance Program State Support Services Element (CAP – SSSE)	130,068	11,486	—
97.029	Flood Mitigation Assistance	1,853	—	—
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)	7,980,420	7,654,126	26,475
97.039	Hazard Mitigation Grant	356,858	354,302	—
97.041	National Dam Safety Program	18,325	—	—
97.042	Emergency Management Performance Grants	1,979,959	409,078	55,000
97.043	State Fire Training Systems Grants	20,886	—	—
97.067	Homeland Security Grant Program	3,318,567	1,814,818	136,297
97.070	Map Modernization Management Support	93,837	20,450	—
97.090	Law Enforcement Officer Reimbursement Agreement Program	56,938	—	—
		<u>15,039,370</u>	<u>10,607,012</u>	<u>417,772</u>
	Total direct monetary federal financial assistance	<u>1,556,926,603</u>	<u>203,984,235</u>	<u>7,340,496</u>
	Nonmonetary awards:			
10.555	National School Lunch Program – Commodities	2,163,989	—	—
10.558	Child and Adult Care Food Program – Commodities	14,455	—	—
10.569	Emergency Food Assistance Program (Food Commodities)	3,642,441	—	—
10.551	Supplemental Nutrition Assistance Program	70,488,206	—	—
10.565	Commodity Supplemental Food Program	917,965	—	—
39.003	Donation of Federal Surplus Personal Property	448,663	—	—
93.268	Immunization Grants	7,122,809	—	—
	Total direct nonmonetary federal financial assistance	<u>84,798,528</u>	<u>—</u>	<u>—</u>
	Indirect federal grants – pass through nonfederal entities			
	Vermont Veterans Home:			
64.005	Veteran’s Administration	1,783,692	—	—
	Center for Applied and Special Technology:			
84.327	Special Education Technology and Media Services for Individuals with Disabilities	26,099	23,250	—
	Synectics:			
93.999	ADAP Data Collection	182,296	—	—
	National Court Appointed Special Advocate Association:			
16.527	Victims Child Abuse	50,131	—	—
	Total indirect federal grants – pass through nonfederal entities	<u>2,042,218</u>	<u>23,250</u>	<u>—</u>
	Total direct federal grants	<u>1,641,725,131</u>	<u>203,984,235</u>	<u>7,340,496</u>
	Total federal financial aid expended	<u>\$ 1,643,767,349</u>	<u>204,007,485</u>	<u>7,340,496</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 Vermont State Agency  
Year ended June 30, 2009

<u>VT agency/department</u>	<u>CFDA number</u>	<u>Program title</u>	<u>Expenditures</u>	<u>Subgranted to nonstate of Vermont entities</u>	<u>Subgranted to State of Vermont Agencies</u>
Agriculture	10.025	USDA, Plant and Animal Disease, Pest Control, and Animal Care	\$ 309,245	—	—
Agriculture	10.156	USDA, FSMIP, Federal-State Marketing Improvement Programs	32,067	6,000	—
Agriculture	10.163	USDA, AMS, Country of Origin Labeling	1,925	—	—
Agriculture	10.169	USDA, Specialty Crop Block Grant Program	163,243	46,750	—
Agriculture	10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	587,169	—	—
Agriculture	10.769	Rural Business Enterprise Grant-Mobil Individual Quick Freeze Unit	19,908	—	—
Agriculture	10.912	USDA, NRCS, Environmental Quality Incentive Program	23,451	—	—
Agriculture	10.999	Organic Certification – Producers	129,154	—	—
Agriculture	66.700	EPA Pesticide Program	356,428	—	—
Agriculture total			<u>1,622,590</u>	<u>52,750</u>	<u>—</u>
Attorney general	93.775	State Medicaid Fraud Control Units	500,209	—	—
Attorney general total			<u>500,209</u>	<u>—</u>	<u>—</u>
Commerce	12.002	Procurement Technical Assistance For Business Firms	245,344	—	—
Commerce	14.228	Community Development Block Grants/State's Program	6,584,245	6,335,266	—
Commerce	14.239	HOME Investment Partnerships Program	365,031	154,867	—
Commerce	14.239	HOME Investment Partnerships Program – VHCBC	3,083,658	3,083,658	—
Commerce	15.904	Historic Preservation Fund Grants-In-Aid	501,399	71,743	—
Commerce	15.929	Historic Preservation – Preserve America Grant	61,119	—	—
Commerce	45.301	Historic Preservation – Institute of Museum & Library	90,578	—	—
Commerce	97.039	Hazard Mitigation Grants	2,556	—	—
Commerce total			<u>10,933,930</u>	<u>9,645,534</u>	<u>—</u>
Criminal Justice Training Council	16.580	In-service Training	165,354	—	—
Criminal Justice Training Council total			<u>165,354</u>	<u>—</u>	<u>—</u>
Ctr. for Crime Victims Svcs.	16.575	Crime Victim Assistance	1,067,973	567,288	578,027
Ctr. for Crime Victims Svcs.	16.576	Crime Victim Compensation	208,376	—	—
Ctr. for Crime Victims Svcs.	16.580	Bureau of Justice Assistance Congressionally Mandated Award	23,797	53,725	—
Ctr. for Crime Victims Svcs.	16.588	Violence Against Women Formula Grants	743,573	318,155	283,072
Ctr. for Crime Victims Svcs.	16.589	Rural Domestic Violence and Child Victimization Enforcement Grant	370,377	182,684	131,055
Ctr. for Crime Victims Svcs.	16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	367,937	256,519	103,235
Ctr. for Crime Victims Svcs.	93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters – Grants to States and Indian Tribes	718,979	730,550	—
Ctr. for Crime Victims Svcs. total			<u>3,501,012</u>	<u>2,108,921</u>	<u>1,095,389</u>
Education	10.553	School Breakfast Program	4,179,289	4,166,890	14,373
Education	10.555	National School Lunch Program	11,927,809	11,898,777	29,034
Education	10.556	Special Milk Program for Children	74,689	74,689	—
Education	10.558	Child and Adult Care Food Program	4,509,138	4,451,506	—
Education	10.559	Summer Food Service Program for Children	383,600	354,612	5,856
Education	10.560	State Administrative Expenses for Child Nutrition	360,065	—	—
Education	10.574	Child Nutrition – Local Wellness Program/Team Nutrition	45,364	—	—
Education	10.582	Child Nutrition – Fresh Fruits & Vegetables	140,300	136,792	—
Education	84.002	Adult Education – State Grant Program	1,074,503	899,321	—
Education	84.010	Title I Grants to Local Educational Agencies	31,814,655	31,391,195	—
Education	84.011	Migrant Education – State Grant Program	835,556	662,350	—
Education	84.013	Title I Program for Neglected and Delinquent Children	545,755	38,999	502,055
Education	84.027	Special Education – Grants to States	23,125,491	21,271,198	7,894
Education	84.048	Vocational Education – Basic Grants to States	4,337,603	3,763,791	43,604
Education	84.173	Special Education – Preschool Grants	831,156	643,370	—
Education	84.185	Byrd Honors Scholarships	75,000	75,000	—
Education	84.186	Safe and Drug-Free Schools and Communities – State Grants	1,142,533	1,105,106	—
Education	84.196	Education for Homeless Children and Youth	145,632	106,601	—
Education	84.213	Even Start – State Educational Agencies	296,480	295,137	—
Education	84.243	Tech-Prep Education	270,833	270,035	—
Education	84.287	After School Learning Centers (21st Century)	4,305,803	4,126,552	—
Education	84.298	Innovative Education Program Strategies	126,440	132,533	—
Education	84.318	Technology Literacy Challenge Fund Grants	1,203,941	1,146,961	—
Education	84.323	Special Education – State Program Improvement Grant for Children with Disabilities	821,395	609,184	—
Education	84.330	Advanced Placement Program	15,563	—	—
Education	84.357	Reading First	1,790,194	1,683,908	—
Education	84.365	English Language Acquisition	438,701	309,661	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2009

VT agency/department	CFDA number	Program title	Expenditures	Subgranted to nonstate of Vermont entities	Subgranted to State of Vermont Agencies
Education	84.366	Math and Science Partnerships	\$ 772,122	696,847	—
Education	84.367	Improving Teacher Quality	14,198,567	13,720,836	—
Education	84.369	State Assessments & Related Active (SARA)	3,819,071	—	—
Education	84.377	School Improvement Grants	109,817	—	—
Education	93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	260,212	51,360	39,000
Education total			113,977,277	104,083,211	641,816
Human Rights Commission	14.999	Office of Fair Housing-Assistance Grant	145,331	—	—
Human Rights Commission total			145,331	—	—
Human Services	10.551	Food Stamps (Cash)	15,899,832	—	—
Human Services	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	13,512,397	24,904	—
Human Services	10.560	State Administrative Expenses for Child Nutrition	69,638	—	—
Human Services	10.561	State Administrative Matching Grants for Food Stamp Program	8,511,765	2,074,210	—
Human Services	10.565	Commodity Supplemental Food Program	240,522	240,522	—
Human Services	10.568	Emergency Food Assistance Program (Administrative Costs)	66,006	66,006	—
Human Services	10.572	WIC Farmers' Market Nutrition Program (FMNP)	78,850	—	—
Human Services	10.576	Senior Farmers Market Nutrition Program	122,121	85,140	—
Human Services	10.578	WIC Grants To States (WGS)	13,123	—	—
Human Services	10.580	Food Stamp Program Outreach/Participation Project	151,881	38,840	—
Human Services	14.231	Emergency Shelter Grants Program	371,237	301,583	—
Human Services	16.523	Juvenile Accountability Incentive Block Grants	201,369	11,537	—
Human Services	16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	503,248	403,500	—
Human Services	16.541	Part E Developing, Testing & Demonstrating Promising New Programs	26,868	103,214	—
Human Services	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	312,750	—	—
Human Services	16.606	State Criminal Alien Assistance Program (SCAAP)	34,890	—	—
Human Services	16.727	Enforcing Underage Drinking Laws Program	180,522	157,252	—
Human Services	16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	471,955	—	—
Human Services	16.740	Statewide Automated Victim Information Notification (SAVIN)	169,704	—	—
Human Services	16.750	Support for Adam Walsh Act Implementation Grant Program	11,853	—	—
Human Services	17.235	Senior Community Service Employment Program (SCSEP)	571,093	556,093	—
Human Services	66.032	State Indoor Radon Grants	94,000	8,500	—
Human Services	66.110	Healthy Communities Grant Program	34,687	30,000	—
Human Services	66.701	Toxic Substance Compliance Monitoring Cooperative Agreements	20,879	—	—
Human Services	66.707	TSCA Title IV State Lead Grants – Certification of Lead-Based Paint Professionals	71,809	—	—
Human Services	81.042	Weatherization Assistance for Low – Income Persons	2,405,130	1,194,764	—
Human Services	84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	10,111,387	466,465	—
Human Services	84.169	Independent Living – State Grants	226,275	146,962	—
Human Services	84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	286,060	225,000	—
Human Services	84.181	Special Education – Grants for Infants and Families with Disabilities	2,135,315	2,054,093	—
Human Services	84.186	Safe and Drug-Free Schools and Communities – State Grants	207,921	196,698	—
Human Services	84.187	Supported Employment Services for Individuals with Severe Disabilities	346,383	—	—
Human Services	84.224	Assistive Technology	462,647	—	—
Human Services	84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training	73,637	—	—
Human Services	84.390	ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	7,447	—	—
Human Services	93.041	Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation	24,891	24,891	—
Human Services	93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	80,060	80,060	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2009

<u>VT agency/department</u>	<u>CFDA number</u>	<u>Program title</u>	<u>Expenditures</u>	<u>Subgranted to nonstate of Vermont entities</u>	<u>Subgranted to State of Vermont Agencies</u>
Human Services	93.043	Special Programs for the Aging-Title III, Part F – Disease Prevention and Health Promotion Services	\$ 101,341	101,341	—
Human Services	93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	1,959,158	1,959,158	—
Human Services	93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services	2,932,753	2,932,753	—
Human Services	93.048	Special Programs for the Aging – Title IV – Training, Research and Discretionary Projects	315,093	168,312	—
Human Services	93.051	Alzheimer’s Disease Demonstration Grants to States	81,595	16,500	—
Human Services	93.052	National Family Caregiver Support	813,862	375,355	—
Human Services	93.053	Nutrition Services Incentive	666,624	666,624	—
Human Services	93.069	Public Health Emergency Preparedness	5,405,518	104,842	—
Human Services	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	146,151	138,434	—
Human Services	93.110	Maternal and Child Health Federal Consolidated Programs	548,208	75,000	—
Human Services	93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	140,619	15,250	—
Human Services	93.127	Emergency Medical Services for Children	122,705	—	—
Human Services	93.130	Primary Care Services – Resource Coordination and Development	120,838	8,500	—
Human Services	93.136	Injury Prevention and Control Research and State and Community Based Programs	185,108	84,179	—
Human Services	93.150	Projects for Assistance in Transition from Homelessness (PATH)	286,676	285,649	—
Human Services	93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	396,541	—	—
Human Services	93.217	Family Planning – Services	748,006	738,068	—
Human Services	93.230	Consolidated Knowledge Development and Application Program	207,897	—	—
Human Services	93.234	Traumatic Brain Injury – State Demonstration Program	146,744	—	—
Human Services	93.236	Grants for Dental Public Health Residency Training	105,905	98,345	—
Human Services	93.241	State Rural Hospital Flexibility Program	312,894	259,920	—
Human Services	93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	3,192,648	2,287,284	—
Human Services	93.251	Universal Newborn Hearing Screening	71,022	60,143	—
Human Services	93.268	Immunization Grants	1,604,439	—	—
Human Services	93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	4,552,519	532,390	—
Human Services	93.301	Small Rural Hospital Improvement Grants	79,986	74,547	—
Human Services	93.556	Promoting Safe and Stable Families	487,648	407,491	—
Human Services	93.558	Temporary Assistance for Needy Families	33,365,838	1,383,965	355,850
Human Services	93.563	Child Support Enforcement	6,149,983	—	—
Human Services	93.563	ARRA-Child Support Enforcement	694,144	—	—
Human Services	93.566	Refugee and Entrant Assistance – State Administered Programs	586,448	207,920	—
Human Services	93.568	Low-Income Home Energy Assistance	35,438,414	3,420,998	—
Human Services	93.569	Community Services Block Grant	3,316,012	3,296,158	—
Human Services	93.575	Child Care and Development Block Grant	12,151,306	4,675,933	—
Human Services	93.576	Refugee and Entrant Assistance – Discretionary Grants	201,101	200,674	—
Human Services	93.590	Community – Based Family Resource and Support Grants	287,420	287,420	—
Human Services	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	6,783,777	292,162	—
Human Services	93.597	Grants to States for Access and Visitation Programs	110,380	103,809	—
Human Services	93.599	Chafee Education and Training Vouchers Program (ETV)	26,850	—	—
Human Services	93.600	Head Start	114,777	36,317	—
Human Services	93.630	Developmental Disabilities Basic Support and Advocacy Grants	366,383	223,392	—
Human Services	93.631	Developmental Disabilities Projects of National Significance	184,544	162,052	—
Human Services	93.643	Children’s Justice Grants to States	51,902	42,898	—
Human Services	93.645	Child Welfare Services – State Grants	595,197	40,000	—
Human Services	93.658	Foster Care – Title IV-E	11,141,470	61,620	—
Human Services	93.658	ARRA-Foster Care – Title IV-E	550,218	—	—
Human Services	93.659	Adoption Assistance	7,653,616	—	—
Human Services	93.659	ARRA-Adoption Assistance	581,323	—	—
Human Services	93.667	Social Services Block Grant	8,227,508	1,185,012	181,801
Human Services	93.669	Child A&N	203,193	13,240	—
Human Services	93.674	Chafee Foster Care Independent Living	450,511	450,511	—
Human Services	93.767	State Children’s Insurance Program	6,037,204	—	—
Human Services	93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	880,597	208,274	—
Human Services	93.777	State Survey and Certification of Health Care Providers and Suppliers	1,385,972	—	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2009

VT agency/department	CFDA number	Program title	Expenditures	Subgranted to nonstate of Vermont entities	Subgranted to State of Vermont Agencies
Human Services	93.778	Medical Assistance Program	\$ 684,763,751	20,451	330,771
Human Services	93.778	ARRA-Medical Assistance Program	72,810,652	—	—
Human Services	93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	1,125,492	352,061	—
Human Services	93.889	Bioterrorism Hospital Preparedness Program	1,461,425	941,070	—
Human Services	93.913	Grants to States for Operation of Offices of Rural Health	142,449	21,500	—
Human Services	93.917	HIV Care Formula Grants	701,941	357,973	—
Human Services	93.940	HIV Prevention Activities – Health Department Based	1,452,581	670,004	—
Human Services	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	102,354	—	—
Human Services	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	167,174	—	—
Human Services	93.958	Block Grants for Community Mental Health Services	744,138	744,138	—
Human Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,218,269	5,000,000	—
Human Services	93.977	Preventive Health Services – Sexually Transmitted Disease Control Grants	177,367	34,260	—
Human Services	93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	256,567	37,247	—
Human Services	93.991	Preventive Health and Health Services Block Grant	260,114	33,792	—
Human Services	93.994	Maternal and Child Health Services Block Grant to the States	1,683,054	718,002	—
Executive	94.003	State Commissions	117,701	—	—
Executive	94.006	AmeriCorps	1,100,781	1,099,477	—
Executive	94.007	Planning and Program Development Grants	35,879	—	—
Executive	94.009	Training and Technical Assistance	80,610	—	—
Human Services	96.001	Social Security – Disability Insurance	3,813,558	—	—
Human Services	96.008	Work Incentives P&A Grant	99,819	27,385	—
Human Services total			997,694,414	46,230,034	868,422
Judiciary	16.585	Adult Drug Court Implementation	51,424	—	—
Judiciary	16.753	VT Treatment Court Enhancement Project	19,634	—	—
Judiciary	93.586	State Court Improvement Program	290,361	—	—
Judiciary total			361,419	—	—
Labor	17.002	Labor Force Statistics	586,057	—	—
Labor	17.005	Compensation and Working Conditions	26,420	—	—
Labor	17.207	Employment Service	2,406,459	—	—
Labor	17.207	ARRA-Employment Service/Re-Employment Service	287,223	—	—
Labor	17.225	Unemployment Insurance	152,122,785	—	—
Labor	17.225	ARRA-Unemployment Insurance	13,877,784	—	—
Labor	17.245	Trade Adjustment Assistance – Workers	217,073	—	—
Labor	17.258	WIA Adult Program	2,382,053	—	—
Labor	17.258	ARRA-WIA Adult Program	72,197	—	—
Labor	17.259	WIA Youth Activities	2,182,353	119,150	—
Labor	17.259	ARRA-WIA Youth Activities	300,684	—	—
Labor	17.260	WIA Dislocated Workers	1,424,203	—	—
Labor	17.260	ARRA-WIA Dislocated Workers	73,433	—	—
Labor	17.261	Employment & Training Administration Pilots, Demonstrations and Research Projects	185,722	130,542	—
Labor	17.266	Work Incentives Grant – Navigator	318,219	13,795	—
Labor	17.503	Occupational Safety and Health – State Program	763,207	—	—
Labor	17.504	Consultation Agreements	347,991	—	—
Labor	17.505	OSHA Data Initiative	4,050	—	—
Labor	17.600	Mine Health and Safety Grants	60,788	71,475	—
Labor	17.801	Disabled Veterans’ Outreach Program (DVOP)	149,446	—	—
Labor	17.804	Local Veterans’ Employment Representative Program	338,184	—	—
Labor total			178,126,331	334,962	—
Libraries	45.310	Institute of Museum and Library Services – State Library Program	786,510	46,357	—
Libraries total			786,510	46,357	—
Military	12.400	NG Military Construction	823,867	—	—
Military	12.401	NG Military Operation & Maintenance (Army&Air)	13,714,894	—	—
Military	12.404	NG Civilian Youth Program	492,310	—	—
Military total			15,031,071	—	—
Natural Resources-DEC	12.100	Aquatic Plant Control	318,528	110,359	—
Natural Resources-DEC	12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	16,430	—	—
Natural Resources-DEC	15.608	Fish and Wildlife Management Assistance	75,803	47,577	2,440
Natural Resources-DEC	15.631	Partners for Fish & Wildlife	47,655	—	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2009

VT agency/department	CFDA number	Program title	Expenditures	Subgranted to nonstate of Vermont entities	Subgranted to State of Vermont Agencies
Natural Resources-DEC	15.810	National Cooperative Geologic Mapping Program	\$ 67,354	13,810	—
Natural Resources-DEC	66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	324,430	16,191	—
Natural Resources-DEC	66.036	Clean School Bus USA	57,654	—	—
Natural Resources-DEC	66.040	ARRA-State Clean Diesel Grant Program	11,094	—	—
Natural Resources-DEC	66.110	Healthy Communities Grant Program	369	—	—
Natural Resources-DEC	66.202	Congressionally Mandated Projects	200,221	—	—
Natural Resources-DEC	66.436	Surveys, Studies, Investigations, Demonstrations and Training Grants & CAs_Section 1442 of the CWA	18,784	11,000	—
Natural Resources-DEC	66.454	Water Quality Management Planning	89,681	39,056	—
Natural Resources-DEC	66.454	ARRA-Water Quality Management Planning	776	—	—
Natural Resources-DEC	66.458	Capitalization Grants for State Revolving Funds	3,637,065	—	—
Natural Resources-DEC	66.458	ARRA-Capitalization Grants for State Revolving Funds	58,743	—	—
Natural Resources-DEC	66.468	Capitalization Grants for Drinking Water State Revolving Fund	6,632,129	7,500	—
Natural Resources-DEC	66.468	ARRA-Capitalization Grants for Drinking Water State Revolving Fund	53,438	—	—
Natural Resources-DEC	66.471	State Grants to Reimburse Operators of Small...	159,635	6,728	—
Natural Resources-DEC	66.474	Water Protection Grants to the States	55,675	—	—
Natural Resources-DEC	66.481	Lake Champlain Basin Program	288,332	21,500	—
Natural Resources-DEC	66.511	Office of Research and Development Consolidated Research	95,739	—	—
Natural Resources-DEC	66.605	Performance Partnership Grants	3,990,946	249,408	—
Natural Resources-DEC	66.608	State Information Grants	82,173	—	—
Natural Resources-DEC	66.611	Environmental Policy and Innovation Grants	50,846	—	—
Natural Resources-DEC	66.802	Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	20,762	—	—
Natural Resources-DEC	66.804	State and Tribal Underground Storage Tanks Prog	225,806	—	—
Natural Resources-DEC	66.805	Leaking Underground Storage Tank Trust Fund	600,030	—	—
Natural Resources-DEC	66.809	Superfund State Core Program Cooperative Agreements	158,302	—	—
Natural Resources-DEC	66.817	State and Tribal Response Program Grants	637,384	34,610	—
Natural Resources-DEC	97.023	Community Assistance Program – State Support Services Element (CAP – SSSE)	130,068	11,486	—
Natural Resources-DEC	97.041	National Dam Safety Program	18,325	—	—
Natural Resources-DEC	97.070	Map Modernization Management Support	93,837	20,450	—
Natural Resources-DEC total			18,218,014	589,675	2,440
Natural Resources-F&W	15.605	Sport Fish Restoration	3,893,925	5,801	—
Natural Resources-F&W	15.611	Wildlife Restoration	2,097,770	—	—
Natural Resources-F&W	15.615	Cooperative Endangered Species Cons Fund	24,632	—	—
Natural Resources-F&W	15.616	Clean Vessel Act	3,797	—	—
Natural Resources-F&W	15.622	Sportfishing & Boating Safety	153,650	90,039	—
Natural Resources-F&W	15.633	Landowner Incentive Program	97,126	—	—
Natural Resources-F&W	15.634	Conservation Planning	706,898	123,062	—
Natural Resources-F&W	66.641	Wetlands Protection State Development	39,835	—	—
Natural Resources-F&W total			7,017,633	218,902	—
Natural Resources-FPR	10.664	Cooperative Forestry Assistance	907,427	447,069	—
Natural Resources-FPR	10.672	Rural Development	242,162	173,564	—
Natural Resources-FPR	10.676	Forest Legacy Program	3,187,286	—	—
Natural Resources-FPR	15.608	Fish & Wildlife Management Assistance	31,436	—	—
Natural Resources-FPR	15.916	Outdoor Recreation – Acquisition, Development and Planning	183,959	68,813	—
Natural Resources-FPR	20.219	Recreational Trails Program	804,460	458,768	—
Natural Resources-FPR total			5,356,730	1,148,214	—
Public Safety	11.555	Public Safety Interoperable Communications Grant Program	26,304	26,304	—
Public Safety	16.550	Criminal Justice Statistics	34,436	34,436	—
Public Safety	16.554	National Criminal History Improvement Program	95,717	—	—
Public Safety	16.560	National Institute of Justice Research, Evaluation and Development Project Grants	149,044	—	—
Public Safety	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	103,497	—	—
Public Safety	16.593	Residential Substance Abuse Treatment for State Prisoners	42,525	—	42,525
Public Safety	16.607	Bulletproof Vest Part Prog	6,070	—	(3,762)
Public Safety	16.609	Community Prosecution	77,316	—	—
Public Safety	16.710	Public Safety Partnership and Community Policing Grants	1,118,232	26,107	—
Public Safety	16.738	Edward Byrne Memorial Justice Assistance Grant Program	840,557	247,171	93,289
Public Safety	16.741	Forensic DNA Capacity Enhancement Program	91,869	—	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2009

VT agency/department	CFDA number	Program title	Expenditures	Subgranted to nonstate of Vermont entities	Subgranted to State of Vermont Agencies
Public Safety	16.742	Paul Coverdell Forensic Science Improvement Grants Program	\$ 101,418	—	19,217
Public Safety	16.744	Anti-Gang Initiatives	26,531	—	—
Public Safety	16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program	65,665	—	—
Public Safety	16.999	ATF Task Force	4,797	—	—
Public Safety	16.999	Bulk Cash Initiative	2,788	—	—
Public Safety	16.999	Drug Enforcement Administration – DEA	13,886	—	—
Public Safety	16.999	Marijuana Education	20,785	—	—
Public Safety	16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	249,893	47,330	—
Public Safety	16.999	Operation Moneytree	4,138	—	—
Public Safety	16.999	New England High-Intensity Drug Trafficking Areas (HIDTA)	33,900	—	—
Public Safety	16.999	US Marshall's District Fugitive Task Force	28,365	—	—
Public Safety	16.999	FBI Joint Terrorism Task Force	3,795	—	—
Public Safety	20.600	State and Community Highway Safety (402)	1,550,770	803,750	379,665
Public Safety	20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant (410)	688,066	195,125	278,636
Public Safety	20.602	Occupant Protection	194,021	—	—
Public Safety	20.608	Minimum Penalties For Repeat Offenders For Driving While Intoxicated (164)	3,573,154	390,627	3,175,721
Public Safety	20.609	Safety Belt Performance Grant	20,466	—	—
Public Safety	20.610	State Traffic Safety Info System Improvement (408)	124,032	—	122,043
Public Safety	20.612	Motorcycle Safety (2010)	50,713	—	50,636
Public Safety	20.613	Child Safety and Booster Seat Incentive Grany (2011)	188,143	4,115	—
Public Safety	20.614	Fatal Accident Reporting System	18,555	—	—
Public Safety	20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	98,971	30,273	—
Public Safety	97.001	Interoperable Emergency Communications Grant Program	12,350	—	—
Public Safety	97.012	State Recreational Boating Safety Program	742,565	20,000	200,000
Public Safety	97.017	Pre Disaster Mitigation Competitive	326,744	322,752	—
Public Safety	97.029	Flood Mitigation Assistance	1,853	—	—
Public Safety	97.039	Hazard Mitigation Grants	354,302	354,302	—
Public Safety	97.042	Emergency Management Performance Grants	1,979,959	409,078	55,000
Public Safety	97.043	National Fire Academy State Fire Training Program	20,886	—	—
Public Safety	97.067	Homeland Security Grant Program	3,318,567	1,814,818	136,297
Public Safety total			<u>16,405,645</u>	<u>4,726,188</u>	<u>4,549,267</u>
Public Service	20.700	Pipeline Safety	181,474	77,094	—
Public Service	81.039	SHOPP (State Heating Oil and Propane Program)	6,429	—	—
Public Service	81.041	State Energy Program	382,235	270,210	21,000
Public Service total			<u>570,138</u>	<u>347,304</u>	<u>21,000</u>
Secretary of State's Office	39.011	Help America Vote Act (SOS) \$16,000,000	1,190,581	710	—
Secretary of State's Office	93.617	Voting Access for Individuals with Disabilities (\$100,000)	117,727	96,815	—
Secretary of State's Office total			<u>1,308,308</u>	<u>97,525</u>	<u>—</u>
State's Attorney's & Sheriffs	16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	11,259	—	—
State's Attorney's & Sheriffs total			<u>11,259</u>	<u>—</u>	<u>—</u>
Transportation	20.106	Airport Improvement Program	1,208,772	52,237	—
Transportation	20.205	Highway Planning and Construction	144,335,072	13,311,821	—
Transportation	20.205	ARRA – Highway Planning and Construction	12,697,286	—	135,687
Transportation	20.218	Motor Carrier Safety Assistance Program	1,748,233	—	—
Transportation	20.314	Rail Road Development	3,135,522	—	—
Transportation	20.500	Federal Transit – Capital Investment Grants	1,054,635	523,845	—
Transportation	20.505	Federal Transit – Metropolitan Planning Grants	423,230	298,258	—
Transportation	20.509	Formula Grants for Other Than Urbanized Areas	12,323,453	12,113,574	—
Transportation	20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	196,006	297,206	—
Transportation	20.514	Transit Planning and Research	33,860	103,591	—
Transportation	20.515	State Planning and Research	1	—	—
Transportation	97.036	Disaster Recovery – Public Assistance	7,980,420	7,654,126	26,475
Transportation	97.090	Law Enforcement Personnel Reimbursement (TSA)	56,938	—	—
Transportation total			<u>185,193,428</u>	<u>34,354,658</u>	<u>162,162</u>
Total direct monetary federal assistance			<u>1,556,926,603</u>	<u>203,984,235</u>	<u>7,340,496</u>
Nonmonetary programs:					
Buildings & General Services	39.003	Donation of Federal Surplus Personal Property	448,663	—	—
Buildings & General Services total			<u>448,663</u>	<u>—</u>	<u>—</u>

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2009

<u>VT agency/department</u>	<u>CFDA number</u>	<u>Program title</u>	<u>Expenditures</u>	<u>Subgranted to nonstate of Vermont entities</u>	<u>Subgranted to State of Vermont Agencies</u>
Education	10.555	National School Lunch Program – Commodities	\$ 2,163,989	—	—
Education	10.558	Child and Adult Care Food Program – Commodities	14,455	—	—
Education total			<u>2,178,444</u>	<u>—</u>	<u>—</u>
Human Services	10.551	Food Stamps (EBT)	70,488,206	—	—
Human Services	10.565	Commodity Supplemental Food Program	917,965	—	—
Human Services	10.569	Emergency Food Assistance Program (Food Commodities)	3,642,441	—	—
Human Services	93.268	Immunization Grants	7,122,809	—	—
Human Services total			<u>82,171,421</u>	<u>—</u>	<u>—</u>
Total direct nonmonetary federal financial assistance			<u>84,798,528</u>	<u>—</u>	<u>—</u>
Indirect federal grants – pass through nonfederal entities:					
Buildings & General Services		Veteran’s Administration	1,783,692	—	—
Education		Special Education_ Technology and Media Services for Individuals with Disabilities	26,099	23,250	—
Human Services		ADAP Data Collection	182,296	—	—
Judiciary		Victims Child Abuse	50,131	—	—
Total indirect federal grants – pass through nonfederal entities			<u>2,042,218</u>	<u>23,250</u>	<u>—</u>
Total direct federal grants			<u>1,641,725,131</u>	<u>203,984,235</u>	<u>7,340,496</u>
Total federal financial aid expended			<u>\$ 1,643,767,349</u>	<u>204,007,485</u>	<u>7,340,496</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

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

June 30, 2009

#### (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, 2009. 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, 2009. 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 and State Agricultural College	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
	Vermont Housing Finance Agency

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

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

1. *Federal Awards* – Pursuant to the Single Audit Act Amendments of 1996 and OMB Circular A-133, federal awards are defined as assistance that nonfederal entities receive or administer in the form of grants, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, food commodities, direct appropriations, or other assistance and, therefore, are reported on the Schedules. Federal awards do not include direct federal cash payments to individuals.
2. *Type A and Type B Programs* – OMB Circular A-133 establishes the levels of expenditures to be used in defining Type A and Type B federal programs. Type A programs for the State are those programs, or clusters of programs, which equal or exceed \$4,931,302 in expenditures, distributions, or issuances for the fiscal year ended June 30, 2009.

**STATE OF VERMONT**

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

June 30, 2009

**(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	\$ 158,301,442
Federal	<u>7,699,127</u>
	<u>\$ 166,000,569</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, 2009

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

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

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

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The mechanism used by USDA to make these funds available to States does not enable a State to validly disaggregate the regular and Recovery Act components of this figure. At the national aggregate level, however, Recovery Act funds account for approximately 15% of USDA's total expenditures for SNAP benefits in the federal fiscal year ended September 30, 2009.

##### **(b) *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.

##### **(c) *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.

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

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

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

**STATE OF VERMONT**

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

June 30, 2009

(f) ***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, 2009

(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?   x   yes        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 not considered to be material weakness(es)?   x   yes        none reported

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

Qualified Opinion

- Supplemental Nutrition Assistance Program Cluster (CFDA #10.551 and #10.561)
- Capitalization Grants for Drinking Water State Revolving Funds (CFDA #66.468)
- Vocational Rehabilitation Cluster (CFDA #84.126 and #84.390)
- Immunization Grants (CFDA #93.268)
- Temporary Assistance for Needy Families (CFDA #93.558)
- 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 Circular A-133?   x   yes        no

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Identification of Major Programs***

<b>CFDA number</b>	<b>Name of federal program</b>
SNAP Cluster:	
10.551	Supplemental Nutrition Assistance Program
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Fish and Wildlife Cluster:	
15.605	Sport Fish Restoration Program
15.611	Wildlife Restoration
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
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
Vocational Rehabilitation Cluster:	
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.390	ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act
Other programs:	
17.225	Unemployment Insurance Program and Non-Entitlement Grants in Hawaii
20.509	Formula Grants for Other Than Urbanized Areas
66.468	Capitalization Grants for Drinking Water State Revolving Funds
84.367	Improving Teacher Quality State Grants
93.069	Public Health Emergency Preparedness
93.268	Immunization Grants
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance
93.558	Temporary Assistance for Needy Families
93.563	Child Support Enforcement
93.568	Low Income Home Energy Assistance Program
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

\$4,931,302

Auditee qualified as a low-risk auditee?

\_\_\_\_\_ yes

  x   no

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

##### 2009-01 – Review and Analysis of Financial Data

###### *Background*

The State's accounting process is very decentralized and relies heavily on the individual departments and agencies to properly and accurately record activity on a timely basis in the State's VISION accounting system as well as to provide year end closing information to the Department of Finance and Management (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 principles 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 Department of Liquor Control did not timely identify costs that were incurred for a new inventory system that should have been capitalized, in accordance with State policy instead of being expensed in the Liquor Control Fund. The entry required \$304,084, including \$230,967 from the prior years, in expenses to be moved to a capital asset.
- The Department of Liquor Control was not recording SPA revenue on an accrual basis of accounting. We noted that the Department did not record a receivable at year end for rebates due on liquor sales incurred in June 2009. This required an entry to increase revenue and receivables by \$141,129.

The Department of Labor did not recognize that revenues received in advance of expenditure should be deferred until earned in the Unemployment Trust Fund. The Department of Labor received \$4,639,299 from the U.S. Department of Labor as part of the American Recovery and Reinvestment Act to be used for benefit payments. The Department had not yet provided eligible recipients with unemployment benefits. As such the funds should have been deferred until they were used for benefits.

- The State has a methodology to estimate tax refunds payable to State taxpayers. Our analysis of the methodology, in light of the current economic conditions noted that an adjustment to increase the refund amount payable by \$10 million was needed. The tax refunds payable calculation is performed by the Department and is not reviewed by the Tax Department for reasonableness.
- The State entered into a capital lease in 2009 Bank of America Public Capital Corp., who in turn has an agreement with the contractor, with NORESCO LLC., for energy efficiency projects for state buildings. During our audit we noted that the Department of Buildings and General Services included the capital lease in the schedules that support the capital lease footnote, however, the Department did not record the \$4,728,466 capital asset and lease payable in the Facilities Operations Internal Service Fund.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Further, although we did not propose an adjusting entry, the State recorded the following transaction in 2009:

- In January of 2009, the Office of Vermont Health Access (OVHA) made a \$22 million adjustment to the Global Commitment fund in order to true up premium revenue due to the Global Commitment Fund from fiscal years 2007 and 2008. Prior to January 2009 OVHA had been using a budget based allocation premium methodology to charge the State for health insurance premiums. The budget based allocation methodology was based on actual approved premium rates for 2007 and the same 2007 rate for 2008 and estimated membership data for both years. OVHA had access to actual membership data and had knowledge that the submitted 2008 actuarial premium rates would be approved by the Centers for Medicaid and Medicare (CMS) prior to the issuance of the 2008 financial statements although they were not approved until January 2009.

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 nonroutine transactions are recorded in the financial statements properly. Lastly, methodologies used for significant estimates should be analyzed to determine if they need to be modified for changes in current conditions that would affect the amounts recorded in the State's financial statements or alternatively the annual development of accruals derived from these methodologies could be transferred to departments that are more familiar with the subject matter so that final results may be analyzed.

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

The Department of Finance & Management (F&M) continues to monitor and communicate the importance of solid accounting practices. F&M has made drastic improvements to the reporting process over the last 5 years. The Reporting division of F&M has evolved from a staff of one or two, that are well versed in generally accepted accounting principles, to a staff of five that have a strong knowledge of generally accepted accounting principles.

F&M has worked hard to increase the awareness of internal controls on a statewide basis. Once a quarter, F&M publishes an internal control newsletter for all State departments. The purpose of this newsletter is to provide departments with articles on good business practices, internal controls, and responsibilities. Through articles intended to promote educational and professional development opportunities for employees, this newsletter seeks to raise awareness across state government on the importance of internal controls.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

In addition to internal control education and monitoring, F&M has worked to educate departments on the importance of accuracy and completeness when reporting to F&M. Since the departments do not likely have staff that have a strong knowledge base of generally accepted accounting principles, F&M has increased communication with the departments that have either struggled in the past, or those that have non routine transactions that generally are at a higher risk for error such as those making estimates. Not less than quarterly, state departments, managing proprietary funds, are required to submit financial statements and analyticals to F&M so that F&M staff may review for unusual transactions or large changes that would bring potential errors to light. F&M believes that placing a greater emphasis on monitoring will continue to reduce reporting errors.

Contact: James Reardon, Commissioner of Finance, Phone: 802-828-6449.

**2009-02 – 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 2009 audit, an IT general controls (ITGC) review was performed over certain critical IT systems. 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 2009</b>
VISION Financials	Department of Finance and Management	State-wide accounting system	Follow up on prior recommendations
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	Follow up on prior recommendations
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 recommendations
VABS and CATS	Department of Labor	VABS is the Unemployment	Follow up on prior

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

		Insurance Benefit and Eligibility System and CATS is the Employer Contribution Tax System.	recommendations
STARS	Department of Transportation	Project Cost Accounting System for Transportation Construction Projects	Follow up on prior recommendations
BFIS	Agency of Human Services (AHS)	A system for Human Services Child Care Subsidy Payments	Follow up on prior recommendations
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 recommendations
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 recommendations
Financial Accounting & Reporting System (FARS)	Department of Labor (DOL)	Mainframe system that processes non-VISION employee time and vendor payments for the DOL.	ITGC
Sequoia	Liquor Control Department	Business application that manages warehousing, inventory, purchasing, AP, tracking of sales/revenues, commission, licensing and GL. Point of Sale terminals owned by the State and reside in each store.	ITGC

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

GovNet Network	Department of Innovation and Information (DII)	State-wide area network	Follow up on prior recommendations
----------------	--	-------------------------	------------------------------------

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 materially 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. For fiscal year 2009, we were advised that no new applications were implemented. Additionally, no major enhancements to existing applications were performed. Therefore, beyond the inquiry of management to identify any new program development, no test of design was performed.

*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. Effective controls would 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 irregularities could be inadvertently or deliberately introduced.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- 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 an adequate process in place to ensure that there is a routine testing of 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.

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	Computer Operations
VISION	✓	✓	✓
HCM	✓		
ACCESS	✓	✓	✓
VIRCS and RRAS	✓	✓	✓
Sequoia	✓	✓	✓
VABS and CATS	✓	✓	✓
STARS	✓		✓
BFIS	✓	✓	✓
SSMIS	✓	✓	✓
VRS			✓
FARS	✓	✓	✓
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 misstated.

***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.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

#### *Management Responses*

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

We are continuing towards development of a process to conduct security assessments, and have worked through a process using the Agency of Human Services to test the model. A security assessment is only as good as the underlying policies, which are addressed in the next section. In any event, the process used at AHS was very comprehensive and in order to implement a similar process statewide, we identified the need to procure a web based tool that can be used to catalog the various steps as required and then store the collected information so it doesn't have to be recreated every time the assessment is done in a given department or agency. We are in the process of determining whether the budget for the remainder of the fiscal year will allow us to make the purchase sooner rather than later. Security assessments are very resource intensive and working within the current constructs of staffing is somewhat of a hindrance to moving faster.

##### *Step 2: Policies*

We have not made as much progress as we had hoped to make and the current CIO has implemented a new process to push the completion of the policies which is beginning to have an effect. Basically, departments and agencies that have been playing a role in policy development have been told that they will be included in the development and review process, but the time frames for that review will be shortened and lack of a response will not be taken as a reason to stop moving forward. We have allowed the feedback loop to control the process instead of the process controlling the feedback loop. Having said that, we have completed the Digital Media and Hardware Disposal Policy and Standards; the Physical Security policy is under review; the Password policy and standard are complete; the Data Classification Policy is under review, and other key IT Security policies have been identified and are in various stages of development.

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

Work has continued on this initiative but without a lot of progress to report.

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

We had a stoppage due to budget limitation and went back out to the market to identify a more cost effective solution. We plan to move forward by the end of the fiscal year to put an online awareness program in place.

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

We are continuing to review proposals for new applications and systems to ensure that they comply with formal policy and written directives to proceed towards an enterprise deployment of IT resources.

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

We engaged a consultant last year who took a broad look at most of the IT infrastructure in the Executive Branch and identified a number of opportunities for consolidation and virtualization, recommending that the State move to a single data center (at National Life), change the way that desktops and software are procured in the State and a number of other recommendations that basically support the enterprise vision that has been articulated for many years now in Vermont.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

Contact: David Tucker, CIO and Commissioner, Department of Information and Innovation. Phone: 802 828-4141

#### **2009-03 – 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***

Vermont's Department of Human Resources (DHR) has developed a full day succession planning course, and has begun to teach this class to individual state employees as well as groups from departments that have expressed an interest in succession planning. This class has been well-received and promises to be an important tool in meeting the recommended goal. In July 2010, all HR functions will be consolidated under the auspices of DHR, and as part of that process, DHR also intends to develop strategies to train its staff in succession planning. DHR staff will then work closely with agencies and departments to assist them in creating succession plans.

Contact: Caroline Earle, Commissioner, Department of Human Resources. Phone: 802 828-3491

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

#### **2009-04 – Global Commitment to Health Section 1115 Demonstration Waiver**

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

As required by the 1115 Demonstration Waiver, Global Commitment to Health (the Waiver), once the Managed Care Organization (MCO)'s contractual obligation to the population covered under the Waiver is met, any excess revenue from capitated payments received under the Waiver must be used to (1) reduce the rate of uninsured and, or underinsured in Vermont; (2) increase the access of quality healthcare to uninsured, underinsured and Medicaid beneficiaries, (3) provide public health approaches to improve the health outcomes and the quality of life for the uninsured, underinsured and Medicaid beneficiaries; or (4) encourage the formation and maintenance of public-private partnerships in healthcare. The excess revenue is referred to as MCO Investments.

Matching or cost sharing includes requirements to provide contributions (usually nonfederal) of a specified amount or percentage to match federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions). Entities are required to provide reasonable assurance that matching requirements are met using only allowable funds or costs that are properly calculated or valued. Additionally, under the standard terms and conditions of the Waiver, unless specified otherwise, all requirements of the Medicaid program apply to the Waiver, which includes the requirement that all sources of Nonfederal funding be compliant with section 1903(w) of the Social Security Act and applicable regulations.

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

The Agency of Human Services (AHS) used school-based health service expenditures to fund a portion of the State's share of the Medicaid program. To determine the amount of school-based health service expenditures that AHS will use annually to fund the State share of the Medicaid program, the Vermont Department of Education reports to AHS the total cost of school nursing and occupational therapy services provided to all students free of charge. The Vermont Department of Education collects information from each school district that reports the costs associated with the school-based health services which is then submitted to AHS. AHS then multiplies the total cost incurred by the school districts by the estimated percentage of uninsured, underinsured or Medicaid eligible children in the State of Vermont in order to determine the State matching expenditures. The estimated percentage used in the calculation has been developed, in part, from data contained in the 2008 Vermont Household Health Insurance Survey.

During our test work, we noted the following:

- 1 For the year ending June 30, 2009, AHS utilized \$8,956,247 in expenditures related to school nurse services to secure federal matching funds of approximately \$13.7 million. The amount of school nurse expenditures were calculated using amounts reported, as incurred, by Vermont school districts and reported by them to the Vermont Department of Education and then to AHS. In arriving at the \$8,956,247, the amount provided by the school districts was multiplied by a percentage estimate of uninsured, underinsured or Medicaid eligible children in the State. This percentage was developed, in part, from data contained in the 2008 Vermont Household Health Insurance Survey.

The school nurse expenditure data and the data supporting the percentage were not audited and AHS does not have any procedures to validate the completeness or accuracy of either of these data

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

sources. Accordingly, we were unable to determine whether the \$8,956,247 of school nurse expenditures used to support the state match were allowable or whether the related federal matching funds of approximately \$13.7 million should have been drawn down.

- 2 AHS has also included the school nurse expenditures relating to school-based health care services of \$8,956,247 as an MCO Investment. As discussed above, MCO Investments are to be funded from excess revenue from capitated payments received under the Waiver, however, no funds under the Waiver were used to pay for school-based health care services. Rather, the costs incurred related to the school-based health care services were paid for out of the State's Education Fund. As a result, we are unable to determine whether or not these costs represent a valid MCO Investment.

#### ***Recommendation***

We recommend that AHS implement policies and procedures for documenting how it has provided the required state match for the Medicaid program and that the source of the match is allowable and accurate. In compiling this documentation, AHS, with the assistance of internal legal counsel as needed, should document its interpretation of any material program requirements used to support its position.

We also recommend that AHS review its existing procedures for documenting the allowability of all MCO Investments to ensure that all such investments are properly accounted for within the Global Commitment Fund.

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

AHS believes that it can appropriately rely on work of other State agencies. The Department of Education (DOE) annually conducts the nurse expenditure survey. DOE provides instructions for the Supervisory Unions to complete the information request. DOE compiles the results and submits the information to AHS. AHS does not audit or otherwise verify this information because we believe we can rely on schools to correctly report their expenditures to the Department of Education.

The percent of uninsured, underinsured and Medicaid eligible Vermonters in 2009 has been established to be 60.6%. As made known to the auditors, this rate is based on the results of the Vermont Household Health Insurance Survey performed by Vermont Department of Banking, Insurance, and Health Care Administration (BISHCA). BISHCA contracts with experts in the field of survey methodology to complete the surveys and prepare the report. We have reviewed the BISHCA's contract for the survey and do not believe it is necessary or appropriate for AHS to assess the accuracy of the work completed by national experts in the field.

The State disagrees with the auditors requirement in the statement that "data and data supporting the percentage were not audited." 42 CFR Section 435.51 (b) requires the expenditures "that are supportable by auditable documentation". We believe the information provided to DOE from the schools is supportable by auditable documentation.

AHS recognizes the ambiguity pertaining to the use of the State DOE MCO Investment expenditures for match. However, if accounting entries were made showing the flow of funds going into the Global Commitment Fund and payment of an MCO Investment to the Education Fund the ending balances in all accounts affected would not differ from the current existing balances. As recommended, AHS will consult

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

with internal legal counsel regarding the necessity for the creation of the accounting entries to justify the collection of Federal Financial Participation.

Contact: Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

**Finding 09-05**

U.S. Department of Agriculture

**Program Name and CFDA Number**

SNAP Cluster:

Supplemental Nutritional Assistance Program (CFDA #10.551)  
State Administrative Matching Grants for the Supplemental Nutritional Assistance Program  
(CFDA #10.561)

**Program Award Number and Award Year**

4VT420413	10/1/07 to 9/30/08
4VT430413	10/1/08 to 9/30/09
4VT400406	10/1/07 to 9/30/08
4VT400406	10/1/08 to 9/30/09

**Criteria**

State agencies are required to automate their Supplemental Nutritional Assistance Program (SNAP) operations and computerize their systems for obtaining, maintaining, utilizing, and transmitting information concerning SNAP (7 CFR sections 272.10 and 277.18). This includes: (1) processing and storing all case file information necessary for eligibility determination and benefit calculation, identifying specific elements that affect eligibility, and notifying the certification unit of cases requiring notices of case disposition, adverse action and mass change, and expiration; (2) providing an automatic cutoff of participation for households which have not been recertified at the end of their certification period by reapplying and being determined eligible for a new period (7 CFR sections 272.10(b)(1)(iii) and 273.10(f) and (g)); and (3) generating data necessary to meet federal issuance and reconciliation reporting requirements.

**Condition Found**

During our review of the system for processing and storing case file information necessary for eligibility determination and benefit calculation related to the SNAP program, we were unable to obtain a copy of the application completed by the participant that covered the benefit period for 2 of the 40 participants selected for testwork. As a result, we were unable to conclude that the data stored in the system was accurate.

**Cause**

The cause of the condition found was that an application was either not completed or filed correctly to support the eligibility determination stored within the system.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Effect***

The effect of the condition found is that we cannot conclude that the data stored in the system was accurate, participant was eligible to receive benefits, and that the amount of benefits paid was accurate.

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

***Questioned Costs***

\$6,042

***Recommendation***

We recommend that the Department of Children and Families review its existing procedures and controls for reviewing and approving benefit determinations to ensure that there is proper documentation to support all eligibility determinations.

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

We concur with this finding. The corrective action plan for this finding is currently being implemented as part of our larger modernization initiative related to eligibility processes. A key component of this effort is the shift to an automated document processing center (ADPC) that will handle all incoming mail. The incoming mail will be imaged and indexed so that our eligibility workers will be using images rather than paper files making it less likely that documents will be misplaced. We anticipate that this will significantly reduce or eliminate the risk of lost applications in the future.

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

The ADPC should be fully operational by the end of April 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-06**

U.S. Department of Agriculture

**Program Name and CFDA Number**

SNAP Cluster:

Supplemental Nutritional Assistance Program (CFDA #10.551)  
State Administrative Matching Grants for the Supplemental Nutritional Assistance Program  
(CFDA #10.561)

**Program Award Number and Award Year**

4VT420413	10/1/07 to 9/30/08
4VT430413	10/1/08 to 9/30/09
4VT400406	10/1/07 to 9/30/08
4VT400406	10/1/08 to 9/30/09

***Criteria***

A pass through entity is responsible for performing award monitoring of subrecipients. This includes the monitoring of 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 those performance goals are achieved.

***Condition Found***

The Department of Children and Families (Department) is responsible for monitoring subrecipients under this program. During our testwork over award monitoring, we were unable to obtain supporting documentation that award monitoring was performed for 6 of the 10 subrecipients selected for testwork. While each subrecipient is required to submit an invoice that documents the number of clients served and the types of outcomes reached, there currently are no procedures in place to validate the accuracy of the data submitted by the subrecipient.

***Cause***

The cause of the condition found is that case managers either did not document the award monitoring activities performed or did not perform the procedures discussed above.

***Effect***

The effect of the condition found is that there is no documentation to support that award monitoring is being performed to ensure that each subrecipient is providing services as required by the grant agreement.

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

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Questioned Costs***

None noted.

***Recommendation***

We recommend that the Department review its existing procedures over award monitoring to ensure that sufficient award monitoring activities are performed and adequately documented.

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

The Department for Children and Families administers a wide variety of programs and performs its subrecipient monitoring functions through a number of divisions. The Department has not developed a general standard for subrecipient monitoring, so documentation of monitoring reflects program discussions with subrecipients rather than monitoring.

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

The Department will adopt a general subrecipient monitoring checklist by June 30, 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-07**

U.S. Department of Labor

**Program Name and CFDA Number**

Unemployment Insurance (CFDA #17.225)

**Program Award Number and Award Year**

UI18053510                      10/1/08 to 9/30/09

***Criteria***

In accordance with OMB Circular A-87, charges to federal awards for salaries and wages, whether treated as direct or indirect costs, should be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a reasonable official(s) of the governmental unit.

***Condition Found***

The Department of Labor (Department) uses the FARS system to process and allocate payroll expenditures to federal programs. In addition to the employee's standard biweekly timesheet completed as part of the statewide payroll process, all Department employees are required to complete a separate TD-7A timesheet. This timesheet tracks the employee's time by program codes that are unique to each federal program. At the end of the month, the Department's overhead costs are allocated to each federal program based on the percentage of time worked on each individual federal program.

We noted that for 4 of the 40 TD-7A timesheets selected for testwork, the number of hours worked did not agree to the employee's standard biweekly timesheet. As a result, we are unable to determine whether salary costs were properly allocated to the federal program.

In addition to the above, for 1 of the 40 items selected for testwork, we noted that the employee's rate of pay did not agree to the rate of pay contained within the FARS system as the FARS system had not been updated.

***Cause***

The cause of the condition found is that supervisors do not review to ensure that both of the employee's timesheets agree during the approval process.

***Effect***

The effect of the condition found is that costs may not be allocated correctly to federal programs.

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

***Questioned Costs***

\$250

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

#### ***Recommendation***

We recommend that the Department review its existing procedures and implement controls to ensure that all costs are properly reviewed and approved before entry into the FARS system.

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

This problem first came to management's attention during the regular month-end payroll reconciliation process for March 2009. At the following month's department managers meeting, supervisors were informed of the problem and asked to be more diligent in their review and approvals. This finding clearly signals to Management that stronger steps need to be taken to ensure that expenditures are being charged to their proper funding sources. The following steps will be taken to correct this issue beginning January 1, 2010:

- 1) Fiscal Office staff will provide trainings to employees and supervisors in how to correctly code their Time distribution sheets.
- 2) Employees will be required to complete their TD sheets at least biweekly rather than only at the end of the month, thus allowing supervisors greater opportunity to compare the information on them with the biweekly time reports employees submit for payroll processing.
- 3) A member of the Fiscal Office staff will be given the internal audit task of selecting a sampling of 15-20 employee TD sheets each month to compare with their corresponding payroll time reports. Discrepancies will be reported to Senior Management, and the responsible supervisors will be notified that revisions must be made. The TD's of these individuals will then be reviewed in following months to ensure that there are no further reporting problems. Employees and supervisors will be put on notice that second offenses will constitute job performance issues that will be dealt with according to established procedures outlined in the contract between the State and the union representing its employees.
- 4) Each month the Fiscal Office will review rates of pay contained in FARS to insure their accuracy as compared to the State's Payroll system.

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

January 1, 2010.

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

Charlie Teske, Vermont Department of Labor, Financial Director, 802-828-0281.

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Finding 09-08**

U.S. Department of Labor

**Program Name and CFDA Number**

Unemployment Insurance – ARRA (CFDA #17.225)

**Program Award Number and Award Year**

UI18053510-ARRA      10/1/08 to 9/30/09

***Criteria***

State Workforce Agencies (SWAs) have the opportunity to submit a Supplemental Budget Request (SBR) for costs associated with implementation of the new temporary Federal Additional Compensation (FAC) program. The estimated cost basis for all of the items submitted for reimbursement should be included in the SBR.

***Condition Found***

The Department charged \$12,627 in salary costs related to the implementation of the FAC program. The salary amount charged was based on an estimate and we were unable to obtain documentation to support that the estimate was accurate and reasonable.

***Cause***

The cause of the condition found is due to the Department not establishing a separate account code to collect and monitor salary costs incurred as a result of implementing the FAC program. Instead, the Department estimated the number of hours incurred, but there was no documentation to support the rationale for the estimate.

***Effect***

The effect of the condition found is that costs charged for reimbursement are not properly supported.

***Questioned Costs***

\$12,627

***Recommendation***

We recommend that the Department review its existing procedures for monitoring salary costs to ensure that there are account codes established to properly account for and track employee's time and expense related to federal programs.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

Historically, implementation SBRs become available with scant submission deadlines. It is Management's contention that because this SBR grant was made "after the fact" to provide reimbursement for expenses of a program that required rapid implementation, there was no real opportunity for the organization to establish the required account codes for proper documentation of employee's time, and/or the printing and training expenditures at that time. While VDOL has provided documentation it believes supports implementation expenditures, such apparently do not meet the necessary acceptable standards. Therefore, in order to correct this issue, the Department will do the following:

- 1) The Form ETA 9130 submitted to U.S. Department of Labor to report grant expenditures for the period ended June 30, 2009 will be revised and resubmitted for certification, showing only the \$8,211 in postage expenditures found to be allowable costs by the A-133 auditors. This change was made as of December 3, 2009 and a copy of the revised report is being attached to this submission.
- 2) To prevent similar situations from arising in the future, "Special Project" ledger codes are being established within the FARS accounting system to be used when any new programs are being implemented. Then, should a specific grant award be made later for reimbursement of these expenditures, they will be easily identified and if no award is forthcoming, these codes can be rolled up into the large Unemployment Administration grant expenditures. These codes will be established for the month beginning January 1, 2010.

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

January 1, 2010.

***Contact for Corrective Action Plan***

Charlie Teske, Vermont Department of Labor, Financial Director, 802-828-0281.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-09**

U.S. Department of Labor

**Program Name and CFDA Number**

WIA Cluster:

- WIA Adult Program (CFDA #17.258)
- WIA Youth Activities (CFDA #17.259)
- WIA Dislocated Workers (CFDA #17.260)

**Program Award Number and Award Year**

AA-17154-08-55-A-50 4/1/08 to 6/30/11

AA-16061-07-55-A-50 4/1/07 to 6/30/10

AA-15510-06-55 4/1/06 to 6/30/09

***Criteria***

In accordance with OMB Circular A-87, charges to federal awards for salaries and wages, whether treated as direct or indirect costs, should be based on payrolls documented in accordance with generally accepted practice of the governmental unit and approved by a reasonable official(s) of the governmental unit.

***Condition Found***

The Department of Labor (Department) uses the FARS system to process and allocate payroll expenditures to the federal programs. In addition to the employee's standard biweekly timesheet completed as part of the statewide payroll process, all Department employees are required to complete a separate TD-7A timesheet. This timesheet tracks the employee's time by program codes that are unique to each federal program. At the end of the month, the Department's overhead costs are allocated to each federal program based on the percentage of time worked on each individual federal program.

We noted that for 7 of the 40 TD-7A timesheets selected for testwork, the number of hours worked did not agree to the employee's standard biweekly timesheet. As a result, we are unable to determine whether salary costs were properly allocated to the federal program.

***Cause***

The cause of the condition found is that supervisors do not review to ensure that both of the employee's timesheets agree during the approval process.

***Effect***

The effect of the condition found is that costs may not be allocated correctly to federal programs.

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

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

***Questioned Costs***

\$457

***Recommendation***

We recommend that the Department review its existing procedures and implement controls to ensure that all costs are properly reviewed and approved before entry into the FARS system.

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

This problem first came to management's attention during the regular month-end payroll reconciliation process for March 2009. At the following month's department managers meeting, supervisors were informed of the problem and asked to be more diligent in their review and approvals. This finding clearly signals to Management that stronger steps need to be taken to ensure that expenditures are being charged to their proper funding sources. The following steps will be taken to correct this issue beginning January 1, 2010:

- 1) Fiscal Office staff will provide trainings to employees and supervisors in how to correctly code their Time distribution sheets.
- 2) Employees will be required to complete their TD sheets at least biweekly rather than only at the end of the month, thus allowing supervisors greater opportunity to compare the information on them with the biweekly time reports employees submit for payroll processing.
- 3) A member of the Fiscal Office staff will be given the internal audit task of selecting a sampling of 15-20 employee TD sheets each month to compare with their corresponding payroll time reports. Discrepancies will be reported to Senior Management, and the responsible supervisors will be notified that revisions must be made. The TD's of these individuals will then be reviewed in following months to ensure that there are no further reporting problems. Employees and supervisors will be put on notice that second offenses will constitute job performance issues that will be dealt with according to established procedures outlined in the contract between the State and the union representing its employees.
- 4) Each month the Fiscal Office will review rates of pay contained in FARS to insure their accuracy as compared to the State's Payroll system.

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

January 1, 2010.

***Contact for Corrective Action Plan***

Charlie Teske, Vermont Department of Labor, Financial Director, 802-828-0281.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-10**

U.S. Environmental Protection Agency

**Program Name and CFDA Number**

Capitalization Grants for Drinking Water State Revolving Funds (CFDA #66.468)

**Program Award Number and Award Year**

FS-99121804-0	10/1/04 to 9/30/14
FS-99121804-1	10/1/04 to 9/30/14
FS-99121805-0	10/1/05 to 9/30/15
FS-99121806-0	10/1/06 to 9/30/16
FS-99121807-0	10/1/07 to 9/30/17
FS-99121807-1	10/1/07 to 9/30/17
FS-99121808-0	10/1/08 to 9/30/18

**Criteria**

The State shall establish a separate account, or series of accounts, that is dedicated solely to providing loans and other forms of financial assistance from the Drinking Water State Revolving Fund (DWSRF). All loan repayments (including principal and interest) interest earnings on investments, capitalization grants (except that portion the State intends to use as set-asides), state match and transfers from the Clean Water State Revolving Fund must be credited directly to the DWSRF. A State must maintain separate and identifiable accounts for the portion of the capitalization grant to be used for set-aside activities (40 CFR sections 35.3550(f) and (g)).

The State shall maintain internal control over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

**Condition Found**

The Agency of Natural Resources, Department of Environmental Conservation (Department) does not have a process to monitor all outstanding loan balances to ensure loan payments are made timely. Currently, the Department's practice for monitoring outstanding loan balances is limited to recording loan payments from bank statements in the amortization schedule which tracks a loan's payment history.

**Cause**

The cause of the condition found is that the Department relies on a bank, a third-party service provider, for billing, collection and monitoring project loans. The Department has not reviewed the bank's processes to assess their adequacy or taken any other steps to support their reliance on the bank.

**Effect**

The effect of the condition found is that the Department does not have a mechanism for identifying those projects that are not making payments and may have delinquent balances.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

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

None noted.

#### ***Recommendation***

We recommend that the Department develop a process to monitor all outstanding loan balances to ensure timely payment.

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

The Routine Signal Audit performed by KPMG of the State Drinking Water State Revolving Fund identified a Control Deficiency "Lack of procedures to monitor and track loan repayments." The report recommends "...the Department develop a process to monitor all outstanding loan balances to ensure timely payment."

#### **Actions Taken to Date**

1. The Department has recognized the need for improved controls in this area and decided to invest in an improved tracking system before 2009.
2. The Department has developed additional software in the "Unified Project Tracking System" or UPTS-WAARF "WAARF" to improve monitoring and tracking of loan repayments.
3. The new WAARF software includes the ability to develop individual repayment schedules that allow for the tracking of each repayment broken down into principle, interest, and administrative fees.
4. This software has been tested and is in the process of refinement to accommodate the ARRA funding administration.
5. The Department has met with representatives of the Vermont Bond Bank and Peoples United Bank to discuss improvements in the tracking of loan repayments. Peoples United Bank currently uses a monthly loan repayment spreadsheet to monitor and track timely repayments of loans.

#### **Additional Actions Planned**

6. All new loans using ARRA funds will be entered into the WAARF software by March 15, 2010.
7. Beginning May 1, 2010, all loans funded with ARRA funds will be tracked using the WAARF system to help ensure timely repayment and tracking of receivables status.
8. On or before July 1, 2010, all existing base funded Drinking Water State Revolving Fund Loans will be tracked to ensure timely repayment using enhancements to our current legacy systems.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

9. On or before July 1, 2011, all existing base funded Drinking Water State Revolving Fund Loans will be entered into the WAARF system and tracked to help ensure timely repayment and overall status of receivables.

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

July 1, 2011.

***Contact for Corrective Action Plan***

Joanna Pallito, Financial Director, Department of Environmental Conservation, 802-241-3810.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-11**

U.S. Department of Education

**Program Name and CFDA Number**

Vocational Rehabilitation Cluster:

Rehabilitation Services – Vocational Rehabilitation Grants To States (CFDA #84.126)  
ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act  
(CFDA #84.390)

**Program Award Number and Award Year**

H126A090067B            10/01/08 to 09/30/10

H126A090068B            10/01/08 to 09/30/10

***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***

The Department of Disabilities, Aging and Independent Living (Department) enters into agreements with vendors to provide vocational rehabilitative services during the vendor’s normal course of business. State Bulletin 3.5, which outlines the State of Vermont’s procurement policy, requires the Department to either complete a standard bid process or document why the vendor agreement qualifies as a sole source agreement. For each of the 10 vendor agreements selected for testwork, we were unable to find any bid documents or verification that the vendor agreement was an approved sole source agreement as required by Bulletin 3.5.

***Cause***

The cause of the condition found is that the Department has developed a vendor grant agreement that was commonly used throughout the Agency of Human Services. This was considered to be an alternative agreement that did not require compliance with Bulletin 3.5.

***Effect***

The effect of the condition found is that the Department has not complied with the State Bulletin 3.5.

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

***Questioned Costs***

None noted.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***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***

Vermont statute provides that the Secretary of Human Services may waive any provision of the procurement requirements of Agency of Administration Bulletin 3.5. In February 2009 The Secretary of Administration approved a Procurement Grant Contracting Plan for the Agency of Human Services. This plan provides that certain types of procurement actions that are identified to the Secretary at specified times of the year may be made in the form of noncompetitive grants. The grant in question was not included in the original submissions to the Secretary. A decision will be made prior to its renewal to determine whether it should be included for future approval or whether it should be subject to the regular requirements of Bulletin 3.5.

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

June 30, 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-12**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Immunization Grants (CFDA #93.268)

**Program Award Number and Award Year**

25H23IP122529-07      1/1/09 to 12/31/09

2H23IP122529-06      1/1/08 to 12/31/08

***Criteria***

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

***Condition Found***

The Department of Health (Department) enters into agreements with healthcare providers to administer vaccines funded under the Immunization Grants program. Healthcare providers that participate in this program receive vaccines directly from the federal government. On an annual basis, the Department performs monitoring procedures 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, we noted the following:

1. For 28 of the 35 providers selected for testwork, the Department did not evaluate the healthcare provider's safeguarding techniques as part of the monitoring review. Of the 28 exceptions noted, 1 exception occurred after the date that the Department implemented a corrective action plan to address this deficiency noted during a prior audit.
2. For 3 of the 35 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. There was no documentation to support that the Department followed up on the deficiency. Of the 3 exceptions noted, 1 exception occurred after the date that the Department implemented a corrective action plan to address this deficiency noted during a prior audit.
3. For 2 of the 35 providers selected for testwork, the Department identified deficiencies that needed correction as part of their monitoring review, however, there was no documentation to support that the Department had followed up to ensure that the corrective action had been implemented by the healthcare provider.

***Cause***

The cause of the condition found is that the questionnaire used by the Department did not include procedures to address safeguarding of vaccines. In addition, the Department did not document its procedures performed to follow upon deficiencies noted during its monitoring review.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Effect***

The effect of the condition found is that the Department did not adequately monitor compliance with federal safeguarding requirements or ensure that all deficiencies noted during a review were corrected.

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

***Questioned Costs***

None noted.

***Recommendation***

We recommend that the Department review its existing procedures and controls to ensure that there is adequate documentation of healthcare provider monitoring visits and that all deficiencies noted during the visit are corrected. As part of its monitoring procedures, the Department should ensure that it is reviewing the healthcare provider's process for safeguarding vaccines received under this program.

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

Last year the Immunization Program staff put a process in place to perform and document follow up monitoring of providers when monitoring revealed deficiencies. This effort was partly but not entirely successful. We believe that the procedures adopted will solve the problem of ensuring follow-up monitoring, so the program plans to continue to improve its current efforts in this regard. The Agency Internal Audit Group has scheduled monitoring of the monitoring as a reinforcement of this effort.

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

April 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-13**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Immunization Grants (CFDA #93.268)

**Program Award Number and Award Year**

25H23IP122529-07      1/1/09 to 12/31/09

2H23IP122529-06      1/1/08 to 12/31/08

***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; and
- c. Name and address and, if appropriate, the title of the healthcare provider administering the vaccine.

***Condition Found***

The Department of Health (Department) enters into agreements with healthcare providers to administer vaccines funded under the Immunization Grants program. On an annual basis, the Department performs monitoring procedures to ensure the healthcare provider has complied with federal requirements. As part of this monitoring review, the Department completes a review over patient charts to ensure that the healthcare provider has the information required as part of the vaccine record. For 3 of the 35 providers selected for testwork, the Department noted during its chart review that not all patients' vaccine records contained the federally required information. There was no documentation to support that the Department had followed up with the healthcare provider to ensure that deficiencies noted in the chart review were corrected. Of the 3 exceptions noted, 1 occurred after the date the Department implemented a corrective action plan to address this deficiency noted during a prior audit.

***Cause***

The cause of the condition found is that the Department did not document its procedures performed to follow up on deficiencies noted during its monitoring review.

***Effect***

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

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

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Questioned Costs***

None noted.

***Recommendation***

We recommend that the Department review its existing procedures and controls to ensure that all deficiencies noted during its review of provider's records are communicated to the healthcare provider and that those deficiencies are monitored to ensure that the healthcare provider corrects the matter timely.

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

Last year the Immunization Program staff put a process in place to perform and document follow up monitoring of providers when monitoring revealed deficiencies. This effort was partly but not entirely successful. We believe that the procedures adopted will solve the problem of ensuring follow-up monitoring, so the program plans to continue to improve its current efforts in this regard. The Agency Internal Audit Group has scheduled monitoring of the monitoring as a reinforcement of this effort.

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

April 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-14**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

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

**Program Award Number and Award Year**

5U58DP000800-02      6/30/2008 to 6/29/2009

3U58DP122788-05WI    6/30/2007 to 6/29/2009

***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). The A-102 Common Rule and OMB Circular A-110 (2 CFR section 215.23) provide detailed criteria for acceptable costs and contributions. The following is a list of the basic criteria for acceptable matching:

- Are verifiable from the nonfederal entity's records.
- Are not included as contributions for any other federally assisted project or program, unless specifically allowed by federal program laws and regulations.
- Are necessary and reasonable for proper and efficient accomplishment of project or program objectives.
- Are allowed under the applicable cost principles.
- Are not paid by the federal government under another award, except where authorized by federal statute to be allowable for cost sharing or matching.
- Are provided for in the approved budget when required by the federal awarding agency.
- Conform to other applicable provisions of the A-102 Common Rule and OMB Circular A-110 and the laws, regulations, and provisions of contract or grant agreements applicable to the program.

***Condition Found***

The Centers for Disease Control and Prevention – Investigations and Technical Assistance program, funds a variety of federal grants. Two of these grants, the Vermont Cancer Prevention and Control Program and the Wisewoman Grant funded by the Chronic Disease Prevention and Health Promotion Program, provide funding for cancer research, prevention, and care. The grant agreements required a 3:1 state match. This means that for every \$3 federal dollars spent, the State must spend \$1 on related program activities.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

During our testwork over the matching requirements for these two grants, we noted the following:

1. The Vermont Cancer Prevention and Control Grant uses donated services to arrive at the State's share of match required by the grant. The Department of Health (Department) receives a form from each hospital that reports an estimated cost incurred related to the hospital's use of the Vermont Cancer Registry. This estimate is used by the Department as a donated service. There are no procedures performed or other information obtained by the Department to substantiate the validity of the donated services reported by the hospital. As a result, we are unable to determine whether or not the State had provided the matching funds as specified in the grant agreement.
2. The Wisewoman Grant uses donated services to arrive at the State's share of match required by the grant. The Department received a spreadsheet from a service provider containing a variety of unreimbursed costs incurred related to this grant totaling \$79,150. These costs were considered by the Department to be a donation and used this as a portion of the State's total match requirement of \$180,287. There are no other procedures performed or information obtained to substantiate the validity of the donated services reported. As a result, we are unable to determine whether or not the State had provided the matching funds as specified in the grant agreement.

#### *Cause*

The cause of the condition found is that the Department did not perform procedures to substantiate the donated services used as State match.

#### *Effect*

The effect of the condition found is that the Department has not adequately documented donated services used to meet its required State match.

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

#### *Questioned Costs*

Not determinable.

#### *Recommendation*

We recommend that the Department review its existing procedures and controls to ensure that all donated services are adequately documented and supported.

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

The Department agrees that it did not obtain sufficient documentation in support of the matching funds provided as donated services. Hospitals already prepare cost reports for Medicare that are independently audited and that are now required documentation for the verification of Medicaid Disproportionate Share Hospital payments. It is our intent to use those cost reports or existing reports of similar dependability to establish the provision of match for the CDC programs for the year ending June 30, 2010.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

June 30, 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Finding 09-15**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Temporary Assistance for Needy Families (CFDA #93.558)

**Program Award Number and Award Year**

75-9-1552                      10/1/08 to 9/30/09

***Criteria***

A pass through entity is responsible for performing the award monitoring of subrecipients. This includes the monitoring of the subrecipients 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***

The Department of Children and Families is responsible for monitoring subrecipients under this program. During our test work over award monitoring, we were unable to obtain supporting documentation that award monitoring was performed for 3 of the 5 subrecipients selected for testwork. While each subrecipient is required to submit an invoice that documents the number of clients served and the types of outcomes reached, there currently are no procedures in place to validate the accuracy of the data submitted by the subrecipient.

***Cause***

The cause of the condition found is due to the fact that the case managers either did not document the subrecipient site visits performed or did not perform the procedures discussed above.

***Effect***

The effect of the condition found is that there is no documentation to support that during the award monitoring is being performed to ensure that each subrecipient is providing services as required by the grant agreement.

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

***Questioned Costs***

None noted.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Recommendation***

We recommend that the Department of Children and Families review its existing procedures over during the award monitoring to ensure that sufficient during the award monitoring activities are performed and adequately documented.

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

The Department for Children and Families administers a wide variety of programs and performs its subrecipient monitoring functions through a number of divisions. The Department has not developed a general standard for subrecipient monitoring, so documentation of monitoring reflects program discussions with subrecipients rather than monitoring.

***Scheduled Completion date of Corrective Action Plan***

The Department will adopt a general subrecipient monitoring checklist by June 30, 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-16**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Child Support Enforcement (CFDA #93.563)

**Program Award Number and Award Year**

0904VT4002                    3/1/09 to 9/30/09

0904VT4004                    10/1/08 to 9/30/09

0804VT4004                    10/1/07 to 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, 45 CFR sections 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) and (b)(5), 303.3(c) and, 303.4(d).

***Condition Found***

The Office of Child Support relies on a variety of Information Technology (IT) application controls to monitor their compliance with federal regulations. A test of design over IT general controls was completed in 2008 over the ACCESS system, the Office of Child Support's due diligence system, and the results revealed several deficiencies in internal control. Many of these deficiencies have not been corrected by the Agency of Human Services as of June 30, 2008. Accordingly, we are not able to rely on any system controls over this process and were unable to identify any additional manual controls over this compliance requirement.

***Cause***

The cause of the condition found is due to insufficient IT staff and resources to implement the necessary corrective actions to address the IT deficiencies.

***Effect***

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

The effect of the condition found related to IT general controls appears to be systemic in nature and is considered to be a material weakness in internal controls.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Questioned Costs***

None noted.

***Recommendation***

We recommend the Office of Child Support and the Agency of Human Services review its 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***

Office of Child Support (OCS) is very pleased with the superior level of operational performance during the 2009 OCS State Single Audit review. Areas tested during the audit exceeded the federal requirement for substantial program compliance.

The IT findings are being addressed by the Agency of Human Services IT department in conjunction with the OCS under a project called the Audit Mitigation Project. This project is focusing on the ACCESS audit findings of KPMG in the 2008 ITGC report: *Agency of Human Services (AHS)/Department of Children and Families (DCF) ACCESS*. This report addresses software used by AHS in delivering benefits to consumers.

The majority of findings were related to employee ability to access parts of ACCESS that were not necessary to complete their duties. Changes were made in FY 2010 to modify and limit access to that which is consistent with the employees' duties and responsibilities. Procedures were created to ensure proper review and authorization is obtained prior to granting access to the program. We have addressed other areas of the report and have identified processes that need further analysis to improve controls. This project is ongoing.

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

August 30, 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-17**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Child Support Enforcement (CFDA #93.563)

**Program Award Number and Award Year**

0904VT4002                      3/1/09 to 9/30/09

0904VT4004                      10/1/08 to 9/30/09

0804VT4004                      10/1/07 to 9/30/08

***Criteria***

For all cases in which an obligation to support and the amount of the obligation has been established, the State 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 State 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 State's are found at 45 CFR sections 303.71, 303.73, and 303.104.

***Condition Found***

The Office of Child Support relies on a variety of Information Technology (IT) application controls to monitor their compliance with federal regulations. A test of design over IT general controls was completed in 2008 over the ACCESS system, the Office of Child Support's due diligence system, and the results revealed several deficiencies in internal control. Many of these deficiencies have not been corrected by the Agency of Human Services as of June 30, 2009. Accordingly, we are not able to rely on any system controls over this process and were unable to identify any additional manual controls over this compliance requirement.

***Cause***

The cause of the condition found is due to insufficient IT staff and resources to implement the necessary corrective actions to address the IT deficiencies.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Effect***

The effect of the conditions found is the potential for noncompliance with federal time periods and requirements for enforcement support orders.

The conditions found appear to be systemic in nature and is considered to be a material weakness in internal controls.

***Questioned Costs***

None noted.

***Recommendation***

We recommend the Office of Child Support and Agency of Human Services review its 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***

Office of Child Support (OCS) is very pleased with the superior level of operational performance during the 2009 OCS State Single Audit review. Areas tested during the audit exceeded the federal requirement for substantial program compliance.

The IT findings are being addressed by the Agency of Human Services IT department in conjunction with the OCS under a project called the Audit Mitigation Project. This project is focusing on the ACCESS audit findings of KPMG in the 2008 ITGC report: *Agency of Human Services (AHS)/Department of Children and Families (DCF) ACCESS*. This report addresses software used by AHS in delivering benefits to consumers.

The majority of findings were related to employee ability to access parts of ACCESS that were not necessary to complete their duties. Changes were made in FY 2010 to modify and limit access to that which is consistent with the employees' duties and responsibilities. Procedures were created to ensure proper review and authorization is obtained prior to granting access to the program. We have addressed other areas of the report and have identified processes that need further analysis to improve controls. This project is ongoing.

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

August 30, 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-18**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Child Support Enforcement (CFDA #93.563)

**Program Award Number and Award Year**

0904VT4002                      3/1/09 to 9/30/09

0904VT4004                      10/1/08 to 9/30/09

0804VT4004                      10/1/07 to 9/30/08

***Criteria***

Per (45 CFR 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 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**

The Office of Child Support relies on a variety of Information Technology (IT) application controls to monitor their compliance with federal regulations. A test of design over IT general controls was completed in 2008 over the ACCESS system, the Office of Child Support's due diligence system, and the results revealed several deficiencies in internal control. Many of these deficiencies have not been corrected by the Agency of Human Services as of June 30, 2009. Accordingly, we are not able to rely on any system controls over this process and were unable to identify any additional manual controls over this compliance requirement.

***Cause***

The cause of the condition found is due to insufficient IT staff and resources to implement the necessary corrective actions to address the IT deficiencies.

***Effect***

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

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

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Questioned Costs***

None noted.

***Recommendations***

We recommend the Office of Child Support and Agency of Human Services review its 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***

Office of Child Support (OCS) is very pleased with the superior level of operational performance during the 2009 OCS State Single Audit review. Areas tested during the audit exceeded the federal requirement for substantial program compliance.

The IT findings are being addressed by the Agency of Human Services IT department in conjunction with the OCS under a project called the Audit Mitigation Project. This project is focusing on the ACCESS audit findings of KPMG in the 2008 ITGC report: *Agency of Human Services (AHS)/Department of Children and Families (DCF) ACCESS*. This report addresses software used by AHS in delivering benefits to consumers.

The majority of findings were related to employee ability to access parts of ACCESS that were not necessary to complete their duties. Changes were made in FY 2010 to modify and limit access to that which is consistent with the employees' duties and responsibilities. Procedures were created to ensure proper review and authorization is obtained prior to granting access to the program. We have addressed other areas of the report and have identified processes that need further analysis to improve controls. This project is ongoing.

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

August 30, 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Finding 09-19**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Low Income Home Energy Assistance Program (CFDA #93.568)

**Program Award Number and Award Year**

G-08B1VTLIEA            10/1/07 to 9/30/09

***Criteria***

Grantees may provide assistance to: (a) household, in which one or more individuals are receiving; Temporary Assistance for Needy Families, Supplemental Security Income, Food Stamps, or certain needs-tested veterans benefits; or (b) households with incomes which do not exceed the greater of 150% of the State's established poverty level, or 60% of the State median income. Grantees may establish lower income if the household income is less than 110% of the State's poverty level. Grantees may give priority to those households with the highest home energy costs or needs in relation to income.

***Condition Found***

During our testwork over eligibility, we noted that 1 of the 40 applicants selected for testwork was not eligible to receive benefits as the participant's income exceed the eligibility thresholds set by the Fuel Office.

***Cause***

The error was caused by the eligibility specialist not properly confirming the stated child support income on the application with the Office of Child Support.

***Effect***

The effect of the condition found is that an ineligible participant was determined to be eligible for benefits and an unallowable cost was paid.

***Questioned Costs***

\$1,619

***Recommendation***

We recommend that the Fuel Office implement the appropriate procedures to ensure that all eligibility calculations are reviewed and approved prior to payment to ensure that they are accurate and in accordance with federal regulations.

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

AHS concurs with the condition found and the effect, but we do not concur with the recommendation.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

AHS concurs that there was one error out of the 40 applications reviewed which is 97.5% accuracy rate. Overall, we consider this a high level of accuracy. The child support was disclosed by the applicant but not properly included in the income calculation due to an oversight by the employee handling the application. We believe this is an isolated event and therefore further procedures are not warranted and would not be cost effective.

AHS disagrees with the recommendation that we “ensure that they are accurate and in accordance with federal regulations”. Low Income Home Energy Assistance Program is a block grant where federal regulations are limited. Vermont has its own, more stringent, eligibility requirements. The individual that received benefits was eligible under federal regulations.

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

Corrective action is not considered necessary as we believe further procedures are not warranted and would not be cost effective.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

**Finding 09-20**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Adoption Assistance (CFDA #93.659)

Adoption Assistance – ARRA (CFDA #93.659)

**Program Award Number and Award Year**

75X0512                      7/1/08 to 6/30/09

75X0518ARRA              10/1/08 to 6/30/09

***Criteria***

A child is considered eligible to receive monthly Adoption Assistance subsidy payments until the age of 18, or until the child has finished high school.

***Conditions Found***

During our testwork over allowability, we noted that 1 of the 40 adoption subsidies selected for testwork, had been paid on behalf of a child who had exceeded the age of 18 and there was no documentation to support whether or not the child had finished high school. Due to the increase in the federal matching rate, a portion of the benefits paid during the period of October 1, 2008 – June 30, 2009 was paid for using ARRA Funds.

***Cause***

The cause of the condition found is that the child's birth date had been incorrectly entered into the system due to human error. The State contacted the child's parent and confirmed the birth date of the child was incorrect and has subsequently closed the child's case. There currently are no controls in place to detect data entry errors such as this and the error was only detected as a result of our audit.

***Effect***

The effect of the condition found is that benefits were paid for almost two years for a child that was no longer eligible to receive benefits and the Department of Children and Families (Department) was unaware of the matter.

As there were no controls in place to detect such an error, this condition found is considered to be a significant deficiency in internal controls.

***Questioned Costs***

\$12,030

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Recommendation***

We recommend that the Department review its controls and procedures to ensure that information in the system agrees to documentation contained in the child's file.

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

The division does not dispute the finding that human error led to an overpayment. The child continued his secondary education until June 2008. The subsidy should have been closed on July 31, 2008, however, it was not closed until September 2009.

**Corrective Action Taken**

This error involved the administrative staff in the subsidy program transposing the last two digits in the year of birth, when entering the child's date of birth into SSMIS. We believe this to be a rare error.

We will, however, conduct a full review of dates of birth by June 1, 2010. As the unit is staffed only by 2 people (a program manager and an administrative assistant) and there are over 1,700 cases open, we do not feel that we can complete this task sooner. For new cases, we have established a procedure that requires dates of birth to be routinely reviewed by two people.

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

June 1, 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-21**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Award Year**

75X0512	7/1/08 to 6/30/09
75X0518ARRA	10/1/08 to 6/30/09
11-W-00191/1	10/1/05 to 9/30/10
11-W-00194/1	10/1/05 to 9/30/10

**Criteria**

Section 1927 of the Social Security Act allows States to receive rebates for drug purchases the same as other payers receive. Drug manufacturers are required to provide a listing to CMS of all covered outpatient drugs and, on a quarterly basis, are required to provide their average manufacturer's price and their best prices for each covered outpatient drug. Based on these data, CMS calculates a unit rebate amount for each drug, which it then provides to States. No later than 60 days after the end of the quarter, the State Medicaid agency must provide to manufacturers drug utilization data.

Within 30 days of receipt of the utilization data from the State, the manufactures 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 the following:

- A. For six of the 40 items tested the drug utilization data were not provided to the manufacturers within 60 days of the quarter-end.
- B. For twenty-six of the 40 items tested the drug rebate invoiced amounts were not collected or disputed within 30 days of the invoice date by the manufacturer.

**Cause**

The cause of the condition found is that the Office of Vermont Health Access (OVHA) is not able to collect amounts from the manufacturer within the required time period.

**Effect**

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

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

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
Year ended June 30, 2009

***Questioned Costs***

None noted.

***Recommendation***

We recommend that OVHA review its procedures over collection from manufacturers and implement controls and procedures to ensure that the OVHA collects timely the amount owed by the manufacture in an effort to timely offset is current expenses incurred under the Medicaid program.

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

The late invoices were all for the 6/30/08 quarter. Due to work on a priority MMIS system change the invoices were not mailed before 8/28/08, the 27th being 15 days after CMS returned the report of medications purchased for the quarter ended 6/30/08 and the 29th being the 60th day after the end of the quarter. HP, as required, informed OVHA on the 26th that it hoped to have the invoices ready for review by the end of the week which was the 29th. The invoices were mailed on the following Wednesday which was two workdays after the 29th, Monday being Labor Day. The delay was not habitual but was the result of MMIS compliance workload and a national holiday. We do not believe a change in the procedures is required.

The procedure the State and HP follows when manufacturers are late in remitting drug rebates is in accordance with CMS directives. The State maintains accounting control of the rebate due and charges interest for the delinquent period. The State communicates with the manufacturer to ascertain the cause of the delinquency and when it is expected to be corrected. CMS has been clear that these are its expectations of the State.

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

Given the circumstances surrounding the situation, we do not believe a change in procedures is required.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-22**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Award Year**

75X0512	7/1/08 to 6/30/09
75X0518ARRA	10/1/08 to 6/30/09
11-W-00191/1	10/1/05 to 9/30/10
11-W-00194/1	10/1/05/to 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**

During our testwork over the IEVS system, we noted the following:

- A. Information is received from the Internal Revenue Service (IRS) regarding income reported on Form 1099. This information is uploaded into the ACCESS system, the State of Vermont's benefit eligibility system, to performed 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.
- B. The Department for Children and Families (the Department) performs two matches on a monthly basis with the Social Security Administration (SSA). The first match is referred to as the "SDX" match, which focuses on SSI income. The second match is referred to as the "Bendex" match, which focuses on SSA income. The data that is matched within Bendex is reported to the district offices for participants who have a pending application for various federal programs, Food Stamps and/or Medicaid.

In addition to the SSA data matches, the Department performs a match with the Department of Labor on a weekly basis referred to as the "UC Match". The UC Match focuses on unemployment compensation. Every month the ACCESS system produces a tape, which includes the recipient's

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

name, address, social security number, and unemployment compensation, of all pending and active Medicaid recipients.

The Department does not currently perform an earned income data match on participants as part of its eligibility process. Under the current eligibility determination process, applicants are required to self declare income at the time of the eligibility determination. If the eligibility specialist questions the information, further supporting documentation may be requested. After the initial eligibility determination has been made using the self declared income, no IEVS or other data match is performed to ensure the validity of the information supplied by the applicant. As a result, we noted the following during our eligibility testwork:

1. For 10 of the 120 participants, no income was reported by the participant on the application and no further actions were taken to validate that the participant had no income.
2. For 13 of the 120 participants, there was insufficient information to support the amount of income reported contained within the participant's file.

As a result, we were unable to conclude that these participants were eligible to receive benefits.

#### *Cause*

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 on-line transmission there are specific security measures the State needs to ensure are in place. The security measures are being researched to ensure they meet the IRS specification, which are currently in progress.

The State has also determined that self-declaration is an effective method to obtain information to support an applicant's monetary eligibility for the Medicaid program and no further validation of the amount is required.

#### *Effect*

The effect of the condition found is that applicants could be providing inaccurate information related to unearned and earned income that would impact a participant's eligibility for Medicaid and the Department would not be able to timely identify the matter. As a result, benefits could be paid on behalf of individuals not eligible for the program.

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

#### *Questioned Costs*

Not determinable.

#### *Recommendation*

We recommend that the Department review its procedures over obtaining and validating income reported by applicants that is used to determine eligibility for the Medicaid program and ensure that all information to ensure that all eligibility determinations are valid and in compliance with federal regulations.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

The State, having met the IRS security requirements, resumed the 1099 match process September 4, 2009.

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

September 4, 2009.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-23**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Award Year**

75X0512	7/1/08-6/30/09
75X0518ARRA	10/1/08-6/30/09
11-W-00191/1	10/1/05 to 9/30/10
11-W-00194/1	10/1/05 to 9/30/10

**Criteria**

A-102 Common Rule and OMB Circular A-110 requires that nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program noncompliance. This would include establishing and maintaining internal controls to provide reasonable assurance that federal awards are expended for allowable activities and that the costs of goods and services charged to federal awards are allowable and in accordance with applicable cost principles. Such controls should include controls over checking computations for accuracy and reviewing documentation to support that the cost for an allowable expenditure.

**Condition Found**

On a weekly basis the Office of Vermont Health Access (OVHA) processes a payment to the State of Vermont's third-party claims processor for the Medicaid program, Electronic Data Services (EDS). The amount to be paid is calculated by EDS and provided to the OVHA. The amount is to be reviewed and approved by OVHA's Business Administrative Unit before it is entered into the VISION system for payment. During our testwork, we found no documentation evidence to support that 4 of the 12 weekly payments were reviewed and approved by OVHA.

**Cause**

The cause of the condition found is that there was no signature or other evidence to support that the amount had been approved prior to payment.

**Effect**

The effect of the condition found is that there could have been an error in the EDS calculated amount and OVHA may not have detected the error.

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

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Questioned Costs***

None noted.

***Recommendation***

We recommend that OVHA review its existing internal control procedures to ensure that all invoices amounts are reviewed and approved prior to paying the invoiced amount and that this review and approval is documented.

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

Existing OVHA policy requires the review and approval of the EDS submission by OVHA's Business Administrative Unit. The failure to document the required review was a staff performance failure. It has been addressed by management.

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

December 31, 2009.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-24**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Award Year**

75X0512	7/1/08 to 6/30/09
75X0518ARRA	10/1/08 to 6/30/09
11-W-00191/1	10/1/05 to 9/30/10
11-W-00194/1	10/1/05 to 9/30/10

**Criteria**

State 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 HHS programs, which cover, at a minimum, an evaluation of physical and data security operating procedures and personnel practices. (45 CFR 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 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 the State, claims processing is performed through a combination of State and contractor systems and resources. For example, OVHA contracts with Electronic Data Service (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 for the information technology (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 currently does not meet the federal ADP security program requirements because there are significant elements of the requirements that have not been completed or are no longer timely. These elements include:

- The security plans for the State's Medicaid eligibility system, ACCESS, and the State's portion of the Medicaid pharmacy processing process are in draft form.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- The risk assessment pertaining to MedMetrics Health Partners and SXC Health Solutions is in draft form.
- The EDS risk assessment was last updated in 2006 and is not scheduled to be revised until 2011.

Each of the major elements of the federal system security requirements (security planning, risk assessments, and security reviews) are important components of a strong IT security program. 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.

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

***Questioned Costs***

None noted.

***Recommendation***

We recommend that AHS continue to develop a security plan for the Medicaid program that encompasses both eligibility and claims processing. In addition AHS continue to perform a comprehensive risk assessment of the Medicaid systems and control processes that includes all major State and contractor organizations.

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

AHS agrees with both audit recommendations:

1. AHS will continue to develop the security plan for the Medicaid program that encompasses both eligibility and claims processing. This work is scheduled for completion by April 1, 2010.
2. AHS will continue to perform comprehensive risk assessment of the component Medicaid systems and control processes that include all major State and contractor organizations. This work is scheduled for completion by June 1, 2010.

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

June 1, 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-25**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medical Assistance Program (CFDA #93.778)

**Federal Award Number and Award Year**

75X0512	7/1/08 to 6/30/09
75X0518ARRA	10/1/08 to 6/30/09
11-W-00194/1	10/1/05 to 9/30/10

**Criteria**

During the year ended June 30, 2009, AHS required each designated agency to insert a note within their audited financial statements that the amount of disclosed certified public expenditures available for use. We were unable to agree the amount of certified expenditures per the designated agencies financial statements to the certification letter for any of the amounts used by AHS as certified match.

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 contribution).

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**

The Agency of Human Services (AHS) utilizes certified public expenditures to fund a portion of the State's share of the Medicaid program. A certified public expenditure is a Medicaid financing mechanism permitted within the federal regulations which enables local units of government to participate with the State in funding the nonfederal portion of medical assistance expenditures. This allows public funds, certified by public agencies as representing expenditures eligible for federal financial participation, to be used as the State share and offset the need for State funds to generate the federal match. For the year ended June 30, 2009, AHS used approximately \$5.5 million related to certified public expenditures from designated agencies for health-related services.

In order to qualify as a certified public expenditure to claim federal match, expenditures must meet certain minimum requirements, including (1) falling within a relevant category of expenditures under the State's Medicaid plan and (2) that the actual expenditures incurred were a result of providing services to eligible individuals receiving medical assistance within the scope of Medicaid coverage.

During our test work over health-related services used as part of the certified public expenditures, we noted that the designated agencies are required to submit to AHS a letter certifying the amount of eligible certified public expenditure that is available for use on an annual basis. As a result, we were unable to

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

determine whether or not the value of the certified public expenditure is accurate or whether or not it met the criteria to qualify as a certified public expenditure as the designated agency does not appear to be a local unit of government.

#### *Cause*

The cause of the condition found is the certified expenditure total per the audited financial statements did not agree to the amount included by the State as certified match.

#### *Effect*

The effect of the condition found is that AHS is not able to substantiate the value used to determine the certified public expenditures or that the funding came from a local unit of government, 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 review its existing controls and procedures to ensure that the source of funds for all certified state match components is properly documented that it come from a local source of government and that the value of the related certified public expenditures is properly supported and reviewed for accuracy.

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

During 2009, AHS implemented procedures to ensure the source of the 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. Effective with the FY09, AHS has required the designated agencies to disclose the match in their audited financial statements.

As stated in condition found, the designated agencies are required to submit to AHS a letter certifying the amount of eligible certified public expenditure that is available for use on an annual basis. This measure is intended to be prospective in nature. AHS subsequently compares the prospective amount to the audited financial statements to ensure that the amount claimed by the State as match has been verified by independent audit. For 2009 it was found that the amount reported on the audited financial statements exceeded the amount used as match.

During test work the auditor noted that they were unable to agree the amount of the certified expenditures per the designated agencies audited financial statements to the certified expenditure total contained in the certification letter the designated agency provided to AHS. In the prior year, an audit finding was in place because the state did not verify the amount reported in the certification letter. It is unclear why in the current year the certification letters would hold any weight against the audited financial statements when these letters have previously been dismissed.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

We agree that the designated agencies are not a local unit of government. We do disagree that it is unclear that the source of funding is allowable. Previous regulations were over written by congress and the CMS regulation has been negated. 42 CFR §433.51 is currently in force and states public funds may be considered as the State's share in claiming FFP if they are certified by the contributing public agency as representing expenditures eligible for FFP.

***Scheduled Completion Date for Corrective Action Plan***

State fiscal year 2009.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-26**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medical Assistance Program (CFDA #93.778)

**Federal Award Number and Award Year**

75X0512                      7/1/08 to 6/30/09

75X0518ARRA              10/1/08 to 6/30/09

11-W-00194/1              10/1/05 to 9/30/10

***Criteria***

In accordance with the 1115 Demonstration Waiver, Global Commitment to Health (the Waiver), once the Managed Care Organization's (MCO) contractual obligation to the population covered under the Waiver is met, any excess revenue from capitation payments under the Waiver must be used to (1) reduce the rate of uninsured and, or underinsured in Vermont; (2) increase the access of quality healthcare to uninsured, underinsured and Medicaid beneficiaries; (3) provide public health approaches to improve the health outcomes and the quality of life for the uninsured, underinsured and Medicaid beneficiaries; and (4) encourage the formation and maintenance of public-private partnerships in healthcare. This revenue is referred to as MCO Investments.

***Conditions Found***

We selected MCO Investment payments of approximately \$54.3 million out of the total \$62.4 million of MCO Investment payments made for the year ended June 30, 2009 for testing and noted the following:

- A. MCO Investments totaling \$881,043 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 by 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. As a result, we are unable to determine if this expense met the MCO Investment definition.
  
- B. MCO Investments totaling \$4,006,156 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 MOU 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 the MCO Investment definition.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- C. MCO Investments totaling \$1,522,578 were paid to help fund the Health Laboratory program administered by the Department of Health. The funds paid under this program were to have met MCO Investment category 2, as defined above. The total costs incurred under this program were allocated to the MCO Investment using a rate of 54%, which represented the Department of Health's estimated percentage of Vermonters that are uninsured, underinsured, or Medicaid eligible. While the costs selected for testwork under this program appeared to be health care related, we were unable to obtain evidence to support the reasonableness of the 54% allocation rate to ensure that the costs were appropriately allocated to meet the MCO Investment definition.
- D. MCO Investments totaling \$1,395,135 were paid to help fund the Blueprint for Health program administered by the Department of Health. The funds paid under this program were to have met MCO Investment category 2, as defined above. The total costs incurred under this program were allocated as an MCO Investment using a rate of 54%, which represented the Department of Health's estimated percentage of Vermonters that are uninsured, underinsured, or Medicaid eligible. While the costs selected for testwork under this program appeared to be health care related, we were unable to obtain evidence to support the reasonableness of the 54% allocation rate to ensure that the costs were appropriately allocated to meet the MCO Investment definition.
- E. MCO Investments totaling \$2,997,668 were paid to help fund the Substance Abuse Treatment program administered by the Department of Health. The funds paid under this program were to have met MCO Investment category 2, as defined above. The total costs incurred under this program were allocated as an MCO Investment using a rate of 54%, which represented the Department of Health's estimated percentage of Vermonters that are uninsured, underinsured, or Medicaid eligible. While the costs selected for testwork under this program appeared to be health care related, we were unable to obtain evidence to support the reasonableness of the 54% allocation rate to ensure that the costs were appropriately allocated to meet the MCO Investment definition.
- F. MCO Investments totaling \$726,264 were paid to help fund the Immunization program administered by the Department of Health. The funds paid under this program were to have met MCO Investment category 2, as defined above. The total costs incurred under this program were allocated as an MCO Investment using a rate of 54%, which represented the Department of Health's estimated percentage of Vermonters that are uninsured, underinsured, or Medicaid eligible. While the costs selected for testwork under this program appeared to be health care related, we were unable to obtain evidence to support the reasonableness of the 54% allocation rate to ensure that the costs were appropriately allocated to meet the MCO Investment definition.
- G. MCO Investments totaling \$9,392,213 were used to help 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.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

- H. MCO Investments totaling \$2,591,613 were used to help 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, we are unable to determine that these costs are healthcare-related and, accordingly, if the costs meet the definition of MCO Investment category 2.
- I. MCO Investments totaling \$978,886 were used to help fund payments made for the Therapeutic Care 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 provide services to children who are considered at risk for developmental delays due to their individual special needs or to familial risk factors including issues of abuse or neglect, substance abuse, domestic violence, and incarceration of a parent. The child care services are provided by specialized child care providers who have received training in working with at risk children and their families. The payments made under this program are paid directly to the provider. We were unable to obtain evidence to support that the provider used this payment for healthcare-related services. As such, we are unable to determine that these costs are healthcare related and, accordingly, if the costs meet the definition of MCO Investment category 2.
- J. MCO Investments totaling \$522,058 were used to help fund payments made for the DS Special Payments for Medical Services program, administered by the Department of Disabilities, Aging and Independent Living. Funds paid under this program were to have met MCO Investment category 2, as defined above. The costs incurred under this program represented payments for dental services, adaptive equipment, and other ancillary services not covered by Medicaid. The payments also include non fee-for-service one-time grant payments to assist provider agencies in meeting the needs of individuals with developmental disabilities – those who are Medicaid-eligible, uninsured, or underinsured. One of the 2 costs selected for testwork related to nine court settlement judgments. There was no documentation to support that this amount was an allowable MCO Investment. Additionally, lawsuit settlements are not allowable costs in accordance with OMB Circular A-87.
- K. MCO Investments totaling \$527,956 were used to help 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 Investment 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.
- L. MCO Investments totaling \$1,997,499 were used to help fund the Community Rehabilitative Care Program administered by the Department of Corrections. Funds incurred under this program were to

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

have met MCO Investment category 2, as defined above. The services under this program represented salary costs of Probation and Parole Officers that provide case management services and construct and implement case plans to address criminogenic behaviors. Costs were allocated to this program using a rate of 38%, which is an estimate made by the Department of Corrections as to the percentage of Vermont residents who are uninsured, underinsured or Medicaid eligible 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 evidence 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 service 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 AHS and the Office of Vermont Health Access have developed procedures for defining how they interpret the types of costs that are allowable under each MCO Investment category, we were unable to conclude that each of the costs selected above was allowable under the narrow definition provided within the Waiver. Based on the lack of documentation to support the rationale for how these costs were allocated to the program, we consider this to be a material weakness in internal controls.

#### *Cause*

The cause of the condition found is the lack of documentation to support how costs are determined to be an allowable MCO Investment and documentation to support the methodologies used to allocate costs to an MCO Investment.

#### *Effect*

The effect of the condition found is that costs may be charged to this program that are not allowable under federal regulations.

The 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 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 has implemented procedures for the approval of MCO Investments and for the documentation of that process. Those documents have been made available to the auditor. AHS believes that this finding arises from a difference in understanding of the terms of the waiver between itself and the auditors, and not from a lack of documentation. AHS and CMS are in continuous discussions of the nature of the demonstration and its progress. Evaluation of the demonstration is an essential part of the waiver process and is ongoing.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

The adequacy of documentation of the demonstration is an element of that ongoing discussion and evaluation.

As noted under ‘conditions found’, several MCO Investments are allocated using a rate that represents the percentage of Vermonters that are uninsured, underinsured, or Medicaid eligible. As made known to the auditors, this rate is based on the results of the Vermont Household Health Insurance Survey performed by Vermont Department of Banking, Insurance, and Health Care Administration (BISHCA). BISHCA has contracted with experts in the field of survey methodology to complete the surveys and prepare the report. We are confident that it is unnecessary for AHS to assess the accuracy of the work completed by national experts in the field when AHS does not share this expertise. According to information in the BISHCA report, the rate of uninsured, underinsured, or Medicaid eligible Vermonters in 2009 was 60.6%. VDH continued to use 54% allocation method which is conservative compared to the actual allowable allocation rate.

Conditions found, letter J addresses a court settlement. We disagree with this finding to the extent that the auditor questions that it is an allowable MCO Investment and states that being a payment of a lawsuit settlement it is nonallowable. In this situation, a consumer applied for Medicaid benefits and was denied. The consumer brought suit to obtain coverage for medical expenses. The Stipulation to Settlement was supplied during audit and is itself documentation of the nature of payments made. The nature of the payment was established in court and agreed upon by both parties as reimbursement for retroactive benefits. In addressing the lawsuit payment being nonallowable, the auditor is referencing OMB Circular A-87, Attachment B, Section 16 Fines and Penalties. This states “fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with, federal, state, local, or Indian tribal laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the federal award or written instructions by the awarding agency authorizing in advance such payments.” Reimbursement for eligible expenses should not be considered a fine or penalty, even when paid as a result of a court order.

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

No further corrective action is considered necessary.

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

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-27**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medical Assistance Program (CFDA #93.778)

**Federal Award Number and Award Year**

75X0512	7/1/08 to 6/30/09
75X0518ARRA	10/1/08 to 6/30/09
11-W-00194/1	10/1/05 to 9/30/10

**Criteria**

As required by the 1115 Demonstration Waiver, Global Commitment to Health (the Waiver), once the Managed Care Organization (MCO)'s contractual obligation to the population covered under the Waiver is met, any excess revenue from capitated payments received under the Waiver must be used to (1) reduce the rate of uninsured and, or underinsured in Vermont; (2) increase the access of quality healthcare to uninsured, underinsured and Medicaid beneficiaries, (3) provide public health approaches to improve the health outcomes and the quality of life for the uninsured, underinsured and Medicaid beneficiaries; or (4) encourage the formation and maintenance of public-private partnerships in healthcare. The excess revenue is referred to as MCO Investments.

Matching or cost sharing includes requirements to provide contributions (usually nonfederal) of a specified amount or percentage to match federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions). Entities are required to provide reasonable assurance that matching requirements are met using only allowable funds or costs that are properly calculated or valued. Additionally, under the standard terms and conditions of the Waiver, unless specified otherwise, all requirements of the Medicaid program apply to the Waiver, which includes the requirement that all sources of nonfederal funding be compliant with section 1903(w) of the Social Security Act and applicable regulations.

**Condition Found**

The Agency of Human Services (AHS) used school-based health service expenditures to fund a portion of the State's share of the Medicaid program. To determine the amount of school-based health service expenditures that AHS will use annually to fund the State share of the Medicaid program, the Vermont Department of Education reports to AHS the total cost of school nursing and occupational therapy services provided to all students free of charge. The Vermont Department of Education collects information from each school district that reports the costs associated with the school-based health services which is then submitted to AHS. AHS then multiplies the total cost incurred by the school districts by the estimated percentage of uninsured, underinsured or Medicaid eligible children in the State of Vermont in order to determine the state matching expenditures. The estimated percentage used in the calculation has been developed, in part, from data contained in the 2008 Vermont Household Health Insurance Survey.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

During our test work, we noted the following:

- 1 For the year ending June 30, 2009, AHS utilized \$8,956,247 in expenditures related to school nurse services to secure federal matching funds of approximately \$13.7 million. The amount of school nurse expenditures were calculated using amounts reported, as incurred, by Vermont school districts and reported by them to the Vermont Department of Education and then to AHS. In arriving at the \$8,956,247, the amount provided by the school districts was multiplied by a percentage estimate of uninsured, underinsured or Medicaid eligible children in the state. This percentage was developed, in part, from data contained in the 2008 Vermont Household Health Insurance Survey.

The school nurse expenditure data and the data supporting the percentage were not audited and AHS does not have any procedures to validate the completeness or accuracy of either of these data sources. Accordingly, we were unable to determine whether the \$8,956,247 of school nurse expenditures used to support the state match were allowable or whether the related federal matching funds of approximately \$13.7 million should have been drawn down.

- 2 AHS has also included the school nurse expenditures relating to school-based health care services of \$8,956,247 as an MCO Investment. As discussed above, MCO Investments are to be funded from excess revenue from capitated payments received under the Waiver, however, no funds under the Waiver were used to pay for school-based health care services. Rather, the costs incurred related to the school-based health care services were paid for out of the State's Education Fund. As a result, we are unable to determine whether or not these costs represent a valid MCO Investment.

#### *Cause*

The cause of the condition found is that AHS believed that if the funds were paid as an MCO Investment, that it would represent an allowable Medicaid expenditure and therefore a valid source of matching funds under this program.

#### *Effect*

The State may not have provided the necessary required state match under this program. As a result, the State may have inappropriately drawn down federal funds due to a lack of required state match being made available at the time of the federal draw.

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

#### *Questioned Costs*

Not determinable.

#### *Recommendation*

We recommend that AHS implement policies and procedures for documenting how it has provided the required state match for the Medicaid program and that the source of the match is allowable and accurate. In compiling this documentation, AHS, with the assistance of internal legal counsel as needed, should document its interpretation of any material program requirements used to support its position.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

We also recommend that AHS review its existing procedures for documenting the allow ability of all MCO Investments to ensure that all such investments are properly accounted for within the Global Commitment Fund.

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

AHS believes that it can appropriately rely on work of other State agencies. The Department of Education (DOE) annually conducts the nurse expenditure survey. DOE provides instructions for the Supervisory Unions to complete the information request. DOE compiles the results and submits the information to AHS. AHS does not audit or otherwise verify this information because we believe we can rely on schools to correctly report their expenditures to the Department of Education.

The percent of uninsured, underinsured and Medicaid eligible Vermonters in 2009 has been established to be 60.6%. As made known to the auditors, this rate is based on the results of the Vermont Household Health Insurance Survey performed by Vermont Department of Banking, Insurance, and Health Care Administration (BISHCA). BISHCA contracts with experts in the field of survey methodology to complete the surveys and prepare the report. We have reviewed the BISHCA's contract for the survey and do not believe it is necessary or appropriate for AHS to assess the accuracy of the work completed by national experts in the field.

The State disagrees with the auditors requirement in the statement that "data and data supporting the percentage were not audited." 42 CFR Section 435.51 (b) requires the expenditures "that are supportable by auditable documentation". We believe the information provided to DOE from the schools is supportable by auditable documentation.

AHS recognizes the ambiguity pertaining to the use of the State DOE MCO Investment expenditures for match. However, if accounting entries were made showing the flow of funds going into the Global Commitment Fund and payment of an MCO Investment to the Education Fund the ending balances in all accounts affected would not differ from the current existing balances. As recommended, AHS will consult with internal legal counsel regarding the necessity for the creation of the accounting entries to justify the collection of Federal Financial Participation.

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

No further corrective action is considered necessary at this time.

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

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-28**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medical Assistance Program (CFDA #93.778)

**Federal Award Number and Award Year**

75X0512 ARRA                7/1/08 to 6/30/09

11-W-00194/1                10/1/05 to 9/30/10

***Criteria***

Federal agencies must require recipients to agree to: (1) separately identify to each subrecipient, and document at the time of the subaward and disbursement of funds, the federal award number, CFDA number, and the amount of American Recovery and Reinvestment Act (ARRA) funds; and (2) require their subrecipients to provide similar identification in their Schedule of Expenditures of Federal Awards (SEFA) and SF-SAC (Data Collection Form).

***Condition Found***

During our testwork related to MCO Investments payments, we noted that our testwork sample tested contained payments that were made under 16 subrecipient grants and 1 memorandum of understanding (MOU). We noted during our review of the subrecipient grant agreements and the MOU that the Agency of Human Services (AHS) did not amend the subrecipient grant agreement or MOU to notify the recipients that a portion of their funding would be paid using ARRA funds. In addition, there was no evidence to support that AHS subsequently notified each recipient of the amount of ARRA funds paid so that the recipient could properly include the expenditure information on their SEFA or Data Collection Form.

***Cause***

The cause of the condition found is that the grants and contracts were not updated during state fiscal year 2009 to notify subrecipients of the payment ARRA funds and any ARRA requirements.

***Effect***

The effect of the condition found is that grantees were not made aware of the amount of ARRA funds received and were unable to properly report the amounts on their SEFA and Data Collection Forms.

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

***Questioned Costs***

None noted.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

***Recommendation***

We recommend that AHS review its procedures for communicating with grantees changes in agreements to ensure compliance with above stated requirement.

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

The State has made a separate notification of the recipients of MCO Investments of the proportion of the award that is comprised of the increased FMAP made available through ARRA for state fiscal year (SFY) 2009 and an estimate of the ARRA funding in SFY 2010. When the actual ARRA increased FMAP for SFY 2010 is known the State will provide a final percentage of ARRA funds in each MCO Investment to the recipients.

***Scheduled Completion Date for Corrective Action Plan***

June 2010.

***Contact for Corrective Action Plan***

Ursula Boehringer, Audit Chief, Agency of Human Services, 802-241-1047.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-29**

U.S. Department of Homeland Security

**Program Name and CFDA Number**

Public Assistance Grants (CFDA #97.036)

**Federal Award Number and Award Year**

Declaration 1784	7/18/08
Declaration 1790	7/21/08 to 8/12/08
Declaration 778	6/14/08 to 6/17/08
Declaration 1816	12/11/08 to 12/18/08

**Criteria**

All administrative costs must be supported by source documentation as canceled checks, paid bills, payrolls, time and attendance records, contracts and subgrant award documentation, etc. If the Indirect Cost Rate exceeds the 5% 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. (44 CFR 13.20)

The Federal Emergency Management Administration (FEMA) will pay seventy-five percent (75%) of the eligible cost or permanent restorative work under section 406 of the Stafford Act and for emergency work under section 403 and section 407 of the unless the federal share is increased under this section. (44 CFR section 206.47(a))

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

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 13.21. Each large project shall be submitted as soon as practicable after the subgrantee has completed the approved work and request payment. (44 CFR section 206.205(b)(1))

**Condition Found**

During our testwork over costs incurred under this program, we selected a sample of 30 subrecipient projects and noted the following:

1. For 4 of 30 projects, the subrecipient was allocated 3% of the total project costs to be used for administrative costs as directed by FEMA. No documentation was obtained from the subrecipient to support that the costs had been used for administrative purposes related to the project.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

2. The Agency of Transportation (Agency) requires that subrecipients contribute funds to assist the Agency in meeting the 25% matching requirement under this program. The Agency did not monitor or validate that the subrecipient provide an eligible source of matching funds for 8 of the 30 projects selected for testwork.
3. For 4 of 30 projects, the projects related to small projects that were not 100% completed at the time that an original assessment visit was made by FEMA and the Agency. The Agency did not perform additional monitoring procedures over these small projects to ensure that the costs incurred were appropriate beyond obtaining a certification that the project was completed by the grantee.
4. For 5 of 25 projects, the Agency obtained a certification of completion from the subrecipient to support that the project costs were allowable. However, the Agency does not make a certification to FEMA as required by federal regulations. Instead, the Agency forwarded to FEMA the information received by the subrecipient.

#### *Cause*

The cause of the condition found is due to the fact that the Agency did not have adequate procedures and controls in place to properly monitor all subrecipients. This included having procedures in place to monitor allowable costs, source of matching funds and ensuring that all required certifications were made to FEMA.

#### *Effect*

The effect of the condition found is that the Agency does not have adequate documentation to support that all subrecipients incurred valid expenditures related to the FEMA fund projects. In addition, there is inadequate documentation to support that the Agency met the required state matching share to be eligible for federal funds. Finally, the Agency did not make the required federal certification for all of its FEMA funded projects.

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

#### *Questionable Costs*

Not determinable.

#### *Recommendation*

We recommend that the Agency review its existing procedures over monitoring all public assistance grants to ensure compliance with each of the above stated requirements. This would include ensuring that there is proper monitoring over allowable costs, matching requirements provided by the grantee and monitoring over small projects.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

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

Administrative Costs

We no longer reimburse administrative costs to individual towns. This change was documented in our latest procedure, effective April 30, 2009. These projects were prior to April 30, 2009.

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

Complete.

Matching Share

In order to verify the local match on a small project, the project documents used by the district staff during the visual inspection will be modified to include a percentage breakdown of all costs for the project. The source of the local match will be identified as part of this breakdown and signed by the district staff.

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

January 31, 2010.

Project and Subrecipient Monitoring

Small projects only require a visual inspection at the end of the project. We have developed a procedure to include a requirement that a member of district staff signs off on a completed project.

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

Project Certifications

When we obtain certification of completions and support from subrecipients, the VTrans program manager for FEMA will certify and forward to FEMA via a cover letter to include project information.

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

January 31, 2010.

***Contact Person:*** Martin Churchill, Financial Manager II, 802-828-2719  
Alec Portalupi, AOT Manager V, 802-828-3889  
Mike Amell, Audit Supervisor, 802-828

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2009

**Finding 09-30**

U.S. Department of Homeland Security

**Program Name and CFDA Number**

Public Assistance Grants (CFDA #97.036)

**Federal Award Number and Award Year**

Declaration 1784	7/18/08
Declaration 1790	7/21/08 to 8/12/08
Declaration 1778	6/14/08 to 6/17/08
Declaration 1816	12/11/08 to 12/18/08

**Criteria**

In accordance with the Federal Emergency Management Administration (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 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. We noted that all of the reports filed for the quarter ended September 30, 2008 were not filed within the 30-day time period required under the FEMA-State Agreement.
- B. We noted that all of the reports filed for the quarters ended September 30, 2008 and June 30, 2009 contained several inaccuracies in calculations which were not accurate as required under federal regulations.
- C. We noted that all of the reports filed for the quarter ended September 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 activity during the reporting period as required under federal regulations.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

Year ended June 30, 2009

#### *Cause*

There is no notification that the report is overdue or nearing its due date. In addition, there does not appear to be any controls in place to ensure the mathematical accuracy of the data used to compile the reports.

#### *Effect*

As there are no controls in place to monitoring when reports are due, reports would typically go on without being filed until a later date when time allowed. Due to the lack of controls over the accuracy of the federal report, there were several mathematical calculations contained within the spreadsheet caused miscalculations of the financials. Inaccurate project eligible amounts were utilized causing the amounts to be incorrectly computed. In addition, there is monitoring over subrecipient expenditures was documented for several projects. As a result, the expenditures of the subrecipients were unable to be obtained, resulting in management making an estimate as to the actual expenditures of the subrecipients for the reporting period.

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

#### *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 the FEMA-State Agreement. 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*

FEMA is requiring that we now use the 425 Form. This change was documented in our latest procedure, effective April 30, 2009. We are taking steps to assure the timeliness and accuracy of these reports.

#### *Scheduled Completion Date:*

January 31, 2010.

**Contact Person:** Martin Churchill, Financial Manager II, 802-828-2719  
Alec Portalupi, AOT Manager V, 802-828-3889  
Mike Amell, Audit Supervisor, 802-828-2406