



**STATE OF VERMONT**

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

Year ended June 30, 2010

(With Independent Auditors' Report Thereon)

# STATE OF VERMONT

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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***

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, 2010, which collectively comprise the State's basic financial statements and have issued our report thereon dated December 20, 2010. Our report was modified to include a reference to other auditors and included an explanatory paragraph regarding the State adopting the provisions of Governmental Accounting Standards Board (GASB) Statements No. 51, *Accounting and Financial Reporting for Intangible Assets* and No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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, the Vermont Information Technology Leaders, Inc. 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 deficiency in State's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as finding 2010-02 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and questioned costs as finding 2010-01 to be a significant deficiency 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*.

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 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 20, 2010



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

Suite 400  
356 Mountain View Drive  
Colchester, VT 05446

**Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on 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 of the State of Vermont  
General Assembly, State of Vermont  
State House  
Montpelier, Vermont:

**Compliance**

We have audited the State of Vermont's (the State) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each the State's major programs for the year ended June 30, 2010. 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 described below and in the accompanying schedule of findings and questioned costs, the State did not comply with certain requirements that are applicable to certain of its major federal programs. Compliance with such requirements is necessary, in our opinion, for the State 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>
Department of Education	SFSF Cluster	Subrecipient Monitoring	10-17
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	10-19
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	10-20
Agency of Human Services	Child Support Enforcement	Special Tests and Provisions	10-21
Agency of Human Services	Medicaid Cluster	Special Tests and Provisions	10-23
Agency of Human Services	Medicaid Cluster	Allowability	10-24
Agency of Human Services	Medicaid Cluster	Special Tests and Provisions	10-25
Agency of Human Services	Medicaid Cluster	Allowability	10-26
Agency of Human Services	Medicaid Cluster	Matching	10-27
Agency of Human Services	Medicaid Cluster	Eligibility	10-28
Agency of Transportation	Disaster Grants – Public Assistance (Presidentially Declared Disaster)	Allowability, Matching, Subrecipient Monitoring, Special Tests and Provisions	10-29
Agency of Transportation	Disaster Grants – Public Assistance (Presidentially Declared Disaster)	Reporting	10-30

In our opinion, except for the noncompliance described in the preceding table, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct or material effect on each of its major federal programs for the year ended June 30, 2010. 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 10-01, 10-02, 10-03, 10-04, 10-05, 10-06, 10-07, 10-08, 10-09, 10-10, 10-11, 10-12, 10-13, 10-14, 10-15, 10-16, 10-18, and 10-22.

### **Internal Control over Compliance**

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is 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 compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.



A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weaknesses internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 10-17, 10-19, 10-20, 10-21, 10-23, 10-24, 10-25, 10-26, 10-27, 10-28, 10-29, and 10-30, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance We consider the deficiencies in internal control over compliance described in the a accompanying schedule of findings and questioned costs as items 10-01, 10-02, 10-04, 10-05, 10-06, 10-07, 10-08, 10-09, 10-10, 10-11, 10-12, 10-14, 10-15, 10-16, 10-18, and 10-22 to be significant deficiencies.

#### **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, 2010, and have issued our report thereon dated December 20, 2010, which referred to the use of the reports of other auditors and to the adoption of Governmental Accounting Standards Board (GASB) Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. 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 31, 2011 (except for the schedule of expenditures  
of federal awards, which is as of December 20, 2010)

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

CFDA number	Federal agency/program type	Expenditures	Amounts passed through to subrecipients	Amounts transfer to state agencies
Direct grants:				
Monetary awards:				
U.S. Department of Agriculture:				
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 337,115	—	—
10.156	Federal-State Marketing Improvement Programs	41,427	—	—
10.163	Marketing Protection and Promotion	21,955	—	—
10.169	Specialty Crop Block Grant Program	155,281	97,787	—
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	643,785	—	—
10.551	Supplemental Nutritional Assistance Program	20,628,570	—	—
10.553	School Breakfast Program	4,547,839	4,540,655	12,103
10.555	National School Lunch Program	12,845,008	12,826,122	24,205
10.556	Special Milk Program for Children	53,887	53,887	—
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	13,707,270	—	—
10.558	Child and Adult Care Food Program	4,636,816	4,571,834	—
10.559	Summer Food Service Program for Children	471,489	439,187	6,925
10.560	State Administrative Expenses for Child Nutrition	392,638	—	—
10.561	State Administrative Matching Grants for Supplemental Nutritional Assistance Program	11,071,446	2,151,611	—
10.565	Commodity Supplemental Food Program	258,696	258,696	—
10.568	Emergency Food Assistance Program (Administrative Costs)	82,830	77,830	—
10.568	ARRA-Emergency Food Assistance Program (Administrative Costs)	73,237	73,237	—
10.572	WIC Farmers' Market Nutrition Program (FMNP)	71,883	—	—
10.574	Team Nutrition Grants	27,025	—	—
10.576	Senior Farmers Market Nutrition Program	91,280	51,974	—
10.578	ARRA-WIC Grants To States (WGS)	107,230	—	—
10.579	ARRA-Child Nutrition Discretionary Grants Limited Availability	213,897	213,897	—
10.580	Supplemental Nutrition Assistance Program Outreach/ Participation Project	545,999	32,602	—
10.582	Fresh Fruit and Vegetable Program	588,363	479,363	—
10.664	Cooperative Forestry Assistance	1,321,771	394,278	—
10.665	Schools and Roads – Grants to States	364,183	364,183	—
10.672	Rural Development, Forestry, and Communities	292,306	202,332	—
10.676	Forest Legacy Program	1,060,476	—	—
10.688	ARRA-Recovery Act of 2009: Wildland Fire Management	41,774	—	—
10.769	Rural Business Enterprise Grants	49,038	47,500	—
10.776	Agriculture Innovation Center	101,204	—	—
10.912	Environmental Quality Incentive Program	24,670	—	—
10.999	Long Term Standing Agreements For Storage, Transportation and Lease.	294,542	—	—
		<u>75,164,930</u>	<u>26,876,975</u>	<u>43,233</u>
U.S. Department of Commerce:				
11.555	Public Safety Interoperable Communications Grant Program	651,468	572,671	31,746
		<u>651,468</u>	<u>572,671</u>	<u>31,746</u>
U.S. Department of Defense:				
12.002	Procurement Technical Assistance For Business Firms	235,071	—	—
12.100	Aquatic Plant Control	178,083	78,364	—
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	24,434	—	—
12.400	Military Construction, National Guard	2,352,624	—	—
12.401	National Guard Military Operation and Maintenance (O&M) Projects	11,754,862	—	—
12.401	ARRA-National Guard Military Operation and Maintenance (O&M) Projects	1,271,801	—	—
12.404	National Guard ChalleNGe Program	501,585	—	—
		<u>16,318,460</u>	<u>78,364</u>	<u>—</u>
U.S. Department of Housing and Urban Development:				
14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14,716,403	14,333,665	—
14.231	Emergency Shelter Grants Program	376,570	240,340	—
14.239	Home Investment Partnerships Program	3,214,575	3,072,463	—
14.255	ARRA – Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii – (Recovery Funded)	931,095	911,713	—
14.257	ARRA-Homelessness Prevention and Rapid Re-Housing Program (HPRP) (Recovery Act Funded)	1,671,134	1,629,976	—
14.999	Office of Fair Housing-Assistance Grant	142,342	—	—
		<u>21,052,119</u>	<u>20,188,157</u>	<u>—</u>
U.S. Department of Interior:				
15.605	Sport Fish Restoration Program	3,846,830	10,922	—
15.608	Fish and Wildlife Management Assistance	70,684	43,143	—
15.611	Wildlife Restoration	2,328,985	—	—
15.615	Cooperative Endangered Species Conservation Fund	527,705	506,300	—
15.616	Clean Vessel Act	4,606	2,622	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

CFDA number	Federal agency/program type	Expenditures	Amounts passed through to subrecipients	Amounts transfer to state agencies
15.622	Sportfishing and Boating Safety Act	\$ 51,653	38,116	—
15.631	Partners for Fish and Wildlife	2,615	—	—
15.633	Landowner Incentive Program	218,711	—	—
15.634	State Wildlife Grants	529,703	158,656	—
15.650	Research Grants (Generic)	30,000	—	—
15.810	National Cooperative Geologic Mapping Program	40,247	448	—
15.904	Historic Preservation Fund Grants-In-Aid	485,553	34,805	—
15.916	Outdoor Recreation – Acquisition, Development and Planning	506,158	178,483	—
15.929	Save America's Treasures	58,295	—	—
		<b>8,701,745</b>	<b>973,495</b>	<b>—</b>
	U.S. Department of Justice:			
16.017	Sexual Assault Services Formula Program	78,774	101,889	—
16.523	Juvenile Accountability Block Grants	187,404	—	—
16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	442,703	442,703	—
16.541	Part E Developing, Testing and Demonstrating Promising New Programs	398,882	415,203	—
16.554	National Criminal History Improvement Program (NCHIP)	248,539	—	128,427
16.560	National Institute of Justice Research, Evaluation and Development Project Grants	106,195	—	—
16.575	Crime Victim Assistance	1,257,910	626,545	635,724
16.576	Crime Victim Compensation	219,927	—	—
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	730,182	86,870	—
16.582	Crime Victim Assistance/Discretionary Grants	6,656	—	—
16.588	Violence Against Women Formula Grants	711,421	335,997	356,264
16.588	ARRA-Violence Against Women Formula Grants	340,275	105,991	119,821
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	249,247	211,790	57,866
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	355,220	221,944	154,693
16.593	Residential Substance Abuse Treatment for State Prisoners	31,543	—	31,543
16.606	State Criminal Alien Assistance Program	30,648	—	—
16.607	Bulletproof Vest Partnership Program	26,658	—	—
16.609	Project Safe Neighborhoods	36,383	—	—
16.710	Public Safety Partnership and Community Policing Grants	1,608,104	176,763	90,000
16.727	Enforcing Underage Drinking Laws Program	412,183	283,344	17,500
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	280,859	—	—
16.738	Edward Byrne Memorial Justice Assistance Grant Program	488,402	53,591	—
16.740	Statewide Automated Victim Information Notification (SAVIN)	114,253	—	—
16.741	Forensic DNA Backlog Reduction Program	110,369	—	—
16.742	Paul Coverdell Forensic Science Improvement Grants Program	106,357	—	19,400
16.744	Anti-Gang Initiatives	22,595	—	—
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	18,630	—	—
16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program	35,325	—	—
16.750	Support for Adam Walsh Act Implementation Grant Program	38,698	—	—
16.753	Congressionally Recommended Awards	260,676	—	—
16.801	ARRA-Recovery Act – State Victim Compensation Formula Grant Program	323,516	85,000	185,117
16.802	ARRA-Recovery – Act State Victim Compensation Formula Grant Program	57,951	—	—
16.803	ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	422,061	47,714	—
16.810	ARRA-Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	21,284	—	—
16.999	ATF Task Force	52,628	—	—
16.999	Drug Enforcement Administration – DEA	27,168	—	—
16.999	Marijuana Eradication	19,730	—	—
16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice and Treasury)	188,779	15,444	—
16.999	New England High-Intensity Drug Trafficking Areas (HIDTA)	50,364	—	—
16.999	U.S. Marshall's District Fugitive Task Force	272	—	—
16.999	FBI Joint Terrorism Task Force	1,108	—	—
16.999	Bordergap	1,532	—	—
16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice and Treasury)	5,773	—	—
		<b>10,127,184</b>	<b>3,210,788</b>	<b>1,796,355</b>
	U.S. Department of Labor:			
17.002	Labor Force Statistics	698,732	—	—
17.005	Compensation and Working Conditions	27,851	—	—
17.151	ARRA – Employee Benefits Security Administration (EBSA)	81,191	—	—
17.207	Employment Service/Wagner – Peyser Funded Activities	2,952,079	—	—
17.207	ARRA-Employment Service/Wagner – Peyser Funded Activities	884,368	—	—
17.225	Unemployment Insurance	187,033,496	—	—
17.225	ARRA-Unemployment Insurance	117,440,188	—	—
17.235	Senior Community Service Employment Program	625,291	608,524	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

CFDA number	Federal agency/program type	Expenditures	Amounts passed through to subrecipients	Amounts transfer to state agencies
17.235	ARRA Senior Community Service Employment Program	\$ 131,170	124,670	—
17.245	Trade Adjustment Assistance	625,050	—	—
17.258	WIA Adult Program	2,299,627	—	—
17.258	ARRA-WIA Adult Program	1,019,064	4,100	—
17.259	WIA Youth Activities	2,093,070	155,920	—
17.259	ARRA-WIA Youth Activities	2,474,132	771,050	95,996
17.260	WIA Dislocated Workers	1,246,118	10,426	—
17.260	ARRA-WIA Dislocated Workers	1,408,697	—	—
17.261	WIA Pilots, Demonstrations, and Research Projects	469,028	267,284	45,155
17.266	Work Incentives Grant	247,055	12,978	—
17.275	ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and emerging Industry Sectors	863,918	798,605	—
17.503	Occupational Safety and Health – State Program	743,841	—	—
17.504	Consultation Agreements	437,744	—	—
17.505	OSHA Data Initiative	4,749	—	—
17.600	Mine Health and Safety Grants	63,809	49,703	—
17.801	Disabled Veterans’ Outreach Program (DVOP)	161,714	—	—
17.804	Local Veterans’ Employment Representative Program	329,365	—	—
		<u>324,361,347</u>	<u>2,803,260</u>	<u>141,151</u>
	U.S. Department of Transportation:			
20.106	Airport Improvement Program	1,419,518	—	—
20.106	ARRA-Airport Improvement Program	2,822,660	—	—
20.205	Highway Planning and Construction	148,650,754	16,985,804	159,800
20.205	ARRA-Highway Planning and Construction	64,831,937	106,624	10,946
20.218	National Motor Carrier Safety	1,331,572	—	—
20.219	Recreational Trails Program	856,506	565,777	—
20.314	Railroad Development	2,098,880	—	—
20.500	Federal Transit – Capital Investment Grants	683,810	683,811	—
20.505	Metropolitan Transportation Planning	442,443	393,503	—
20.509	Formula Grants for Other Than Urbanized Areas	11,206,715	10,955,063	—
20.509	ARRA-Formula Grants for Other Than Urbanized Areas	1,672,520	1,672,550	—
20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	154,476	260,432	—
20.514	Public Transportation Research	380,381	281,915	—
20.515	State Planning and Research	1,675	1,675	—
20.521	New Freedom Program	27,257	27,257	—
20.600	State and Community Highway Safety (402)	1,544,393	728,768	293,621
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants	1,022,173	227,564	588,638
20.602	Occupant Protection Incentive Grants	246,786	47,227	—
20.608	Minimum Penalties For Repeat Offenders For Driving While Intoxicated	3,850,338	111,484	3,577,551
20.609	Safety Belt Performance Grant	264,422	—	—
20.610	State Traffic Safety Information System Improvement Grants	199,386	—	182,399
20.612	Incentive Grant Program to Increase Motorcyclist Safety	170,829	2,642	123,046
20.613	Child Safety and Booster Seat Incentive Grant	123,533	15,130	—
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	17,814	—	—
20.700	Pipeline Safety Program Base Grants	109,682	—	—
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	137,119	47,377	—
		<u>244,267,579</u>	<u>33,114,603</u>	<u>4,936,001</u>
	U.S. Attorney General:			
30.002	Equal Employment Opportunity Commission	70,700	—	4,200
		<u>70,700</u>	<u>—</u>	<u>4,200</u>
	U.S. General Services Administration:			
39.011	Election Reform Payments	561,539	121,067	—
		<u>561,539</u>	<u>121,067</u>	<u>—</u>
	U.S. Institute of Museum and Library Service:			
45.301	Museums for America	37,448	—	—
45.310	Grants to States	806,662	43,170	—
		<u>844,110</u>	<u>43,170</u>	<u>—</u>
	U.S. Environmental Protection Agency:			
66.032	State Indoor Radon Grants	83,265	16,500	—
66.034	Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	241,913	70,050	—
66.036	Clean School Bus USA	29,185	—	—
66.040	State Clean Diesel Grant Program	4,578	—	—
66.040	ARRA-State Clean Diesel Grant Program	367,136	313,245	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

CFDA number	Federal agency/program type	Expenditures	Amounts passed through to subrecipients	Amounts transfer to state agencies
66.110	Healthy Communities Grant Program	\$ 14,540	4,500	—
66.202	Congressionally Mandated Projects	17,137	—	—
66.436	Surveys, Studies, Investigations, Demonstrations and Training Grants and Clean Water Cooperative Agreements – Section 104(b)(3) of the Clean Water Act	29,191	21,783	—
66.454	Water Quality Management Planning	103,733	40,257	—
66.454	ARRA-Water Quality Management Planning	108,403	31,789	—
66.458	Capitalization Grants for Clean Water State Revolving Funds	6,680,109	6,064,205	—
66.458	ARRA-Capitalization Grants for Clean Water State Revolving Funds	11,311,705	8,387,369	—
66.468	Capitalization Grants for Drinking Water State Revolving Funds	5,415,191	4,011,082	—
66.468	ARRA-Capitalization Grants for Drinking Water State Revolving Funds	13,760,980	12,180,412	—
66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	18,499	13,272	—
66.474	Water Protection Grants to the States	52,025	2,945	—
66.481	Lake Champlain Basin Program	458,132	174,519	15,000
66.511	Office of Research and Development Consolidated Research/Training/Fellowships	92,783	—	—
66.605	Performance Partnership Grants	4,266,433	271,241	210,000
66.608	Environmental Information Exchange Network Grant Program and Related Assistance	88,401	—	—
66.611	Environmental Policy and Innovation Grants	18,674	—	—
66.641	Wetlands Protection State Development	18,138	—	—
66.700	Consolidated Pesticide Enforcement Cooperative Agreements	345,719	—	—
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	4,122	—	—
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	121,167	—	—
66.709	Multi-Media Capacity Building Grants for States and Tribes	1,497	—	—
66.802	Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	28,660	—	—
66.804	Underground Storage Tank Prevention, Detection, and Compliance Program	273,031	—	—
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	686,458	—	—
66.805	ARRA Leaking Underground Storage Tank Trust Fund	184,989	60,250	—
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	161,413	—	—
66.817	State and Tribal Response Program Grants	679,182	26,119	—
66.818	Brownfields Assessment and Cleanup Cooperative Agreements	231,427	231,427	—
66.818	ARRA – Brownfields Assessment and Cleanup Cooperative Agreements	5,071	—	—
		<u>45,902,887</u>	<u>31,920,965</u>	<u>225,000</u>
	U.S. Department of Energy:			
81.041	State Energy Program	173,652	30,338	—
81.041	ARRA-State Energy Program	248,439	107,823	—
81.042	Weatherization Assistance for Low – Income Persons	1,281,053	1,230,157	—
81.042	ARRA-Weatherization Assistance for Low – Income Persons	6,584,570	6,418,476	—
81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	—	100,000	—
81.119	State Energy Program Special Projects	34,370	34,370	—
81.122	ARRA-Electricity Delivery and Energy Reliability, Research, Development and Analysis	31,508	—	—
81.127	ARRA – Energy Efficient Appliance Rebate Program	5,487	—	—
81.128	ARRA – Energy Efficiency and Conservation Block Grant	80,291	56,471	—
81.999	Sustainable Energy for Homes and Businesses (Sanders)	335	—	—
		<u>8,439,705</u>	<u>7,977,635</u>	<u>—</u>
	U.S. Department of Homeland Security:			
83.999	FEMA Admin Training Procurement	547	—	—
		<u>547</u>	<u>—</u>	<u>—</u>
	U.S. Department of Education:			
84.002	Adult Education – Basic Grants to States	949,522	818,601	—
84.010	Title I Grants to Local Educational Agencies	31,771,015	31,339,935	—
84.011	Migrant Education – State Grant Program	525,700	840,039	—
84.013	Title I State Agency Program for Neglected and Delinquent Children	357,567	15,799	400,425
84.027	Special Education – Grants to States	24,059,629	22,366,006	7,070
84.048	Career and Technical Education – Basic Grants to States	3,944,802	3,376,747	43,570
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States	10,463,932	315,537	—
84.169	Independent Living – State Grants	185,798	124,749	—
84.173	Special Education – Preschool Grants	772,899	595,946	—
84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	297,319	168,750	—
84.181	Special Education – Grants for Infants and Families	2,152,956	1,465,931	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

CFDA number	Federal agency/program type	Expenditures	Amounts passed through to subrecipients	Amounts transfer to state agencies
84.185	Byrd Honors Scholarships	\$ 73,500	73,500	—
84.186	Safe and Drug-Free Schools and Communities – State Grants	1,358,757	1,223,559	—
84.187	Supported Employment Services for Individuals with Most Significant Disabilities	403,784	—	—
84.196	Education for Homeless Children and Youth	86,320	47,469	—
84.213	Even Start – State Educational Agencies	268,870	268,046	—
84.224	Assistive Technology	445,440	—	—
84.243	Tech-Prep Education	224,181	224,181	—
84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training	71,334	—	—
84.287	Twenty First Century Community Learning Centers	4,817,656	4,630,804	—
84.298	Innovative Education Program Strategies	68,463	58,689	—
84.318	Education Technology State Grants	1,653,005	1,566,035	—
84.323	Special Education – State Personnel Development	338,291	201,301	—
84.330	Advanced Placement Program	22,400	—	—
84.357	Reading First	1,212,068	1,196,126	—
84.365	English Language Acquisition Grants	358,110	236,555	—
84.366	Math and Science Partnerships	890,127	819,321	—
84.367	Improving Teacher Quality State Grants	14,148,334	13,688,751	—
84.369	Grants for State Assessments and Related Activities (SARA)	3,172,528	—	—
84.377	School Improvement Grants	1,227,918	863,420	—
84.386	ARRA-Education Technology State Grants, Recovery Act	1,623,479	1,523,479	—
84.387	ARRA-Education for Homeless Children and Youth, Recovery Act	129,566	129,566	—
84.389	ARRA-Title I Grants to Local Educational Agencies, Recovery Act	13,023,615	13,023,615	—
84.390	ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	936,368	125,916	—
84.391	ARRA-Special Education – Grants to States, Recovery Act	11,015,752	11,015,752	—
84.392	ARRA-Special Education – Preschool Grants, Recovery Act	387,192	387,192	—
84.393	ARRA-Special Education – Grants for Infants and Families, Recovery Act	247,789	—	—
84.394	ARRA-State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act	36,706,990	—	36,706,990
84.397	ARRA- State Fiscal Stabilization Fund – Governmental Services, Recovery Act	16,765,366	5,789,018	10,976,348
84.398	ARRA-Independent Living State Grants, Recovery Act	10,813	10,813	—
84.399	ARRA-Independent Living Services for Older Individuals who are Blind, Recovery Act	3,170	—	—
		187,172,325	118,531,148	48,134,403
	U.S. Department of Health and Human Services:			
93.041	Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation	25,190	25,190	—
93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	84,087	84,087	—
93.043	Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services	111,485	111,485	—
93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	2,061,001	2,061,001	—
93.045	Special Programs for the Aging – Title III, Part C -Nutrition Services	3,256,901	3,256,901	—
93.048	Special Programs for the Aging – Title IV – Training, Research and Discretionary Projects	16,228	—	—
93.051	Alzheimer’s Disease Demonstration Grants to States	155,962	116,933	—
93.052	National Family Caregiver Support, Title III, Part E	729,749	351,657	—
93.053	Nutrition Services Incentive Program	753,823	753,823	—
93.069	Public Health Emergency Preparedness	8,714,391	300,797	—
93.070	Environmental Public Health and Emergency Response	453,074	16,500	—
93.071	Medicare Enrollment Assistance Program	19,012	19,012	—
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	683,162	651,804	—
93.110	Maternal and Child Health Federal Consolidated Programs	467,326	115,038	—
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	149,955	—	—
93.127	Emergency Medical Services for Children	125,062	—	—
93.130	Cooperative Agreements to States/ Territories for the Coordination and Development of Primary Care Offices	115,597	10,000	—
93.136	Injury Prevention and Control Research and State and Community Based Programs	226,652	101,616	—
93.150	Projects for Assistance in Transition from Homelessness (PATH)	320,171	320,167	—
93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	332,695	—	—
93.217	Family Planning – Services	797,648	773,425	—
93.230	Consolidated Knowledge Development and Application Program	151,656	—	—
93.234	Traumatic Brain Injury – State Demonstration Grant Program	113,386	—	—
93.236	Grants for Dental Public Health Residency Training	93,911	93,880	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

CFDA number	Federal agency/program type	Expenditures	Amounts passed through to subrecipients	Amounts transfer to state agencies
93.241	State Rural Hospital Flexibility Program	\$ 320,565	279,315	—
93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	4,610,990	3,353,245	—
93.251	Universal Newborn Hearing Screening	228,846	227,000	—
93.268	Immunization Grants	1,557,275	15,274	—
93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	4,666,248	348,784	—
93.301	Small Rural Hospital Improvement Grants Program	69,200	69,200	—
93.414	ARRA – State Primary Care Offices	10,000	10,000	—
93.550	Transitional Living for Homeless Youth	47,075	47,075	—
93.556	Promoting Safe and Stable Families	510,789	292,246	—
93.558	Temporary Assistance for Needy Families	35,129,278	237,498	547,686
93.563	Child Support Enforcement	6,576,058	—	—
93.563	ARRA-Child Support Enforcement	2,464,065	—	—
93.566	Refugee and Entrant Assistance – State Administered Programs	490,946	244,811	—
93.568	Low-Income Home Energy Assistance	25,758,129	3,275,275	—
93.569	Community Services Block Grant	3,747,570	3,556,759	—
93.575	Child Care and Development Block Grant	12,136,452	4,515,471	—
93.576	Refugee and Entrant Assistance – Discretionary Grants	136,128	136,128	—
93.586	State Court Improvement Program	267,631	—	—
93.590	Community – Based Child Abuse Prevention Grants	399,889	399,888	—
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	6,834,393	548,822	—
93.597	Grants to States for Access and Visitation Programs	87,630	—	—
93.599	Chafee Education and Training Vouchers Program (ETV)	184,559	106,000	—
93.600	Head Start	176,625	24,077	—
93.603	Adoption Incentive Payments	12,000	—	—
93.617	Voting Access for Individuals with Disabilities – Grants for Protection and Advocacy Programs	121,626	99,530	—
93.630	Developmental Disabilities Basic Support and Advocacy Grants	426,833	170,034	—
93.631	Developmental Disabilities Projects of National Significance	260,995	229,605	—
93.643	Children’s Justice Grants to States	97,711	59,171	—
93.645	Child Welfare Services – State Grants	580,109	—	—
93.658	Foster Care – Title IV-E	10,043,711	1,167,353	—
93.658	ARRA-Foster Care – Title IV-E	670,861	—	—
93.659	Adoption Assistance	7,982,786	—	—
93.659	ARRA-Adoption Assistance	806,996	—	—
93.667	Social Services Block Grant	8,217,308	1,361,174	—
93.669	Child Abuse and Neglect State Grants	216,682	47,641	—
93.671	Family Violence Prevention and Services/Grants for Battered Women’s Shelters – Grants to States and Indian Tribes	751,467	711,270	—
93.674	Chafee Foster Care Independence Program	539,950	356,935	—
93.705	ARRA Aging Home-Delivered Nutrition Services for States	160,000	160,000	—
93.707	ARRA Aging Congregate Nutrition Services for States	325,000	325,000	—
93.710	ARRA Community Services Block Grant	3,274,417	3,255,398	—
93.713	ARRA Child Care and Development Block Grant	1,452,307	3,333	—
93.716	ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants	7,580,323	—	—
93.717	ARRA – Preventing Healthcare-Associated Infections	227,896	218,954	—
93.723	ARRA – Prevention and Wellness-State, Territories and Pacific Islands	2,677	—	—
93.767	Children’s Health Insurance Program	6,034,184	—	—
93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	619,034	165,264	—
93.775	State Medicaid Fraud Control Units	541,633	—	—
93.777	State Survey and Certification of Health Care Providers and Suppliers	1,946,375	—	—
93.778	Medical Assistance Program	747,525,443	271,545	—
93.778	ARRA-Medical Assistance Program	134,504,525	—	—
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	369,750	318,138	—
93.889	National Bioterrorism Hospital Preparedness Program	1,172,139	544,723	—
93.913	Grants to States for Operation of Offices of Rural Health	130,381	6,000	—
93.917	HIV Care Formula Grants	1,229,317	728,758	—
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	210,151	12,387	34,788
93.940	HIV Prevention Activities – Health Department Based	1,388,181	694,373	—
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	80,562	—	—
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	132,197	—	—
93.958	Block Grants for Community Mental Health Services	745,259	745,259	—
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,394,492	5,394,492	—
93.977	Preventive Health Services – Sexually Transmitted Disease Control Grants	133,227	34,260	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

CFDA number	Federal agency/program type	Expenditures	Amounts passed through to subrecipients	Amounts transfer to state agencies
93.991	Preventive Health and Health Services Block Grant	\$ 285,636	—	—
93.994	Maternal and Child Health Services Block Grant to the States	1,694,441	803,231	—
		<u>1,980,077</u>	<u>803,231</u>	<u>—</u>
	U.S. Corporation for National Community Service:			
94.003	State Commissions	111,986	—	—
94.006	AmeriCorps	1,575,414	1,575,414	—
94.006	ARRA-AmeriCorps	172,626	172,626	—
94.007	Program Development and Innovation Grants	55,947	—	—
94.009	Training and Technical Assistance	121,860	—	—
		<u>2,037,833</u>	<u>1,748,040</u>	<u>—</u>
	U.S. Social Security Administration:			
96.001	Social Security – Disability Insurance	4,625,265	—	—
96.008	Work Incentives Planning and Assistance Program	79,921	16,807	—
		<u>4,705,186</u>	<u>16,807</u>	<u>—</u>
	U.S. Department of Homeland Security:			
97.001	Interoperable Emergency Communications Grant Program	243,995	—	—
97.012	Boating Safety Financial Assistance	762,216	50,000	268,000
97.023	Community Assistance Program – State Support Services Element (CAP – SSSE)	132,770	—	—
97.029	Flood Mitigation Assistance	622	—	—
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	1,119,846	1,169,159	6,829
97.039	Hazard Mitigation Grant	97,557	97,557	—
97.041	National Dam Safety Program	14,827	—	—
97.042	Emergency Management Performance Grants	2,474,462	762,597	95,754
97.043	State Fire Training Systems Grants	13,586	—	—
97.045	Cooperating Technical Partners	69,664	1,570	—
97.047	Pre-Disaster Mitigation	224,073	224,536	—
97.067	Homeland Security Grant Program	2,468,741	1,258,504	21,226
97.070	Map Modernization Management Support	29,061	11,000	—
97.082	Earthquake Consortium	7,378	—	—
97.090	Law Enforcement Officer Reimbursement Agreement Program	57,735	57,735	—
		<u>7,716,533</u>	<u>3,632,658</u>	<u>391,809</u>
	Total direct monetary awards	<u>960,076,274</u>	<u>252,613,034</u>	<u>55,703,898</u>
	Nonmonetary programs:			
	U.S. Department of Agriculture:			
10.551	Supplemental Nutritional Assistance Program (EBT)	100,840,373	—	—
10.555	National School Lunch Program Commodities	2,132,210	—	—
10.558	Child and Adult Care Food Program Commodities	146,323	—	—
10.560	State Administrative Expenses for Child Nutrition	2,143,408	—	—
10.565	Commodity Supplemental Food Program	883,793	—	—
10.569	Emergency Food Assistance Program (Food Commodities)	1,231,475	—	—
10.569	ARRA-Emergency Food Assistance Program (Food Commodities)	104,589	—	—
	Total U.S. Department of Agriculture	<u>107,482,171</u>	<u>—</u>	<u>—</u>
	Buildings and general services:			
39.003	Donation of Federal Surplus Personal Property	620,513	—	—
		<u>620,513</u>	<u>—</u>	<u>—</u>
	U.S. Dept of Health and Human Services:			
93.069	Public Health Emergency Preparedness Vaccine	2,453,230	—	—
93.268	Immunization Grants Vaccine	6,350,849	—	—
93.712	ARRA – Immunization Vaccine	394,745	—	—
		<u>9,198,824</u>	<u>—</u>	<u>—</u>
	Total direct nonmonetary federal assistance	<u>117,301,508</u>	<u>—</u>	<u>—</u>

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2010

<u>CFDA number</u>	<u>Federal agency/program type</u>	<u>Expenditures</u>	<u>Amounts passed through to subrecipients</u>	<u>Amounts transfer to state agencies</u>
	Indirect federal grants:			
10.664	Cooperative Forestry Assistance	\$ 14,860	—	—
10.678	Forest Stewardship Program	8,960	—	—
11.558	ARRA-State Broadband Data and Development Grant Program	18,172	—	—
14.251	Economic Development Initiative – Special Project, Neighborhood Initiative and Miscellaneous Grants	76,248	—	—
16.547	Victims Child Abuse	76,731	—	—
16.560	National Institute of Justice Research, Evaluation and Development Project Grants	8,724	—	—
17.261	WIA Pilots, Demonstrations, and Research Projects	26,507	—	—
64.005	Grants to States for Construction of State Home Facilities	856,773	—	—
84.327	Special Education_Technology and Media Services for Individuals with Disabilities	135,127	127,711	—
93.999	ADAP Data Collection	248,158	—	—
	Total indirect federal grants	<u>1,470,260</u>	<u>127,711</u>	<u>—</u>
	Total direct federal grants	<u>2,149,654,752</u>	<u>296,543,815</u>	<u>56,286,372</u>
	Total federal financial aid expanded	<u>\$ 2,151,125,012</u>	<u>296,671,526</u>	<u>56,286,372</u>

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2010

VT agency/department	CFDA number	Federal agency/program type	Expenditures	Subgranted to nonstate of Vermont entities	Subgranted to State of Vermont Agencies
Administration Secretary	84.394	ARRA-State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recover Act	\$ 36,706,990	—	36,706,990
Administration Secretary	84.397	ARRA-State Fiscal Stabilization Fund (SFSF) – General Services, Recovery Act	16,765,366	5,789,018	10,976,348
Administration Secretary total			53,472,356	5,789,018	47,683,338
Agriculture	10.025	Plant and Animal Disease, Pest Control, and Animal Care	288,728	—	—
Agriculture	10.156	Federal-State Marketing Improvement Programs	41,427	—	—
Agriculture	10.163	Marketing Protection and Promotion	21,955	—	—
Agriculture	10.169	Specialty Crop Block Grant Program	155,281	97,787	—
Agriculture	10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	643,785	—	—
Agriculture	10.769	Rural Business Enterprise Grants	49,038	47,500	—
Agriculture	10.776	Agriculture Innovation Center	101,204	—	—
Agriculture	10.912	Environmental Quality Incentive Program	24,670	—	—
Agriculture	10.999	Long Term Standing Agreements For Storage, Transportation and Lease	294,542	—	—
Agriculture	66.700	Consolidated Pesticide Enforcement Cooperative Agreements	345,719	—	—
Agriculture total			1,966,349	145,287	—
Attorney General	30.002	Equal Employment Opportunity Commission	70,700	—	4,200
Attorney General	93.775	State Medicaid Fraud Control Units	541,633	—	—
Attorney General total			612,333	—	4,200
Buildings & General Services	14.251	Economic Development Initiative - Special Project, Neighborhood Initiative and Miscellaneous Grants	76,248	—	—
Buildings & General Services	39.003	Donation of Federal Surplus Personal Property	620,513	—	—
Buildings & General Services	64.005	Grants to States for Construction of State Home Facilities	856,773	—	—
Buildings & General Services total			1,553,534	—	—
Commerce	12.002	Procurement Technical Assistance For Business Firms	235,071	—	—
Commerce	14.228	Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii	14,716,403	14,333,665	—
Commerce	14.239	Home Investment Partnerships Program	429,720	287,608	—
Commerce	14.239	Home Investment Partnerships Program – VHCB	2,784,855	2,784,855	—
Commerce	14.255	ARRA - Community Development Block Grants / State's Program and Non-Entitlement Grants in Hawaii - (Recovery Funded)	931,095	911,713	—
Commerce	15.904	Historic Preservation Fund Grants-In-Aid	485,553	34,805	—
Commerce	15.929	Save America's Treasures	58,295	—	—
Commerce	45.301	Museums for America	37,448	—	—
Commerce	66.818	Brownfields Assessment and Cleanup Cooperative Agreements	231,427	231,427	—
Commerce	66.818	ARRA- Brownfields Assessment and Cleanup Cooperative Agreements	5,071	—	—
Commerce total			19,914,938	18,584,073	—
Criminal Justice Training Council	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	1,540	—	—
Criminal Justice Training Council total			1,540	—	—
Ctr. for Crime Victims Svcs.	16.017	Sexual Assault Services Formula Program	78,774	101,889	—
Ctr. for Crime Victims Svcs.	16.575	Crime Victim Assistance	1,257,910	626,545	635,724
Ctr. for Crime Victims Svcs.	16.576	Crime Victim Compensation	219,927	—	—
Ctr. for Crime Victims Svcs.	16.582	Crime Victim Assistance/Discretionary Grants	6,656	—	—
Ctr. for Crime Victims Svcs.	16.588	Violence Against Women Formula Grants	711,421	335,997	356,264
Ctr. for Crime Victims Svcs.	16.588	ARRA-Recovery Act Violence Against Women Formula Grants	340,275	105,991	119,821
Ctr. for Crime Victims Svcs.	16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program	249,247	211,790	57,866
Ctr. for Crime Victims Svcs.	16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	355,220	221,944	154,693
Ctr. for Crime Victims Svcs.	16.801	ARRA-Recovery Act State Victim Assistance Formula Grant	323,516	85,000	185,117
Ctr. for Crime Victims Svcs.	16.802	ARRA-Recovery Act Crime Victim Compensation Formula Grant	57,951	—	—
Ctr. for Crime Victims Svcs.	93.671	Family Violence Prevention and Services/Grants for Battered Women's Shelters – Grants to States and Indian Tribes	751,467	711,270	—
Ctr. for Crime Victims Svcs. total			4,352,364	2,400,426	1,509,485
Education	10.553	School Breakfast Program	4,547,839	4,540,655	12,103
Education	10.555	National School Lunch Program	12,845,008	12,826,122	24,205
Education	10.555	National School Lunch Program – Commodities	2,132,210	—	—
Education	10.556	Special Milk Program for Children	53,887	53,887	—
Education	10.558	Child and Adult Care Food Program	4,636,816	4,571,834	—
Education	10.558	Child and Adult Care Food Program – Commodities	146,323	—	—
Education	10.559	Summer Food Service Program for Children	471,489	439,187	6,925
Education	10.560	State Administrative Expenses for Child Nutrition	337,705	—	—
Education	10.574	Team Nutrition Grants	27,025	—	—
Education	10.579	ARRA-Child Nutrition Discretionary Grants Limited Availability	213,897	213,897	—
Education	10.582	Fresh Fruit & Vegetable Program	588,363	479,363	—
Education	81.117	Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	—	100,000	—
Education	84.002	Adult Education – Basic Grants to States	949,522	818,601	—
Education	84.010	Title I Grants to Local Educational Agencies	31,771,015	31,339,935	—
Education	84.011	Migrant Education _ State Grant Program	525,700	840,039	—
Education	84.013	Title I State Agency Program for Neglected and Delinquent Children	357,567	15,799	400,425
Education	84.027	Special Education _ Grants to States	24,059,629	22,366,006	7,070
Education	84.048	Career and Technical Education – Basic Grants to States	3,944,802	3,376,747	43,570
Education	84.173	Special Education _ Preschool Grants	772,899	595,946	—
Education	84.185	Byrd Honors Scholarships	73,500	73,500	—
Education	84.186	Safe and Drug-Free Schools and Communities – State Grants	1,195,273	1,121,425	—
Education	84.196	Education for Homeless Children and Youth	86,320	47,469	—
Education	84.213	Even Start – State Educational Agencies	268,870	268,046	—
Education	84.243	Tech-Prep Education	224,181	224,181	—
Education	84.287	Twenty First Century Community Learning Centers	4,817,656	4,630,804	—
Education	84.298	Innovative Education Program Strategies	68,463	58,689	—
Education	84.318	Education Technology State Grants	1,653,005	1,566,035	—
Education	84.323	Special Education – State Personnel Development	338,291	201,301	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
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Year ended June 30, 2010

VT agency/department	CFDA number	Federal agency/program type	Expenditures	Subgranted to nonstate of Vermont entities	Subgranted to State of Vermont Agencies
Education	84.327	Special Education – Technology and Media Services for Individuals with Disabilities	\$ 135,127	127,711	—
Education	84.330	Advanced Placement Program	22,400	—	—
Education	84.357	Reading First	1,212,068	1,196,126	—
Education	84.365	English Language Acquisition Grants	358,110	236,555	—
Education	84.366	Math and Science Partnerships	890,127	819,321	—
Education	84.367	Improving Teacher Quality State Grants	14,148,334	13,688,751	—
Education	84.369	Grants for State Assessments & Related Activities	3,172,528	—	—
Education	84.377	School Improvement Grants	1,227,918	863,420	—
Education	84.386	ARRA- Education Technology State Grants, Recovery Act	1,623,479	1,523,479	—
Education	84.387	ARRA-Education for Homeless Children and Youth, Recovery Act	129,566	129,566	—
Education	84.389	ARRA-Title I Grants to Local Educational Agencies, Recovery Act	13,023,615	13,023,615	—
Education	84.391	ARRA-Special Education – Grants to States, Recovery Act	11,015,752	11,015,752	—
Education	84.392	ARRA-Special Education – Preschool Grants, Recovery Act	387,192	387,192	—
Education	93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	210,151	12,387	34,788
Education total			<u>144,663,622</u>	<u>133,793,343</u>	<u>529,086</u>
Human Resources	17.151	ARRA – Employee Benefits Security Administration (EBSA)	81,191	—	—
Human Resources total			<u>81,191</u>	<u>—</u>	<u>—</u>
Human Rights Commission	14.999	Office of Fair Housing-Assistance Grant	142,342	—	—
Human Rights Commission total			<u>142,342</u>	<u>—</u>	<u>—</u>
Human Services	10.551	Supplemental Nutrition Assistance Program (Cash)	20,628,570	—	—
Human Services	10.551	Supplemental Nutrition Assistance Program (EBT)	100,840,373	—	—
Human Services	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	13,707,270	—	—
Human Services	10.560	State Administrative Expenses for Child Nutrition	54,933	—	—
Human Services	10.560	State Administrative Expenses for Child Nutrition	2,143,408	—	—
Human Services	10.561	State Administrative Matching Grants for Supplemental Nutrition Assistance Program	11,071,446	2,151,611	—
Human Services	10.565	Commodity Supplemental Food Program	258,696	258,696	—
Human Services	10.565	Commodity Supplemental Food Program	883,793	—	—
Human Services	10.568	Emergency Food Assistance Program (Administrative Costs)	82,830	77,830	—
Human Services	10.568	ARRA-Emergency Food Assistance Program (Administrative Costs)	73,237	73,237	—
Human Services	10.569	Emergency Food Assistance Program (Food Commodities)	1,231,475	—	—
Human Services	10.569	ARRA-Emergency Food Assistance Program (Food Commodities)	104,589	—	—
Human Services	10.572	WIC Farmers' Market Nutrition Program (FMNP)	71,883	—	—
Human Services	10.576	Senior Farmers Market Nutrition Program	91,280	51,974	—
Human Services	10.578	ARRA-WIC Grants To States (WGS)	107,230	—	—
Human Services	10.580	Supplemental Nutrition Assistance Program Outreach/ Participation Project	545,999	32,602	—
Human Services	14.231	Emergency Shelter Grants Program	376,570	240,340	—
Human Services	14.257	ARRA-Emergency Shelter Grants Program (Homelessness Prevention & Rapid Rehousing)	1,671,134	1,629,976	—
Human Services	16.523	Juvenile Accountability Block Grants	187,404	—	—
Human Services	16.540	Juvenile Justice and Delinquency Prevention – Allocation to States	442,703	442,703	—
Human Services	16.541	Part E-Developing, Testing and Demonstrating Promising New Programs	398,882	415,203	—
Human Services	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	276,035	—	—
Human Services	16.606	State Criminal Alien Assistance Program	30,648	—	—
Human Services	16.727	Enforcing Underage Drinking Laws Program	412,183	283,344	17,500
Human Services	16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program	280,859	—	—
Human Services	16.740	Statewide Automated Victim Information Notification (SAVIN) Program	114,253	—	—
Human Services	16.750	Support for Adam Walsh Act Implementation Grant Program	38,698	—	—
Human Services	17.235	Senior Community Service Employment Program	625,291	608,524	—
Human Services	17.235	ARRA Senior Community Service Employment Program	131,170	124,670	—
Human Services	17.261	WIA Pilots, Demonstrations, and Research Projects	58,522	—	—
Human Services	66.032	State Indoor Radon Grants	83,265	16,500	—
Human Services	66.110	Healthy Communities Grant Program	14,540	4,500	—
Human Services	66.701	Toxic Substances Compliance Monitoring Cooperative Agreements	4,122	—	—
Human Services	66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	121,167	—	—
Human Services	81.042	Weatherization Assistance for Low – Income Persons	1,281,053	1,230,157	—
Human Services	81.042	ARRA-Weatherization Assistance for Low – Income Persons	6,584,570	6,418,476	—
Human Services	84.126	Rehabilitation Services _ Vocational Rehabilitation Grants to States	10,463,932	315,537	—
Human Services	84.169	Independent Living _ State Grants	185,798	124,749	—
Human Services	84.177	Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind	297,319	168,750	—
Human Services	84.181	Special Education – Grants for Infants and Families	2,152,956	1,465,931	—
Human Services	84.186	Safe and Drug-Free Schools and Communities – State Grants	163,484	102,134	—
Human Services	84.187	Supported Employment Services for Individuals with Most Significant Disabilities	403,784	—	—
Human Services	84.224	Assistive Technology	445,440	—	—
Human Services	84.265	Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training	71,334	—	—
Human Services	84.390	ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act	936,368	125,916	—
Human Services	84.393	ARRA-Special Education – Grants for Infants and Families, Recovery Act	247,789	—	—
Human Services	84.398	ARRA-Independent Living State Grants, Recovery Act	10,813	10,813	—
Human Services	84.399	ARRA- Independent Living Services for Older Individuals who are Blind, Recovery Act	3,170	—	—
Human Services	93.041	Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation	25,190	25,190	—
Human Services	93.042	Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals	84,087	84,087	—
Human Services	93.043	Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services	111,485	111,485	—
Human Services	93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	2,061,001	2,061,001	—
Human Services	93.045	Special Programs for the Aging – Title III, Part C -Nutrition Services	3,256,901	3,256,901	—
Human Services	93.048	Special Programs for the Aging – Title IV – Training, Research and Discretionary Projects	16,228	—	—
Human Services	93.051	Alzheimer's Disease Demonstration Grants to States	155,962	116,933	—
Human Services	93.052	National Family Caregiver Support, Title III, Part E	729,749	351,657	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
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Year ended June 30, 2010

VT agency/department	CFDA number	Federal agency/program type	Expenditures	Subgranted to nonstate of Vermont entities	Subgranted to State of Vermont Agencies
Human Services	93.053	Nutrition Services Incentive Program	\$ 753,823	753,823	—
Human Services	93.069	Public Health Emergency Preparedness	8,714,391	300,797	—
Human Services	93.069	Public Health Emergency Preparedness-Vaccine	2,453,230	—	—
Human Services	93.070	Environmental Public Health and Emergency Response	453,074	16,500	—
Human Services	93.071	Medicare Enrollment Assistance Program	19,012	19,012	—
Human Services	93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	683,162	651,804	—
Human Services	93.110	Maternal and Child Health Federal Consolidated Programs	467,326	115,038	—
Human Services	93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	149,955	—	—
Human Services	93.127	Emergency Medical Services for Children	125,062	—	—
Human Services	93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	115,597	10,000	—
Human Services	93.136	Injury Prevention and Control Research and State and Community Based Programs	226,652	101,616	—
Human Services	93.150	Projects for Assistance in Transition from Homelessness (PATH)	320,171	320,167	—
Human Services	93.197	Childhood Lead Poisoning Prevention Projects-State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	332,695	—	—
Human Services	93.217	Family Planning – Services	797,648	773,425	—
Human Services	93.230	Consolidated Knowledge Development and Application Program	151,656	—	—
Human Services	93.234	Traumatic Brain Injury – State Demonstration Grant Program	113,386	—	—
Human Services	93.236	Grants for Dental Public Health Residency Training	93,911	93,880	—
Human Services	93.241	State Rural Hospital Flexibility Program	320,565	279,315	—
Human Services	93.243	Substance Abuse and Mental Health Services – Projects of Regional and National Significance	4,584,327	3,353,245	—
Human Services	93.251	Universal Newborn Hearing Screening	228,846	227,000	—
Human Services	93.268	Immunization Grants	1,557,275	15,274	—
Human Services	93.268	Immunization Grants Vaccine	6,350,849	—	—
Human Services	93.283	Centers for Disease Control and Prevention – Investigations and Technical Assistance	4,666,248	348,784	—
Human Services	93.301	Small Rural Hospital Improvement Grants Program	69,200	69,200	—
Human Services	93.414	ARRA – State Primary Care Offices	10,000	10,000	—
Human Services	93.550	Transitional Living for Homeless Youth	47,075	47,075	—
Human Services	93.556	Promoting Safe and Stable Families	510,789	292,246	—
Human Services	93.558	Temporary Assistance for Needy Families	35,129,278	237,498	547,686
Human Services	93.563	Child Support Enforcement	6,576,058	—	—
Human Services	93.563	ARRA-Child Support Enforcement	2,464,065	—	—
Human Services	93.566	Refugee and Entrant Assistance – State Administered Programs	490,946	244,811	—
Human Services	93.568	Low-Income Home Energy Assistance	25,758,129	3,275,275	—
Human Services	93.569	Community Services Block Grant	3,747,570	3,556,759	—
Human Services	93.575	Child Care and Development Block Grant	12,136,452	4,515,471	—
Human Services	93.576	Refugee and Entrant Assistance – Discretionary Grants	136,128	136,128	—
Human Services	93.590	Community – Based Child Abuse Prevention Grants	399,889	399,888	—
Human Services	93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	6,834,393	548,822	—
Human Services	93.597	Grants to States for Access and Visitation Programs	87,630	—	—
Human Services	93.599	Chafee Education and Training Vouchers Program (ETV)	184,559	106,000	—
Human Services	93.600	Head Start	176,625	24,077	—
Human Services	93.603	Adoption Incentive Payments	12,000	—	—
Human Services	93.630	Developmental Disabilities Basic Support and Advocacy Grants	426,833	170,034	—
Human Services	93.631	Developmental Disabilities Projects of National Significance	260,995	229,605	—
Human Services	93.643	Children's Justice Grants to States	97,711	59,171	—
Human Services	93.645	Child Welfare Services – State Grants	580,109	—	—
Human Services	93.658	Foster Care – Title IV-E	10,043,711	1,167,353	—
Human Services	93.658	ARRA-Foster Care – Title IV-E	670,861	—	—
Human Services	93.659	Adoption Assistance	7,982,786	—	—
Human Services	93.659	ARRA-Adoption Assistance	806,996	—	—
Human Services	93.667	Social Services Block Grant	8,217,308	1,361,174	—
Human Services	93.669	Child Abuse and Neglect State Grants	216,682	47,641	—
Human Services	93.674	Chafee Foster Care Independence Program	539,950	356,935	—
Human Services	93.705	ARRA Aging Home-Delivered Nutrition Services for States	160,000	160,000	—
Human Services	93.707	ARRA Aging Congregate Nutrition Services for States	325,000	325,000	—
Human Services	93.710	ARRA Community Services Block Grant	3,274,417	3,255,398	—
Human Services	93.712	ARRA – Immunization	394,745	—	—
Human Services	93.713	ARRA Child Care and Development Block Grant	1,452,307	3,333	—
Human Services	93.716	ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants	7,580,323	—	—
Human Services	93.717	ARRA – Preventing Healthcare-Associated Infections	227,896	218,954	—
Human Services	93.723	ARRA – Prevention and Wellness-State, Territories and Pacific Islands	2,677	—	—
Human Services	93.767	Children's Health Insurance Program	6,034,184	—	—
Human Services	93.768	Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	619,034	165,264	—
Human Services	93.777	State Survey and Certification of Health Care Providers and Suppliers	1,946,375	—	—
Human Services	93.778	Medical Assistance Program	747,525,443	271,545	—
Human Services	93.778	ARRA-Medical Assistance Program	134,504,525	—	—
Human Services	93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	369,750	318,138	—
Human Services	93.889	National Bioterrorism Hospital Preparedness Program	1,172,139	544,723	—
Human Services	93.913	Grants to States for Operation of Offices of Rural Health	130,381	6,000	—
Human Services	93.917	HIV Care Formula Grants	1,229,317	728,758	—
Human Services	93.940	HIV Prevention Activities _ Health Department Based	1,388,181	694,373	—
Human Services	93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	80,562	—	—
Human Services	93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	132,197	—	—
Human Services	93.958	Block Grants for Community Mental Health Services	745,259	745,259	—
Human Services	93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,394,492	5,394,492	—
Human Services	93.977	Preventive Health Services _ Sexually Transmitted Disease Control Grants	133,227	34,260	—
Human Services	93.991	Preventive Health and Health Services Block Grant	285,636	—	—
Human Services	93.994	Maternal and Child Health Services Block Grant to the States	1,694,441	803,231	—
Human Services	93.999	ADAP Data Collection	248,158	—	—
Human Services	94.003	State Commissions	111,986	—	—
Human Services	94.006	AmeriCorps	1,575,414	1,575,414	—
Human Services	94.006	ARRA-AmeriCorps	172,626	172,626	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2010

VT agency/department	CFDA number	Federal agency/program type	Expenditures	Subgranted to nonstate of Vermont entities	Subgranted to State of Vermont Agencies
Human Services	94.007	Program Development and Innovation Grants	\$ 55,947	—	—
Human Services	94.009	Training and Technical Assistance	121,860	—	—
Human Services	96.001	Social Security _ Disability Insurance	4,625,265	—	—
Human Services	96.008	Social Security Work Incentives Planning and Assistance Program	79,921	16,807	—
Human Services total		Human Services total	<u>1,268,940,145</u>	<u>62,049,845</u>	<u>565,186</u>
Judiciary	16.547	Victims Child Abuse	76,731	—	—
Judiciary	16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	18,630	—	—
Judiciary	16.753	Congressional Recommended Awards	114,217	—	—
Judiciary	93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	26,663	—	—
Judiciary	93.586	State Court Improvement Program	267,631	—	—
Judiciary total			<u>503,872</u>	—	—
Labor	17.002	Labor Force Statistics	698,732	—	—
Labor	17.005	Compensation and Working Conditions	27,851	—	—
Labor	17.207	Employment Service/Wagner - Peysner Funded Activities	2,952,079	—	—
Labor	17.207	ARRA-Employment Service/Wagner - Peysner Funded Activities	884,368	—	—
Labor	17.225	Unemployment Insurance	187,033,496	—	—
Labor	17.225	ARRA-Unemployment Insurance	117,440,188	—	—
Labor	17.245	Trade Adjustment Assistance	625,050	—	—
Labor	17.258	WIA Adult Program	2,299,627	—	—
Labor	17.258	ARRA-WIA Adult Program	1,019,064	4,100	—
Labor	17.259	WIA Youth Activities	2,093,070	155,920	—
Labor	17.259	ARRA-WIA Youth Activities	2,474,132	771,050	95,996
Labor	17.260	WIA Dislocated Workers	1,246,118	10,426	—
Labor	17.260	ARRA-WIA Dislocated Workers	1,408,697	—	—
Labor	17.261	WIA Pilots, Demonstrations, and Research Projects	410,506	267,284	45,155
Labor	17.261	Employment & Training Administration Pilots, Demonstrations and Research Projects	26,507	—	—
Labor	17.266	Work Incentives Grant	247,055	12,978	—
Labor	17.275	ARRA-Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors	863,918	798,605	—
Labor	17.503	Occupational Safety and Health – State Program	743,841	—	—
Labor	17.504	Consultation Agreements	437,744	—	—
Labor	17.505	OSHA Data Initiative	4,749	—	—
Labor	17.600	Mine Health and Safety Grants	63,809	49,703	—
Labor	17.801	Disabled Veterans' Outreach Program (DVOP)	161,714	—	—
Labor	17.804	Local Veterans' Employment Representative Program	329,365	—	—
Labor total			<u>323,491,680</u>	<u>2,070,066</u>	<u>141,151</u>
Libraries	45.310	Grants to States	806,662	43,170	—
Libraries total			<u>806,662</u>	<u>43,170</u>	—
Military	12.400	Military Construction, National Guard	2,352,624	—	—
Military	12.401	National Guard Military Operation & Maintenance (O & M) Projects	11,754,862	—	—
Military	12.401	ARRA-NG Military Operation & Maintenance (Army and Air)	1,271,801	—	—
Military	12.404	National Guard Challenge Program	501,585	—	—
Military total			<u>15,880,872</u>	—	—
Natural Resources-DEC	12.100	Aquatic Plant Control	178,083	78,364	—
Natural Resources-DEC	12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	24,434	—	—
Natural Resources-DEC	15.608	Fish and Wildlife Management Assistance	57,099	43,143	—
Natural Resources-DEC	15.631	Partners for Fish & Wildlife	2,615	—	—
Natural Resources-DEC	15.810	National Cooperative Geologic Mapping Program	40,247	448	—
Natural Resources-DEC	66.034	Surveys, Studies, Researches, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act	241,913	70,050	—
Natural Resources-DEC	66.036	Clean School Bus USA	29,185	—	—
Natural Resources-DEC	66.040	State Clean Diesel Grant Program	4,578	—	—
Natural Resources-DEC	66.040	ARRA-State Clean Diesel Grant Program	367,136	313,245	—
Natural Resources-DEC	66.202	Congressional Mandated Projects	17,137	—	—
Natural Resources-DEC	66.436	Surveys, Studies, Investigations, Demonstrations and Training Grants and Cooperative Agreements _Section 104(b)(3) of the Clean Water Act	29,191	21,783	—
Natural Resources-DEC	66.454	Water Quality Management Planning	103,733	40,257	—
Natural Resources-DEC	66.454	ARRA-Water Quality Management Planning	108,403	31,789	—
Natural Resources-DEC	66.458	Capitalization Grants for Clean Water State Revolving Funds	6,680,109	6,064,205	—
Natural Resources-DEC	66.458	ARRA-Capitalization Grants for Clean Water State Revolving Funds	11,311,705	8,387,369	—
Natural Resources-DEC	66.468	Capitalization Grants for Drinking Water State Revolving Funds	5,415,191	4,011,082	—
Natural Resources-DEC	66.468	ARRA-Capitalization Grants for Drinking Water State Revolving Funds	13,760,980	12,180,412	—
Natural Resources-DEC	66.471	State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	18,499	13,272	—
Natural Resources-DEC	66.474	Water Protection Grants to the States	52,025	2,945	—
Natural Resources-DEC	66.481	Lake Champlain Basin Program	458,132	174,519	15,000
Natural Resources-DEC	66.511	Office of Research and Development Consolidated Research/Training/Fellowships	92,783	—	—
Natural Resources-DEC	66.605	Performance Partnership Grants	4,266,433	271,241	210,000
Natural Resources-DEC	66.608	Environmental Information Exchange Network Grant Program and Related Assistance	88,401	—	—
Natural Resources-DEC	66.611	Environmental Policy and Innovation Grants	18,674	—	—
Natural Resources-DEC	66.709	Multi-Media Capacity Building Grants for States and Tribes	1,497	—	—
Natural Resources-DEC	66.802	Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements	28,660	—	—
Natural Resources-DEC	66.804	Underground Storage Tank Prevention, Detection, and Compliance Program	273,031	—	—
Natural Resources-DEC	66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	686,458	—	—
Natural Resources-DEC	66.805	ARRA Leaking Underground Storage Tank Trust Fund	184,989	60,250	—
Natural Resources-DEC	66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	161,413	—	—
Natural Resources-DEC	66.817	State and Tribal Response Program Grants	679,182	26,119	—
Natural Resources-DEC	97.023	Community Assistance Program _ State Support Services Element (CAP – SSSE)	132,770	—	—
Natural Resources-DEC	97.041	National Dam Safety Program	14,827	—	—
Natural Resources-DEC	97.045	Cooperating Technical Partners	69,664	1,570	—

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2010

VT agency/department	CFDA number	Federal agency/program type	Expenditures	Subgranted to nonstate of Vermont entities	Subgranted to State of Vermont Agencies
Natural Resources-DEC	97.070	Map Modernization Management Support	\$ 29,061	11,000	—
Natural Resources-DEC	97.082	Earthquake Consortium	7,378	—	—
Natural Resources-DEC total			<u>45,635,616</u>	<u>31,803,063</u>	<u>225,000</u>
Natural Resources-F&W	10.025	Plant and Animal Disease, Pest Control, and Animal Care	48,387	—	—
Natural Resources-F&W	15.605	Sport Fish Restoration Program	3,846,830	10,922	—
Natural Resources-F&W	15.611	Wildlife Restoration	2,328,985	—	—
Natural Resources-F&W	15.615	Cooperative Endangered Species Conservation Fund	527,705	506,300	—
Natural Resources-F&W	15.616	Clean Vessel Act	4,606	2,622	—
Natural Resources-F&W	15.622	Sportfishing & Boating Safety Act	51,653	38,116	—
Natural Resources-F&W	15.633	Landowner Incentive Program	218,711	—	—
Natural Resources-F&W	15.634	State Wildlife Grants	529,703	158,656	—
Natural Resources-F&W	15.650	Research Grants (Generic)	30,000	—	—
Natural Resources-F&W	66.641	Wetlands Protection State Development	18,138	—	—
Natural Resources-F&W total			<u>7,604,718</u>	<u>716,616</u>	<u>—</u>
Natural Resources-FPR	10.664	Cooperative Forestry Assistance	1,321,771	394,278	—
Natural Resources-FPR	10.664	Cooperative Forestry Assistance	14,860	—	—
Natural Resources-FPR	10.672	Rural Development, Forestry, and Communities	292,306	202,332	—
Natural Resources-FPR	10.676	Forest Legacy Program	1,060,476	—	—
Natural Resources-FPR	10.678	Forest Stewardship Program	8,960	—	—
Natural Resources-FPR	10.688	ARRA- Recovery Act of 2009 Wildland Fire Management	41,774	—	—
Natural Resources-FPR	15.608	Fish & Wildlife Management Assistance	13,585	—	—
Natural Resources-FPR	15.916	Outdoor Recreation – Acquisition, Development and Planning	506,158	178,483	—
Natural Resources-FPR	20.219	Recreational Trails Program	856,506	565,777	—
Natural Resources-FPR total			<u>4,116,396</u>	<u>1,340,870</u>	<u>—</u>
Public Safety	11.555	Public Safety Interoperable Communications Grant Program	651,468	572,671	31,746
Public Safety	16.554	National Criminal History Improvement Program (NCHIP)	248,539	—	128,427
Public Safety	16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	106,195	—	—
Public Safety	16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	8,724	—	—
Public Safety	16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	452,607	86,870	—
Public Safety	16.593	Residential Substance Abuse Treatment for State Prisoners	31,543	—	31,543
Public Safety	16.607	Bulletproof Vest Partnership Program	26,658	—	—
Public Safety	16.609	Project Safe Neighborhoods	36,383	—	—
Public Safety	16.710	Public Safety Partnership and Community Policing Grants	1,608,104	176,763	90,000
Public Safety	16.738	Edward Byrne Memorial Justice Assistance Grant Program	488,402	53,591	—
Public Safety	16.741	Forensic DNA Backlog Reduction Program	110,369	—	—
Public Safety	16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	106,357	—	19,400
Public Safety	16.744	Anti-Gang Initiatives	22,595	—	—
Public Safety	16.748	Convicted Offender and/or Arrestee DNA Backlog Reduction Program	35,325	—	—
Public Safety	16.753	Congressionally Recommended Awards	114,225	—	—
Public Safety	16.803	ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/ Grants to States and Territories	422,061	47,714	—
Public Safety	16.810	ARRA-Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program	21,284	—	—
Public Safety	16.999	ATF Task Force	52,628	—	—
Public Safety	16.999	Drug Enforcement Administration – DEA	27,168	—	—
Public Safety	16.999	Marijuana Eradication	19,730	—	—
Public Safety	16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	188,779	15,444	—
Public Safety	16.999	New England High-Intensity Drug Trafficking Areas (HIDTA)	50,364	—	—
Public Safety	16.999	US Marshall's District Fugitive Task Force	272	—	—
Public Safety	16.999	FBI Joint Terrorism Task Force	1,108	—	—
Public Safety	16.999	Bordergap	1,532	—	—
Public Safety	20.600	State and Community Highway Safety (402)	1,544,393	728,768	293,621
Public Safety	20.601	Alcohol Impaired Driving Countermeasures Incentive Grants	1,022,173	227,564	588,638
Public Safety	20.602	Occupant Protection Incentive Grants	246,786	47,227	—
Public Safety	20.608	Minimum Penalties For Repeat Offenders For Driving While Intoxicated	3,850,338	111,484	3,577,551
Public Safety	20.609	Safety Belt Performance Grant	264,422	—	—
Public Safety	20.610	State Traffic Safety Information System Improvement	199,386	—	182,399
Public Safety	20.612	Incentive Grant Program to Increase Motorcyclist Safety	170,829	2,642	123,046
Public Safety	20.613	Child Safety and Booster Seat Incentive Grant	123,533	15,130	—
Public Safety	20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	17,814	—	—
Public Safety	20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	137,119	47,377	—
Public Safety	83.999	FEMA Admin Training Procurement	547	—	—
Public Safety	97.001	Interoperable Emergency Communications Grant Program	243,995	—	—
Public Safety	97.012	Boating Safety Financial Assistance	762,216	50,000	268,000
Public Safety	97.029	Flood Mitigation Assistance	622	—	—
Public Safety	97.039	Hazard Mitigation Grants	97,557	97,557	—
Public Safety	97.042	Emergency Management Performance Grants	2,474,462	762,597	95,754
Public Safety	97.043	State Fire Training System Grants	13,586	—	—
Public Safety	97.047	Pre-Disaster Mitigation	224,073	224,536	—
Public Safety	97.067	Homeland Security Grant Program	2,468,741	1,258,504	21,226
Public Safety total			<u>18,695,012</u>	<u>4,526,439</u>	<u>5,451,351</u>
Public Service	11.558	ARRA-State Broadband Data and Development Grant Program	18,172	—	—
Public Service	20.700	Pipeline Safety Program Case Grants	109,682	—	—
Public Service	81.039	SHOPP (State Heating Oil and Propane Program)	—	—	—
Public Service	81.041	State Energy Program	173,652	30,338	—
Public Service	81.041	ARRA-State Energy Program	248,439	107,823	—
Public Service	81.119	State Energy Program Special Projects	34,370	34,370	—
Public Service	81.127	ARRA- Energy Efficiency Appliance Rebate Program	5,487	—	—
Public Service	81.128	ARRA-Energy Efficiency and Conservation Block Grant	80,291	56,471	—
Public Service	81.999	Sustainable Energy for Homes and Businesses (Sanders)	335	—	—
Public Service total			<u>670,428</u>	<u>229,002</u>	<u>—</u>

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2010

VT agency/department	CFDA number	Federal agency/program type	Expenditures	Subgranted to nonstate of Vermont entities	Subgranted to State of Vermont Agencies
Public Service Board	81.122	ARRA- Electricity Delivery and Energy Reliability, Research, Development and Analysis	\$ 31,508	—	—
Public Service Board total			<u>31,508</u>	<u>—</u>	<u>—</u>
Secretary of State's Office	39.011	Election Reform Payments	561,539	121,067	—
Secretary of State's Office	93.617	Voting Access for Individuals with Disabilities - Grants for Protection and Advocacy Programs	121,626	99,530	—
Secretary of State's Office total			<u>683,165</u>	<u>220,597</u>	<u>—</u>
State Treasurer	10.665	Schools and Roads - Grants to States	364,183	364,183	—
State Treasurer total			<u>364,183</u>	<u>364,183</u>	<u>—</u>
State's Attorneys & Sheriffs	16.753	Congressionally Recommended Awards	32,234	—	—
State's Attorneys & Sheriffs	16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)	5,773	—	—
State's Attorney's & Sheriffs total			<u>38,007</u>	<u>—</u>	<u>—</u>
Transportation	20.106	Airport Improvement Program	1,419,518	—	—
Transportation	20.106	ARRA-Airport Improvement Program	2,822,660	—	—
Transportation	20.205	Highway Planning and Construction	148,650,754	16,985,804	159,800
Transportation	20.205	ARRA-Highway Planning and Construction	64,831,937	106,624	10,946
Transportation	20.218	National Motor Carrier Safety	1,331,572	—	—
Transportation	20.314	Railroad Development	2,098,880	—	—
Transportation	20.500	Federal Transit – Capital Investment Grants	683,810	683,811	—
Transportation	20.505	Metropolitan Transportation Planning	442,443	393,503	—
Transportation	20.509	Formula Grants for Other Than Urbanized Areas	11,206,715	10,955,063	—
Transportation	20.509	ARRA-Formula Grants for Other Than Urbanized Areas	1,672,520	1,672,550	—
Transportation	20.513	Capital Assistance Program for Elderly Persons and Persons with Disabilities	154,476	260,432	—
Transportation	20.514	Public Transportation Research	380,381	281,915	—
Transportation	20.515	State Planning and Research	1,675	1,675	—
Transportation	20.521	New Freedom Program	27,257	27,257	—
Transportation	97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	1,119,846	1,169,159	6,829
Transportation	97.090	Law Enforcement Officer Reimbursement Agreement Program	57,735	57,735	—
Transportation total			<u>236,902,179</u>	<u>32,595,528</u>	<u>177,575</u>
Grand total			<u>\$ 2,151,125,012</u>	<u>296,671,526</u>	<u>56,286,372</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, 2010

#### (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, 2010. The Schedules do not include component units identified in the notes to the basic financial statements.

The entities listed below are Discretely Presented Component Units in the State's basic financial statements, which received federal financial assistance for the year ended June 30, 2010. 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
	Vermont Information Technology Leaders, Inc.

##### (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 \$6,453,375 in expenditures, distributions, or issuances for the fiscal year ended June 30, 2010.

STATE OF VERMONT

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

June 30, 2010

(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	\$ 178,447,005
Federal	126,026,679
	<u>\$ 304,473,684</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.

(6) **Nonmonetary Federal Financial Assistance**

Total federal expenditures included on the schedules for Supplemental Nutrition Assistance Program represent the federal governments payment for monthly benefit subsidies paid directly to eligible participants through the electronic benefit transaction system.

## STATE OF VERMONT

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

June 30, 2010

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

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

The reported expenditures for benefits under the Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551) are supported by both regularly appropriated funds and incremental funding made available under Section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual state level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 16.38% of USDA's total expenditure for SNAP benefits in the federal fiscal year ended September 30, 2010.

**(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 Care Food Program (CFDA #10.558)***

The Child and Adult Care Food 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 Care Food Program represent the federal government's acquisition value of the food commodities provided to the State.

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

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

## STATE OF VERMONT

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

June 30, 2010

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

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

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

The Emergency Food Assistance Program helps supplement the diets of low-income Americans by providing them with food and nutrition assistance at no cost. Under this program, commodity foods are made available by the U.S. Department of Agriculture to States. States provide the food to 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.

**(g) 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.

**(h) Public Health Emergency Preparedness (CFDA #93.069)**

The Public Health Emergency Preparedness program provides funding to develop emergency-ready public health departments by upgrading, integrating and evaluating State and local public health jurisdictions preparedness for and responses to terrorism, pandemic influenza, and other public health emergencies. Total federal expenditures included in the Schedules for Public Health Emergency Preparedness represent the federal government's acquisition value of vaccines provided to the State.

**(i) Immunization Grants (CFDA #93.268) and ARRA Immunization (CFDA #93.712)**

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

June 30, 2010

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

***Financial Statements***

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

***Federal Awards***

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

***Qualified Opinion***

- SFSF Cluster (CFDA #84.394 and #84.397)
- Child Support Enforcement (CFDA #93.563)
- Medicaid Cluster (CFDA #93.775, #93.777, and #93.778)
- Disaster Grants – Public Assistance (Presidentially Declared Disaster) (CFDA #97.036)

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

Schedule of Findings and Questioned Costs

June 30, 2010

***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
Child Nutrition Cluster:	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
CDBG – State-Administered Small Cities Program Cluster:	
14.228	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii
14.255	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii (Recovery Act Funded)
Employment Services Cluster:	
17.207	Employment Services/Wager-Pyesser Funded Activities
17.801	Disabled Veterans’ Outreach Program
17.804	Local Veterans’ Employment Representative Program
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
20.219	Recreational Trails Program
Title I, Part A Cluster:	
84.010	Title I Grants to Local Educational Agencies
84.389	Title I Grants to Local Educational Agencies, Recovery Act
Special Education Cluster:	
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
84.391	Special Education – Grants to States, Recovery Act
84.392	Special Education – Preschool Grants, Recovery Act
Vocational Rehabilitation Cluster:	
84.126	Rehabilitation Services – Vocational Rehabilitation Grants to States
84.390	ARRA – Rehabilitation Services – Vocational Rehabilitation Grants to States, Recovery Act

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2010

<u>CFDA number</u>	<u>Name of federal program</u>
Education Technology	
State Grants:	
84.318	Education Technology State Grants
84.386	Education Technology State Grants, Recovery Act
SFSF Cluster:	
84.394	State Fiscal Stabilization Fund – Education State Grants, Recovery Act
84.397	State Fiscal Stabilization Fund – Government Services, Recovery Act
Aging Cluster:	
93.044	Special Programs for the Aging – Title III, Part B – Grants For Supportive Services and Senior Centers
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services
93.053	Nutrition Services Incentive Program
93.705	ARRA – Aging Home-Delivered Nutrition Services for States
93.707	ARRA – Aging Congregate Nutrition Services for States
Immunization Grants:	
93.268	Immunization Grants
93.712	ARRA – Immunization
TANF Cluster:	
93.558	Temporary Assistance for Needy Families
93.716	ARRA – Temporary Assistance for Needy Families Supplemental Grants
CSBG Cluster:	
93.569	Community Services Block Grant
93.710	ARRA – Community Services Block Grant
CCDF Cluster:	
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
93.713	ARRA – Child Care and Development Block Grant
Medicaid Cluster:	
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers
93.778	Medical Assistance Program
Other programs:	
10.557	Special Supplemental Nutritional Program for Women, Infants and Children
12.401	National Guard Military Operations and Maintenance Projects
17.225	Unemployment Insurance Program
20.106	Airport Improvement Program
20.509	Formula Grants for Other Than Urbanized Areas
66.458	Capitalization Grants for Clean Water State Revolving Funds
66.468	Capitalization Grants for Drinking Water State Revolving Funds
81.042	Weatherization Assistance for Low-Income Persons

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2010

<b>CFDA number</b>	<b>Name of federal program</b>
93.563	Child Support Enforcement
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.667	Social Services Block Grant
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disaster)

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

\$6,453,375

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes        x   no

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2010

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

Over the past several years, the State has greatly improved its financial accounting and reporting capabilities as evidenced by the significant reduction in audit comments in fiscal 2010. As the State moves forward, however, maintaining focus on accountability, transparency and accuracy will continue to be difficult as federal and state financial resources become scarce and key personnel retire. The State needs to be diligent about optimizing its current revenue streams, controlling costs, avoiding the temptation to use one-time revenues and ensuring key personnel close to retirement are identified and leveraged properly to ensure a smooth transition to the successor. The comments we identified as a result of the 2010 audit are presented below:

##### **2010-01 – 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***

The Department has been working with individual departments and agencies for several years to improve the financial reporting process and reduce the number of data errors and adjustments. To date, significant improvements have been made in this area. However, there were still some adjustments that were made to the State's financial statements as a result of our audit. These adjustments are as follows:

- Reduce liabilities in the General Fund by \$1.4 million for an over-accrual related to the Medicaid program
- Reduce the liabilities in the Special Fund by \$570,000 for an over-accrual related to third-party payments.
- Reduce the liabilities in the Transportation Fund by \$762,000 for an over-accrual related to third-party payments.

While the Department is primarily responsible for the preparation of the State's financial statements, responsibility for the underlying data and activity resides in the departments and agencies. These adjustments indicate the continued need for further training for business officers throughout the State on topics including financial accounting and reporting as well as internal controls and data analysis concepts.

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

The Department should continue to provide training to and work with State departments and agencies to provide them with the knowledge and guidance relating to financial accounting and reporting concepts, including internal controls, to help ensure that the State's financial statements are complete and accurate.

**STATE OF VERMONT**

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***Management's Response***

The Department of Finance & Management concurs with the finding and recommendation. The Department will continue to work with State agencies and departments to improve their knowledge relating to financial accounting and reporting, and internal controls to help ensure the data which they provide is complete and accurate. Additional guidance on financial statement accruals will be provided in the next Internal Controls Newsletter and in the Year-End Closing Instructions.

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**2010-02 – Information Technology Internal Controls**

***Background***

The State relies heavily on its information technology (IT) systems to process, account for, and report on its financial activities. The State’s VISION system serves as the State’s principal financial system and is used to prepare the State’s financial statements. Although the VISION system is the State’s principal financial system, many of the actual financial activities are originated in other departmental systems. During the fiscal year 2010 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 2010</b>
ACCESS	Agency of Human Services (AHS)	Benefit and Eligibility System for Human Service Cash Assistance Programs	ITGC
BFIS	Agency of Human Services (AHS)	A system for Human Services Child Care Subsidy Payments	ITGC
Financial Accounting & Reporting System (FARS)	Department of Labor	Mainframe system that processes non-VISION employee time and vendor payments for the DOL.	Follow up on prior recommendations
Human Capital Management (HCM)	Department of Human Resources	State-wide human resource system	Follow up on prior recommendations
Intelligrants	Agency of Commerce and Community Development (ACCD)	Grants Management System for agency grants for the Community Development Program and the Municipal Planning Grants. The system is also used to manage the Vermont Economic Growth Incentive program. VEGI uses the system for its application, incentive awards and claims processes	ITGC

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<b>IT Application Name</b>	<b>Agency Responsible</b>	<b>Purpose of IT Application</b>	<b>Type of Review Performed in FY 2010</b>
Sequoia	Liquor Control Department	Business application that manages warehousing, inventory, purchasing, AP, tracking of sales/revenues, commission, licensing and GL. In addition, Point of Sale terminals owned by the State and reside in each store.	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	ITGC
STARS	Agency of Transportation	Project Cost Accounting System for Transportation Construction Projects	Follow up on prior recommendations
State Network & Data Center	Department of Innovation and Information (DII)	State-wide area network	ITGC
VABS and CATS	Department of Labor	VABS is the Unemployment Insurance Benefit and Eligibility System and CATS is the Employer Contribution Tax System.	Follow up on prior 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
VISION Financials	Department of Finance and Management	State-wide accounting system	Follow up on prior recommendations

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IT Application Name	Agency Responsible	Purpose of IT Application	Type of Review Performed in FY 2010
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

The purpose of a review of IT general controls is to gain an understanding of the controls that are in place and to test the design and operating effectiveness of those controls. During an IT general controls review, the following control objectives are reviewed:

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

*Program Changes:* Determines whether adequate controls for changing existing programs/systems/applications have been established by management to help ensure that changes 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 the 2010 ITGC performed, we were advised that no new applications were implemented and none are on the project plan for our review. 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.

***Findings***

The results of the IT general controls reviewed performed over the above identified computer systems indicated numerous control deficiencies of varying severity. We shared specific control deficiencies for each IT system with Department management and obtained responses from those individuals as well. A summary of the more significant findings follow:

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. Finally, control over 'super-user' passwords was identified as an issue for at least one system.

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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.

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.

While all of the State systems we reviewed had deficiencies, those systems with highest incidence of control deficiencies, based on our review, were VISION, BFIS, VABS/CATS, FARS and Sequoia.

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 a coordinated plan to address the control deficiencies related to its IT environment – focusing first on those systems that have the highest incidence of control deficiencies. Additionally, policies and procedures should be developed and distributed to agencies and departments to allow them to be implemented as soon as practical. We also recommend that the State evaluate the skills and resources needed to support the State's IT resources as a whole and, if applicable, develop a plan for optimizing the current skills and resources, obtaining needed resources and exploring consolidation opportunities as a way to maximize resources and minimize costs.

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

The State concurs in general with this finding. The State has previously acknowledged that centralization and consolidation of certain IT functions, systems and controls is desirable and necessary. We are currently in the final interviewing process for a new State Chief Information Officer whose responsibility it will be to continue on with the efficiencies and progress made thus far, but also to collaborate and lead the departments toward progress on the recommendations and leveraging opportunities for shared operational components.

The State has made significant progress in recent years with technical skill sets, server consolidation, development of policies, and application consolidation efforts. Admittedly, there is more to do and more is planned. Data Center consolidation, infrastructure and virtualization efforts will be imposing strict central authority over design, instantiation, configuration and change management of all data center assets. This will include tighter physical security and a separation between co location and secured infrastructure. Not only is this a continuing priority for the Administration, but the Legislature has adopted a new focus and resolve toward better, more efficient, and secure IT systems.

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Up until this year, securing sufficient appropriations from the Legislature to fund major IT system upgrades, IT maintenance, and staff training has been a fractured and uncertain process requiring testimony in multiple committees, since there is no committee of jurisdiction. This year a committee bill has been proposed by the House Government Operations Committee (HGO) to name HGO as the committee of jurisdiction for government IT. This is a true break through; committees of jurisdiction develop expertise in the subject matter, provide needed support, and act as champions for IT projects in the appropriation committees.

The State of Vermont Security Director is in the final stage of developing an online security awareness training program. It is currently under review at the Department of Human Resources and is planned for launch by the end of FY 2011. We expect a reduction in malware events by enforcing a multi pronged approach. First, by educating state employees and fostering awareness; second by providing tools to alert of potential malicious activity both at the end user and administrative levels. By educating on topics such as social engineering, computer viruses, and other forms of organized computer control, risk to our state computing environments will decrease.

The Department of Information Innovation is working to finalize a Five Year Information Technology Strategic Plan covering FY 2012 – 2016. In it we renew the commitment to a strong customer service mission while also identify areas of strategic importance. Information technology efforts must be aligned with business objectives, specifically focusing on data requirements and there must be continuous improvement of the technical infrastructure to maximize reliability, availability and the security of data. The CIO will work with program leadership, business analysts, and technical professionals to ensure good decision making around technology selection, standardization, economy of scale, and to establish and implement governance structures to guide this collaborative work. The plan isn't just about the new IT implementations being developed, it also means working with all Agencies to ensure legacy system upgrades are leveraged with common solutions where possible and are managed in accordance with industry standards and best practice approaches. Working hand in hand with the CIO, Enterprise Project Management Office, Agency IT leaders and our business partners, the State supports the alignment of current and future IT projects in identifying, minimizing and managing organizational risk where ever possible.

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

**Finding 10-01**

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 Year**

4VT400406	10/1/08 – 9/30/09
4VT400406 ARRA	10/1/08 – 9/30/09
4VT440406 ARRA	10/1/09 – 9/30/10
4VT440406	10/1/09 – 9/30/10

***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.

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

The Agency of Human Services uses the ACCESS system to store information concerning eligibility determinations and benefit amounts paid under the SNAP program. We selected a sample of 40 cases and agreed the information contained in the ACCESS system to the documentation maintained in each cases paper file that was used as part of the eligibility determination process and noted the following:

- A. 8 of 40 cases reviewed had discrepancies in documentation to support expenses used to calculate a participants benefit payment, resulting in a net over payment of \$191.
- B. 1 of 40 cases lacked evidence to show that the case was reviewed timely to ensure the participant was still eligible to receive benefits.
- C. 1 of 40 cases was eligible for a monthly benefit payment amount of \$207 for the month selected for test work, however the participant was incorrectly paid \$260, which had been the amount the participant had been eligible to receive in the previous month, resulting in an overpayment of \$53.

#### ***Cause***

The cause of the condition found was primarily due to a large increase in the caseload being reviewed while the case managers that review the case load for eligibility decreased in numbers during the same period.

#### ***Effect***

The effect of the condition found is that benefit payments made were not accurate and in accordance with federal regulations.

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

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

\$244 – the net amount of benefits overpaid identified in the condition found.

#### ***Recommendation***

We recommend that the Agency of Human Services reviews its existing controls and procedures for reviewing and approving eligibility determinations to ensure that the information used to support the monthly benefit amount paid is accurate, consistent and in compliance with federal regulations.

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

We will address the exceptions noted in the finding by establishing claims for overpayments when appropriate and prepare underpayment adjustments for underpayments.

The state has been addressing the increase in caseload by changing and revising procedures and processes. The case load for each case manager reviewing eligibility increased in fiscal year 2010 by approximately 22% over the prior year. This occurred as the number of cases increased while simultaneously reducing staff due to budget constraints.

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The corrective action plan for this finding is currently being implemented as part of several larger projects. The state is implementing a modernization initiative related to eligibility processes. Part of this process is the automated document processing center which will allow for more efficient handling of cases. To address timeliness of reviews, the State modified its process to expedite reviews, relaxed the verification process (as allowed under Federal SNAP rules), and simplified the recertification procedures.

The audit brought to light the issue of inconsistent shelter expense figures. ACCESS has two entry fields in which to report shelter. In previous years, this was necessary to meet State program needs but current programs require only one field. The error occurred when one of the fields was not properly updated. The State resolved this issue by requiring data entry in only one field, updating current case records to reflect this change, and by training staff on the new requirement.

The State also hired a consulting firm comprised of a team of award winning change agents that provide ideas, methods and tools to help organizations improve performance. Founders of this consulting firm have a vast knowledge of Human Service experience and previously worked for other State's processing eligibility. The final report and recommendations were received in January 2011. After management review, those recommendations that are deemed appropriate will be implemented.

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

June 30, 2011

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

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

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**Finding 10-02**

U.S. Department of Agriculture

**Program Name and CFDA Number**

Child Nutrition Cluster:

School Breakfast Program (CFDA #10.553)

National School Lunch Program (CFDA #10.555)

Special Milk Program for Children (CFDA #10.556)

Summer Food Service Program for Children (CFDA #10.559)

**Program Award Number and Year**

W912LN-09-2-9032

10/1/09 – 09/30/10

**Criteria**

A pass-through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of federal awarding agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient’s use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

**Condition Found**

The State Department of Education (the Department) grants funds to school food authorities to carry out the objectives of the Child Nutrition Cluster. During our test work over the Department’s subrecipient monitoring process, we noted the following:

- A. All 25 grant agreements reviewed did not contain all the CFDA numbers awarded to the school food authorities. The only CFDA number listed was for the National School Lunch Program.
- B. 11 of 25 programmatic monitoring visits were not closed out timely. The time lag for these visits ranged from 4 to 12 months from the date of the monitoring visit.
- C. 1 of 25 programmatic monitoring visits required subsequent action to be taken by the school food authority. The Department has not received a response from the School Food Authority and funding to the School Food Authority has not been withheld as is the Department’s Policy.

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- D. 1 of 25 programmatic monitoring visits resulted in the identification of an excess payment being made to the school food authority in the amount of \$282. It is the Department's policy to recoup excess payments by reducing the subsequent disbursement made to the school food authority for errors identified in excess of \$200. As of the date of test work this amount had yet to be recouped.

#### *Cause*

The cause of the condition found is primarily due to the lack of monitoring by the Department to ensure that all programmatic monitoring visits are followed up on and all required actions are taken timely.

#### *Effect*

The effect of the condition found is that instances of noncompliance or areas requiring improvement that are identified as a result of the programmatic monitoring visits are not being corrected timely.

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

#### *Questioned Costs*

\$282 – the net amount the overpayment.

#### *Recommendation*

We recommend that the Department review its existing controls and procedures for following up on programmatic monitoring visits to ensure that instances of noncompliance and areas requiring improvement are resolved timely in order to strengthen their subrecipient monitoring process.

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

- A. The CNP Web, online application and claiming system, does list the National School Lunch Program CFDA number at the top of the Program Agreement, which seems to be the number that all of our federal school meals funds are provided to finance. We do include the CFDA numbers for the various programs in the Instruction Handbook for the On Line claiming system. For additional grants, we will list the CFDA number on each document.
- B. We have instituted a new system this year to get reports out within a 2 to 3 week time frame. We check in on the status of each review monthly at our staff meetings. The goal this year is to complete and close reviews within 60 days unless there are significant findings that would require a longer timeframe to implement corrective action. We continue to ensure that there is consistency in reviewers and the timeframes.
- C. I believe the review referenced was the result of the Principal and Food Service Manager leaving their positions and there was no one at the school who could follow up on any of the corrections or provide evidence that changes had been made. A follow up review was conducted with the new staff to ensure errors had been corrected.

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- D. There is a new system in place to ensure fiscal action is taken as required. Any reviews requiring fiscal action require a memo and an FA-6 form to be sent to finance. The administrative assistant prepares this, logs the date in the review log, and once the FA is taken, the administrative assistant and reviewer are notified. This date is included in the log and a copy of the e-mail message is included in the file by the administrative assistant.
  
- E. A new system has been implemented to more closely check our work. This process was implemented in June 2010. The review team goes through each review file twice, checking each others reviews, to ensure the review files have the necessary documentation, all corrective actions are in, and that fiscal action has been taken and documented. This step is required at the end of the school year in order to close our review cycle.

This year, our administrative assistant is more rigorously managing the log and files. We have shortened the time line to get reviews back to the field.

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

June 2010

***Contact for Corrective Action Plan***

Laurie M. Colgan, Director, Child Nutrition Programs, Vermont Department of Education, 802-828-5153

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**Finding 10-03**

U.S. Department of Defense

**Program Name and CFDA Number**

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

**Program Award Number and Year**

W912LN-09-2-9032 ARRA      10/1/09 – 9/30/10

***Criteria***

American Recovery and Reinvestment Act (ARRA) funded projects are subject to the Davis-Bacon Act. In those instances where projects are funded with both non-ARRA and ARRA funds, the auditor should ensure that the recipient is in compliance with the requirements of the Davis-Bacon Act for the portion of the project that was executed using ARRA funds (ARRA of 2009 Sustainment, Restoration, and Modernization Projects, Special Military Cooperative Agreement, Article VIII, Section 815).

When required by the Davis-Bacon Act, the Department of Labor's (DOL) governmentwide implementation of the Davis-Bacon Act, ARRA, or by federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, *Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction*). This includes a requirement for the contractor or subcontractor to submit to the non-federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR Sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

***Condition Found***

During our test work, we noted that weekly certified payroll records from contractors were received monthly instead of weekly as required by federal regulations.

***Cause***

The cause of the condition found is that the contractors were only required to submit the weekly reports once a month as part of their routine request for payment for services rendered.

***Effect***

The effect of the condition found is that the weekly certified payroll records were not received within 7 days as required by federal regulations.

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***Questioned Costs***

None.

***Recommendation***

We recommend that the State review its procedures for monitoring compliance with the Davis-Bacon Act and require all certified payroll records be submitted by contractors being paid with ARRA funds within 7 days of the contractor completing its payroll cycle as required by federal regulations.

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

The Construction and Facilities Management Office (CFMO) concurs with this current recommendation. The CFMO has reviewed its procedures for monitoring compliance with the Davis-Bacon Act and will require on all future ARRA supported contracts requiring Davis-Bacon Act procedures to complete the following process actions.

- All certified payroll records are to be submitted by contractors being paid using ARRA funds within 7 days of the contractor completing its payroll cycle as required by federal regulations.

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

Completed 01-JAN-2011

***Contact for Corrective Action Plan***

COL Robert Gingras, CFMO, 802-338-3041

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**Finding 10-04**

U.S. Department of Labor

**Program Name and CFDA Number**

Employment Services Cluster:

Employment Service/Wager-Peyser Funded Activities (CFDA #17.207)

Disabled Veterans' Outreach Program (DVOP) (CFDA #17.801)

Local Veterans' Employment Representative (LVER) Program (CFDA #17.804)

**Program Award Number and Award Year**

ES-19235-09-55-A-50	10/1/09 – 9/30/10
ES-17594-08-55-A-50 ARRA	10/1/08 – 9/30/09
DV-19629-10-55-S-50	10/1/09 – 9/30/10
E-9-5-9-5045	10/1/08 – 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, will 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 cost is allocated to each federal program based on the percentage of time worked on each individual federal program.

We noted that for 7 of the 65 TD-7A timesheets selected for test work, the number of hours worked did not agree to the employee's standard biweekly timesheet. As a result, we are unable to determine whether the salary costs were properly allocated to the federal program. We further noted that 2 of the 7 errors were funded with monies received under the American Recovery and Reinvestment Act (ARRA).

**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.

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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 implement controls necessary to ensure that all costs are properly reviewed and approved before entry into the FARS system.

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

Management's corrective action plan for a similar finding in last year's audit called for the training of all employees and supervisors on proper procedures for completing and reviewing all payroll-related documents, as well as more intense auditing of these reports by Fiscal Office staff. Though there are signs of some improvement since last year, it is apparent that the problem has not been eliminated. As an additional measure, management has begun the process of moving the TD systems' information to a new database which will be compatible with the State's payroll system. The aim of the project is to allow employees to enter a single set of data which will populate the fields required to be completed in each system, eliminating mismatches. However, should that goal be unattainable, at the very least the new design will allow for a cross-check between systems to highlight any inconsistencies that might need to be corrected.

As to the questioned costs noted to be indeterminable, VDOL Fiscal Office's standard month-end closing procedures have established a tolerance level that allows no more than a 1% deviation between the TD sheets and time reports. Discrepancies of smaller amounts, considered statistically immaterial, are adjusted via the federally approved Cost Allocation Plan programmed into the FARS accounting software.

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

June 30, 2011

***Contact for Corrective Action Plan***

Charlie Teske, VDOL Financial Director, 802-828-0281

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**Finding 10-05**

U.S. Department of Labor

**Program Name and CFDA Number**

Unemployment Insurance (CFDA #17.225)

**Program Award Number and Award Year**

UI-18053-09-55-A-50 ARRA	10/1/08 – 9/30/09
UI-19615-10-55-A-50 ARRA	10/1/09 – 9/30/10
UI-18053-09-85-A-50	10/1/08 – 9/30/09
UI-19615-10-50-A-50	10/1/09 – 9/30/10

**Criteria**

In accordance with OMB Circular A-87, charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will 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 cost is allocated to each federal program based on the percentage of time worked on each individual federal program.

During our test work over payroll costs charged to the program, we noted the following:

- A. We noted that for 18 of the 65 TD-7A timesheets selected for test work, the number of hours worked did not agree to the employee's standard biweekly timesheet. As a result, we are unable to determine whether the salary costs were properly allocated to the federal program. We further noted that 2 of the 18 errors were funded with monies received from the American Recovery and Reinvestment Act (ARRA).
- B. We were unable to recalculate the gross salary paid for 1 out of 65 TD-7A timesheets selected for test work due to the fact that the pay rate contained within the FARS system did not agree to the person's actual pay rate. This error did not result in an overpayment of federal funds.
- C. 2 of the 65 items selected for test work contained time charges that were reallocated to a new charge code to be charged to the Unemployment Insurance program at the request of the UI & Wage Director. No supporting documentation could be obtained to support the reasonableness of the hours that were reallocated and charged to the program. The total cost associated with the reallocation was \$119 and was paid for using ARRA funding.

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#### *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 and that supporting documentation is maintained to support the methodology for reallocating time charges to new program codes.

#### *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*

Not determinable.

#### *Recommendation*

We recommend that the Department review its existing procedures and implement controls necessary to ensure that all costs are properly reviewed and approved before entry into the FARS system. In addition, we recommend that the Department review its policy for maintaining documentation to support transfers and reallocation of costs to ensure that the methodology for the transfer or reallocation is properly documented to support the allowableness of the cost charged to the federal programs.

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

**Re Condition A:** Management's corrective action plan for a similar finding in last year's audit called for the training of all employees and supervisors on proper procedures for completing and reviewing all payroll-related documents, as well as more intense auditing of these reports by Fiscal Office staff. Though there are signs of some improvement since last year, it is apparent that the problem has not been eliminated. As an additional measure, management has begun the process of moving the TD systems' information to a new database which will be compatible with the State's payroll system. The aim of the project is to allow employees to enter a single set of data which will populate the fields required to be completed in each system, eliminating mismatches. However, should that goal be unattainable, at the very least the new design will allow for a cross-check between systems to highlight any inconsistencies that might need to be corrected.

As to the questioned costs noted to be indeterminable, VDOL Fiscal Office's standard month-end closing procedures have established a tolerance level that allows no more than a 1% deviation between the TD sheets and time reports. Discrepancies of smaller amounts, considered statistically immaterial, are adjusted via the federally approved Cost Allocation Plan programmed into the FARS accounting software.

**Re Condition B:** "Personnel Actions" are issued by the State's Department of Human Resources to instruct the Payroll Division to update their files when an employee received a pay increase. Previously, VDOL staff relied on receiving a paper copy of these actions in order to update the rates in its FARS TD system files, a method that proved unreliable. VDOL now has computer access to the Department of Human Resources files, and, on a daily basis, searches to see if any new Personnel Actions have been issued.

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VDOL's Fiscal staff then update FARS files immediately, eliminating any variations with the Payroll system files.

**Re Condition C:** Code 3209 Federal Additional Compensation was created internally in the department in August 2009. However, charging to this code was permissible from a federal perspective prior to August 2009. Once the code was available on the state system, Valerie Rickert, UI & Wages Division Director retroactively reallocated funds to the 3209 funding code for staff that had conducted work on this task from April to June. Director Rickert kept a spreadsheet log of total hours reported to her by identified staff specific to work activities associated with the Federal Additional Compensation Program for each month where retroactive hours were applied (April, May and June). This log was shared with the auditors on-site and was not found to be adequate supporting information. The Department will strive to ensure that the internal creation of time codes be developed at the time of the federal award. In the event we are not able to establish a time code at that time, the department will be more diligent about ensuring manual staff records are kept and signed on a bi-weekly basis validating time spent on a function when it is known that a code is under development and retroactive reporting will be necessary. In addition, some untitled "special project" codes have been added to the accounting system to be used in such questionable situations in the future.

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

June 30, 2011 for Condition A; December 31, 2010 for Condition B; and June 30, 2011 for Condition C

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

Charlie Teske, VDOL Financial Director, 802-828-0281 for Conditions A and B;  
Tracy Phillips, UI and Wage Division Director, 802-828-4242 for Condition C

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**Finding 10-06**

U.S. Department of Labor

**Program Name and CFDA Number**

Unemployment Insurance (CFDA #17.225)

**Program Award Number and Year**

UI-18053-09-55-A-50 ARRA	10/1/08 – 9/30/09
UI-19615-10-55-A-50 ARRA	10/1/09 – 9/30/10
UI-18053-09-55-A-50	10/1/08 – 9/30/09
UI-19615-10-55-A-50	10/1/09 – 9/30/10

**Criteria**

According to 2 CRF 176.210 for recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, recipients agree to separately identify the expenditures for federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133.

**Condition Found**

During our test work over the SEFA, we noted that the expenditures related to this program were not accurately reported and were required to be adjusted as a result of the audit. Specifically, the following errors were noted:

- A. Costs associated for administrative costs were increased by \$1,122,798 for non-Recovery Act expenditures and \$20,380 for Recovery Act expenditures. The discrepancies noted occurred because the Department of Labor did not notify the Department of Finance and Management that the amounts reported had changed once they had been finalized.
- B. Costs associated with benefit payments were increased by \$125,074,079 for non-Recovery Act benefits. The difference was a result of the Department of Labor not including all benefit payments made during the year in their initial calculation that was submitted to the Department of Finance and Management for inclusion in the SEFA.

While the above errors were identified, we noted that expenditures related to the Recovery Act had been properly accounted for and reported separately from non-Recovery Act expenditures.

**Cause**

The cause of the condition found is primarily due to staffing turnover and the lack of written procedures to document how the SEFA is prepared annually for this program.

**Effect**

The effect of the condition found is that the SEFA was not accurately prepared and needed to be revised.

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

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

None.

#### ***Recommendation***

We recommend that written procedures be developed for how to prepare the SEFA at the program level to ensure that it is accurately and consistently prepared on an annual basis. In addition we recommend controls be implemented to ensure that the SEFA is reviewed and approved prior to its submission to the Department of Finance and Management.

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

Management concurs that the lack of formal procedures and written documentation as to how the Department should properly prepare the SEFA report to be submitted to the Department of Finance & Management is a problem that needs to be addressed.

***Re Conditions Found A):*** For the first time in FY 2010, Finance & Management asked that a preliminary SEFA report be filed, showing expenditures through the quarter ending March 31, 2010. This was intended to help the auditors identify programs that had expanded greatly in scope due to the influx of ARRA funds and, therefore, would need to be added to the list of required audits. When it came time to file the final SEFA report, the VDOL Fiscal Director chose to simply update the preliminary form he had filed instead of preparing a new document. In the process, he failed to revise certain fields to reflect the complete year's expenditures, causing a mismatch between the SEFA and what had been expended and reported on federal 9130 quarterly reports.

Had procedures been in place to cross-check the amounts submitted to Finance with the spreadsheet of federally reported expenditures, this error would have been obvious. When the error was finally cited by the auditors, the Financial Director, unaware that it was in fact his responsibility, assumed that the auditors would inform Finance that the earlier SEFA filing was inaccurate.

Written instructions as to proper preparation of VDOL's SEFA report filing will be drafted for future use by Fiscal Office staff. Instructions shall include the duties and responsibilities for reporting revisions and corrections to earlier filings when required.

***Re Conditions Found B):*** In the Unemployment Division, the position charged with the reporting of benefit payments for the SEFA report remained vacant for approximately one year after the incumbent took early retirement in FY 2009. The time during which the position was unfilled happened to be a time of many changes in the issuance of UI benefits. Extended benefits, emergency unemployment compensation, and federal additional unemployment compensation had been put into place, and all were funded both via ARRA and regular Trust Fund allocations. When the new employee finally stepped into the position, she completed SEFA reports based on spreadsheets last used in FY 2009, not having been updated to include the newer programs.

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To avoid incomplete filings on future SEFA's procedures will be established to ensure that all required benefit payments are documented on the report. Written instructions that note the appropriate sources to be consulted to determine if any changes have been made to reporting requirements will be reviewed and, if necessary, updated annually.

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

June 30, 2011

***Contact for Corrective Action Plan***

Charlie Teske, VDOL Financial Director, 802-828-0281

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**Finding 10-07**

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 – 6/30/11
AA-17154-08-55-A-50 (ARRA)	2/17/09 – 6/30/11
AA-18674-09-55-A-50	7/1/09 – 6/30/12
AA-20226-10-55-A-50	4/1/10 – 6/30/13

**Criteria**

In accordance with OMB Circular A-87, charges to federal awards for salaries and wages, whether treated as direct or indirect costs, will 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 cost is allocated to each federal program based on the percentage of time worked on each individual federal program.

We noted that for 16 of the 65 TD-7A timesheets selected for test work, the number of hours worked did not agree to the employee’s standard biweekly timesheet. As a result, we are unable to determine whether the salary costs were properly allocated to the federal program. We further noted that 9 of the 16 errors were funded with monies received under the American Recovery and Reinvestment Act (ARRA).

**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.

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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 implement controls necessary to ensure that all costs are properly reviewed and approved before entry into the FARS system.

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

Management's corrective action plan for a similar finding in last year's audit called for the training of all employees and supervisors on proper procedures for completing and reviewing all payroll-related documents, as well as more intense auditing of these reports by Fiscal Office staff. Though there are signs of some improvement since last year, it is apparent that the problem has not been eliminated. As an additional measure, management has begun the process of moving the TD systems' information to a new database which will be compatible with the State's payroll system. The aim of the project is to allow employees to enter a single set of data which will populate the fields required to be completed in each system, eliminating mismatches. However, should that goal be unattainable, at the very least the new design will allow for a cross-check between systems to highlight any inconsistencies that might need to be corrected.

As to the questioned costs noted to be indeterminable, VDOL Fiscal Office's standard month-end closing procedures have established a tolerance level that allows no more than a 1% deviation between the TD sheets and time reports. Discrepancies of smaller amounts, considered statistically immaterial, are adjusted via the federally approved Cost Allocation Plan programmed into the FARS accounting software.

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

June 30, 2011

***Contact for Corrective Action Plan***

Charlie Teske, VDOL Financial Director, 802-828-0281

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**Finding 10-08**

U.S. Department of Transportation

**Program Name and CFDA Number**

Highway Planning and Construction Cluster:

Highway Planning and Construction (CFDA #20.205)

Recreational Trail Program (CFDA #20.219)

**Program Award Number and Award Date (First Authorization Date)**

0137017 (ARRA)	12/6/02
AREH001	11/24/09
EH06020	4/25/06
EH07013	5/10/07
TCSE008	9/27/05
LVRT001	4/9/07
EH02020	9/16/02
WALK001	1/1/00
RWSS001	4/25/06
SSM6020	7/17/07
0283034	2/1/92
BIKE039	4/1/00
SSM6021	7/17/07
EH06017	4/25/06
1211001	8/1/99
0001046	9/25/08

***Criteria***

For matching, the A-103 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 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.

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- 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***

We noted that for 16 of 25 grants selected for test work, the grantee was required to contribute a local share to assist the State in meeting its matching obligation, however there was no documentation to support that the grantee had provided its required contribution.

#### ***Cause***

The cause of the condition found is that the State Agency of Transportation (the Agency) does not require grantees to submit documentation to show that the local match has been provided as a condition of receiving funding under its grant agreement.

#### ***Effect***

The effect of the condition found is that the Agency can not substantiate that they met their required state matching obligations and that the State was entitled to fully draw the federal funds paid under the particular project.

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 Agency review its existing procedures and implement controls to ensure that grantees submit documentation or certify that the required local matching funds have been provided as part of the grant payment process.

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

All invoices for reimbursement are submitted by the grantees with supporting documentation demonstrating all eligible project costs which are reimbursed on a pro rata basis. All LTF grantees will be required to provide certification on all project reimbursement requests that the required local match has not been provided by contributions from other federally assisted projects or programs unless specifically allowed by federal program laws and regulations.

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

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*Contacts for Corrective Action Plan*

Michael Amell, Audit Supervisor, 802-828-2406

Susan Scribner, LTF Program Manager, 802-828-3588

Debbie Morse, Financial Manager I, 802-828-5715

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**Finding 10-09**

U.S. Department of Transportation

**Program Name and CFDA Number**

Highway Planning and Construction Cluster:

Highway Planning and Construction (CFDA #20.205)

Recreational Trails Program (CFDA #20.219)

**Program Award Number and Award Date**

1444036 (ARRA)	1/25/10
ARPV005 (ARRA)	12/1/09
0193495 (ARRA)	9/22/09
0912072 (ARRA)	8/10/09
2614001 (ARRA)	4/3/09
2217001 (ARRA)	7/17/09
2213001 (ARRA)	6/1/09
2613001 (ARRA)	8/31/09
6000015 (ARRA)	4/3/09
0372009 (ARRA)	8/10/09
2331001 (ARRA)	9/14/10
ARZH007 (ARRA)	12/1/09

**Criteria**

Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10<sup>th</sup> day after the end of each calendar quarter (beginning the quarter ending September 30, 2009). Aimed at providing transparency into the use of these funds, the recipient reports are required to include the following detailed information:

- Total amount of funds received; and of that the amount spent on projects and activities;
- A list of those projects and activities funded by name to include:
  - Description
  - Completion status
  - Estimates on jobs created or retained;
- Details on sub-awards and other payments.

**Condition Found**

During our test work over Section 1512 reporting for the quarter ending March 31, 2010, we noted that 12 of 15 Section 1512 reports did not accurately report the total cumulative federal ARRA expenditures

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incurred. The amount reported was \$0 for these selected projects instead of the cumulative expenditures that had been incurred.

***Cause***

The cause of the condition found is that the Agency did not review the Section 1512 reports to ensure that the data being used to prepare the report was complete and accurate.

***Effect***

The effect of the condition found is that the Section 1512 reports were not accurate.

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

***Questioned Costs***

None.

***Recommendation***

We recommend that the Agency review its existing procedures and implement controls to review Section 1512 reports before they are submitted to ensure that the data contained in the reports is accurate.

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

VTrans does not submit these reports directly to the Federal Government; however a Financial Manager III will review future Section 1512 reports before they are sent to the Office of Economic Stimulus and Recovery for submission.

***Scheduled Completion Date***

March 31, 2011

***Contacts for Corrective Action Plan***

Chris MacRitchie, Financial Administrator II, 802-828-2632

Martin Churchill, Financial Manager III, 802-828-2719

Marlene McIntyre, Financial Director II, 802-828-3444



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***Questioned Costs***

None.

***Recommendation***

We recommend that the Agency review its existing procedures and implement controls to review Section 1512 reports before they are submitted to ensure that the data contained in the reports is accurate.

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

VTrans does not submit these reports directly to the Federal Government, however a Financial Manager III will review future Section 1512 reports before they are sent to the Office of Economic Stimulus and Recovery for submission.

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

March 31, 2011

***Contacts for Corrective Action Plan***

Chris MacRitchie, Financial Administrator II, 802-828-2623

Martin Churchill, Financial Manager III, 802-828-2719

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**Finding 10-11**

U.S. Environmental Protection Agency

**Program Name and CFDA Number**

Capitalization Grants for Clean Water State Revolving Funds (CFDA #66.458)

**Program Award Number and Year**

2W-S0000209-0 (ARRA)            10/1/08 – 12/31/15

***Criteria***

According to 2 CRF 176.210 for recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, recipients agree to separately identify the expenditures for federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133.

***Condition Found***

During our test work over the SEFA, we noted that the expenditures related to this program were not accurately reported and were required to be adjusted as a result of the audit. The net adjustment that was required was \$771,687. While there was an error identified, we noted that expenditures related to the Recovery Act had been properly accounted for and reported separately from non-Recovery Act expenditures.

***Cause***

The cause of the condition found is primarily due to staffing turnover and lack of written procedures in place to document how the SEFA is prepared annually for this program.

***Effect***

The effect of the condition found is that the SEFA was not accurately prepared and needed to be revised.

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

***Questioned Costs***

None.

***Recommendation***

We recommend that written procedures be developed for how to prepare the SEFA at the program level to ensure that it is accurately and consistently prepared on an annual basis. In addition, we recommend controls be implemented to ensure that the SEFA is reviewed and approved prior to its submission to the Department of Finance and Management.

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

DEC has created a written procedure for preparing the SEFA to ensure that it is consistently prepared on an annual basis.

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

Completed

***Contact for Corrective Action Plan***

Tracy LaFrance, (802) 241-3512, tracy.lafrance@state.vt.us

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**Finding 10-12**

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 Year**

2F-96101101-2 (ARRA)                      10/1/08 – 9/30/11

***Criteria***

According to 2 CRF 176.210 for recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, recipients agree to separately identify the expenditures for federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133.

***Condition Found***

During our test work over the SEFA, we noted that the expenditures related to this program were not accurately reported and were required to be adjusted as a result of the audit. The net adjustment required was \$1,634,631. While there was an error identified, we noted that expenditures related to the Recovery Act had been properly accounted for and reported separately from non-Recovery Act expenditures.

***Cause***

The cause of the condition found is primarily due to staffing turnover and lack of written procedures in place to document how the SEFA is prepared annually for this program.

***Effect***

The effect of the condition found is that the SEFA was not accurately prepared and needed to be revised.

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

***Questioned Costs***

None.

***Recommendation***

We recommend that written procedures be developed for how to prepare the SEFA at the program level to ensure that it is accurately and consistently prepared on an annual basis. In addition, we recommend controls be implemented to ensure that the SEFA is reviewed and approved prior to its submission to the Department of Finance and Management.

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

DEC has created a written procedure for preparing the SEFA to ensure that it is consistently prepared on an annual basis.

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

Completed

***Contact for Corrective Action Plan***

Tracy LaFrance, (802) 241-3512, tracy.lafrance@state.vt.us

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#### **Finding 10-13**

U.S. Department of Energy

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

Weatherization Assistance for Low-Income Persons (CFDA #81.042)

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

DE-EE0000171.000 (ARRA) 4/1/09 – 3/31/12

#### ***Criteria***

The Weatherization Assistance Program (WAP) statute contains no Davis-Bacon Act requirements; therefore, WAP awards funded from annual appropriations are exempt from the requirements of the Davis-Bacon Act; however, ARRA-funded WAP construction activities are subject to Davis-Bacon Act requirements.

When required by the Davis-Bacon Act, the Department of Labor's (DOL) governmentwide implementation of the Davis-Bacon Act, ARRA, or by federal program legislation, all laborers and mechanics employed by contractors or subcontractors to work on construction contracts in excess of \$2,000 financed by federal assistance funds must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40 USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Nonfederal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the DOL regulations (29 CFR part 5, *Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction*). This includes a requirement for the contractor or subcontractor to submit to the nonfederal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR Sections 5.5 and 5.6). This reporting is often done using Optional Form WH-347, which includes the required statement of compliance (OMB No. 1215-0149).

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

During our test work, we noted that weekly certified payroll records from grantees were received monthly instead of weekly as required by federal regulations.

#### ***Cause***

The cause of the condition found is that the grantees were only required to submit the weekly reports once a month as part of their routine request for payment for services rendered.

#### ***Effect***

The effect of the condition found is that the weekly certified payroll records were not received within 7 days as required by federal regulations.

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***Questioned Costs***

None.

***Recommendation***

We recommend that the Vermont Office of Economic Opportunity review its procedures for monitoring compliance with the Davis-Bacon Act and require all certified payroll records be submitted by grantees being paid using ARRA funds within 7 days of the grantee completing its payroll cycle as required by federal regulations.

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

The Department of Children and Families, the Office of Economic Opportunity, concurs with the finding and agrees with the recommendation.

Beginning April 1, 2010, the certified payrolls are being collected on a weekly basis from the Community Action Programs. If a payroll is not received within 7 days from a pay period ending, OEO contacts the Community Action Program and collects the payroll.

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

Completed April 1, 2010

***Contact for Corrective Action Plan***

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

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**Finding 10-14**

U.S. Department of Energy

**Program Name and CFDA Number**

Weatherization Assistance for Low-Income Persons (CFDA #81.042)

**Program Award Number and Year**

DE-EE0000171.000 (ARRA) 4/1/09 – 3/31/12

***Criteria***

Section 1512 of the Recovery Act requires reporting on the use of Recovery Act funding by recipients no later than the 10<sup>th</sup> day after the end of each calendar quarter (beginning the quarter ending September 30, 2009). Aimed at providing transparency into the use of these funds, the recipient reports are required to include the following detailed information:

- Total amount of funds received; and of that the amount spent on projects and activities;
- A list of those projects and activities funded by name to include:
  - Description
  - Completion status
  - Estimates on jobs created or retained;
- Details on sub-awards and other payments.

***Condition Found***

During our test work over Section 1512 reporting, we noted that the cumulative ARRA expenditures for the quarter ending March 31, 2010 was not accurately reported. A similar error was noted in the June 30, 2010 quarter as well. While the errors were corrected in the September 30, 2010 Section 1512 report, another reporting error occurred in the September 30, 2010 report quarter, that was subsequently resolved in the December 31, 2010 Section 1512 report. No errors were noted with the December 31, 2010 Section 1512 report.

***Cause***

The cause of the condition found is that the Section 1512 report was not properly reviewed and reconciled to supporting documentation to ensure that the data being used to prepare the report was complete and accurate.

***Effect***

The effect of the condition found is that the Section 1512 report was not accurate.

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

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***Questioned Costs***

None.

***Recommendation***

We recommend existing procedures be reviewed and internal controls be implemented to review Section 1512 reports before they are submitted to ensure that the data contained in the reports is accurate.

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

We concur with this finding and recommendation. Effective with the reporting period ended December 31, 2010, DCF implemented a requirement that reports and related back up documentation must be reviewed and approved by the Financial Manager prior to submission.

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

January 30, 2011

***Contact for Corrective Action Plan***

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

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**Finding 10-15**

U.S. Department of Energy

**Program Name and CFDA Number**

Weatherization Assistance for Low-Income Persons (CFDA #81.042)

**Program Award Number and Year**

DE-EE0000171.000 (ARRA) 4/1/09 – 3/31/12

DE-EE000062 4/1/10 – 3/31/11

***Criteria***

The SF-269, *Financial Status Report*, is required to be filed quarterly. The SF-269 was replaced by the SF-425, *Federal Financial Report*, during the year.

***Condition Found***

During our test work related to the SF 269 and SF-425 (the quarterly report), we noted there was no evidence to support that the quarterly reports for the non-Recovery Act funds for the quarters ending March 31, 2010 and June 30, 2010 were submitted timely. Per review of the Performance and Accountability for Grants in Energy (PAGE) system (the federal reporting system for this program) on November 22, 2010, the last report that was approved by the federal government was for the quarter ending December 31, 2009. Subsequent to our test work, both reports were provided to us and as of December 28, 2010 both quarterly reports had been filed. The Department of Children and Families indicated that these were revised reports but there was no evidence available for us to confirm that prior reports had been filed.

The quarterly report for Recovery Act funds for the quarters ending March 31, 2010 and June 30, 2010 were also not submitted timely.

***Cause***

The cause of the condition found is that the Department of Children and Families did not maintain copies of reports that were filed along with documentation to substantiate the amounts contained within the report. The existing federal reporting system does not keep a history of when a report was filed if it is subsequently revised. Only the most current data is kept. As no copies of the reports were kept, there is no record to show when reports were filed or revised. In addition, under the existing reporting process, there is no evidence to support that federal reports were reviewed and approved prior to submission.

***Effect***

The effect of the condition found is that there is no evidence to support whether or not quarterly reports are reviewed and approved prior to submission and that the reports are submitted timely.

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

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Schedule of Findings and Questioned Costs

June 30, 2010

***Questioned Costs***

None.

***Recommendation***

We recommend that the existing federal reporting process be reviewed and controls be implemented to ensure that federal reports are prepared accurately and submitted timely.

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

AHS agrees with the recommendation. AHS has reviewed its reporting procedures and put a procedure in place for training, reviewing and approving the reports so that submission is accurate and timely. The report and related back up documentation must be reviewed and approved by an appropriate level supervisor prior to submission of the report. This documentation and proof of submission will be maintained for all filed reports.

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

February 28, 2011

***Contact for Corrective Action Plan***

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

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Schedule of Findings and Questioned Costs

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**Finding 10-16**

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, Recover Act (CFDA #84.390)

**Program Award Number and Year**

H126A100067C	10/1/09 – 9/30/10
H126A090067C	10/1/08 – 9/30/09

**Criteria**

States, and governmental subrecipients of states, shall use the same state policies and procedures used for procurements from nonfederal funds.

**Condition Found**

The Department of Disabilities, Aging and Independent Living (the Department) enters into agreements with vendors to provide vocational rehabilitative services during the vendor’s normal course of business. Under the existing purchasing agreement between the Department and the Agency of Administration, as these are sole source procurements, the Department submits a list of contracts that will be entered into during the year that will not go through the normal bid process and the Agency of Administration approves the list if the reason for the sole source is appropriate. During our test work over procurement, we noted that all 6 vendors selected were approved by the Agency of Administration however this approval came almost a year after the Department had entered into the individual contract.

**Cause**

The cause of the condition found is that this was a new process that was entered into during the current year as a result of a compliance finding noted during a previous audit. Given the timing of when the process was entered into, approval could not be obtained prior to the Department entering into the contract.

**Effect**

The effect of the condition found is that a contract could have been entered into that would not have been approved and therefore would not have been eligible to receive federal funding.

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

**Questioned Costs**

None.

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***Recommendation***

We recommend that the Department review its procedures and ensure that all sole source contracts are approved by the Agency of Administration prior to the Department entering into a contract.

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

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 may be made in the form of non-competitive procurement grants. The types of procurements identified in the Plan are specific and are most appropriately accounted for under the Plan.

The Plan calls for annual submission to the Secretary of Administration of a detailed list of procurement grants for approval prior to the beginning of a fiscal year. If an agreement is omitted from the submission that is by definition a procurement grant and program personnel correctly treated it as a procurement grant, AHS and the departments will include it in an updated submission for approval by the Secretary of Administration. The procurement grant in question was not included in the original submission but was included in the revised submission. The procurement grant was approved by the Secretary of Administration before the end of the SFY.

The Procurement Grant Contracting Plan will undergo review and modifications. The practice of submitting an updated list to the Secretary of Administration will be addressed.

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

August 31, 2011

***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

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**Finding 10-17**

U.S. Department of Education

**Program Name and CFDA Number**

SFSF Cluster:

State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act (Education Stabilization Fund) (CFDA #84.394)

State Fiscal Stabilization Fund (SFSF) – Government Services, Recovery Act (CFDA #84.397)

**Program Award Number and Year**

***Criteria***

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

***Condition Found***

During our test work over subrecipient monitoring, we noted that the Vermont Department of Education (the Department) did not perform any award monitoring procedures to ensure that grantees used funds awarded under this program for allowable purposes. As such, no programmatic monitoring was completed for all 25 grants selected for test work.

***Cause***

The cause of the condition found is that this was a new program and funding is being used to substitute state funding that is normally paid to schools as part of the statewide education payment that is made to schools on an annual basis, which is not subject to monitoring by the Department.

***Effect***

The effect of the condition found is that grantees could have used federal funding for unallowable purposes and the Department does not have any mechanism in place to monitor for areas of noncompliance.

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

***Questioned Costs***

Not determinable.

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***Recommendation***

We recommend that the Department implement controls and procedures to ensure that programmatic monitoring is being performed over subrecipients to ensure federal funding is being used for allowable purposes.

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

Expenditure documentation for federal phase II Education Stabilization Funds will be submitted when SDE 1.1's are submitted requesting reimbursement. Documentation may be in the form of copies of journal entries, an original expenditure invoice, a backup to journal entries, the front page of accounting system, etc. Documentation will show category of fund use and will support requests for recoding of reimbursement.

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

June 30, 2011

***Contact for Corrective Action Plan***

Brad James, Education Finance Manager, 802-828-0471

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**Finding 10-18**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

TANF Cluster:

Temporary Assistance for Needy Families (TANF) (CFDA #93.558)

ARRA – Temporary Assistance for Needy Families (TANF) Supplemental Grants (CFDA #93.716)

**Program Award Number and Year**

G-0902VTTANF	10/1/08 – 9/30/09
G-1002VTTANF	10/1/09 – 9/30/10
G-1002VTTAN2 (ARRA)	10/1/08 – 9/30/09
G-1001VTTAN2 (ARRA)	10/1/09 – 9/30/10

**Criteria**

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

**Condition Found**

The Agency of Human Services uses the ACCESS system to store information concerning eligibility determinations and benefit amounts paid under the TANF program. We selected a sample of 40 cases and agreed the information contained in the ACCESS system to the documentation maintained in each cases paper file that was used as part of the eligibility determination process. We noted the following:

- A. 5 of 40 cases selected for test work lacked documentation to support the amount of shelter expense that was used in the eligibility process and to calculate the participants eligible benefit payment.
- B. 1 of 40 cases selected for test work lacked documentation to support the earned income that was used in the eligibility process and to calculate the participants eligible benefit payment.
- C. 1 of 40 cases selected for test work lacked a family development plan as required under the state plan. There was no documentation to support why one would not have been prepared.
- D. 1 out of 40 cases selected for test work lacked evidence to support that there was an annual review of eligibility that had been performed.

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#### *Cause*

The cause of the condition found was primarily due to a large increase in the caseload being reviewed by the State while the eligibility workers that review the case load for eligibility decreased in numbers during the same period.

#### *Effect*

The effect of the condition found is that benefit payments may not be accurate and in accordance with federal regulations.

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 Agency of Human Services reviews its existing procedures and controls for reviewing and approving eligibility determinations to ensure that the information used to support the monthly benefit amounts paid is accurate, consistent and in compliance with federal regulations.

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

AHS agrees with the recommendation. AHS believes the correct information was used to establish benefits and reviews were completed timely, but this information was subsequently omitted from case files. The corrective action plan for this finding is being addressed by making staff aware of the exceptions noted in the audit finding, additional training and awareness of proper procedure, and as part of a modernization project.

All staff will undergo additional training to address the importance of verifying eligibility information and maintaining appropriate documentation in all case files. Training will include appropriate documentation for shelter expense, earned income, and annual reviews.

All participants will be required to attend an orientation and agree to a Family Development Plan before benefits are granted. This process has begun and will be in place throughout the state by May 1, 2011.

The state is implementing a modernization initiative related to eligibility processes. Part of this process is the automated document processing center which will allow for more efficient handling of cases and scanning of documents into virtual case files. This process will eliminate misplaced documentation. Requirement to scan all documentation was effective January 31, 2011.

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

May 1, 2011

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***Contact for Corrective Action Plan***

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

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**Finding 10-19**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Child Support Enforcement (CFDA #93.563)

**Program Award Number and Year**

0904VT4002	10/1/08 – 9/30/09
1004VT4002	10/1/09 – 9/30/10

**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).

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

Section 303.5(a) indicates that (1) the alleged father must be provided the opportunity to voluntarily acknowledge paternity in accordance with state law.

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

**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 FY 2010 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, 2010. Accordingly, we are not able to rely on any system

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controls over this process and were unable to identify any additional manual controls over this compliance requirement.

***Cause***

The cause of the condition found was 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 on a timely basis.

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

***Questioned Costs***

None.

***Recommendation***

We recommend that the Office of Child Support and the Agency of Human Services reviews its control procedures for both manual and IT controls to ensure that there are adequate controls in place to ensure compliance with federal requirements.

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

A test of design over IT general controls was conducted for FY 2010 over the ACCESS system, however, a final report has not been issued. AHS consulted the draft summary of internal control deficiencies to write this response.

The control deficiencies deal primarily with reducing the level of access held by IT staff and creating written documentation for policies and procedures. Both these issues have been addressed by the Director of IT and resolution is anticipated by March 31, 2011.

In spite of the control deficiencies identified by KPMG and noted above, AHS notes that the Office of Child Support has no findings related to its operational performance as a result of the single audit. Federal audits of the program have produced favorable results.

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

March 31, 2011

***Contact for Corrective Action Plan***

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

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**Finding 10-20**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Child Support Enforcement (CFDA #93.563)

**Program Award Number and Year**

0904VT4002	10/1/08 – 9/30/09
1004VT4002	10/1/09 – 9/30/10

***Criteria***

For all cases in which an obligation to support and the amount of the obligation has been established, the agency must maintain a system for (a) monitoring compliance with the support obligation; (b) identifying on the date the parent fails to make payments in an amount equal to support payable for one month, or an earlier date in accordance with State or tribal law, those cases in which there is a failure to comply with the support obligation; and (c) enforcing the obligation. To enforce the obligation the agency must initiate income withholding, if required by and in accordance with 45 CFR Section 303.100 or 45 CFR Section 309.110. State IV-D agencies must initiate any other enforcement action, unless service of process is necessary, within 30 calendar days of identification of the delinquency or other support-related noncompliance, or location of the absent parent, whichever occurs later. If service of process is necessary, service must be completed and enforcement action taken within 60 calendar days of identification of the delinquency or other noncompliance, or the location of the absent parent whichever occurs later. If service of process is unsuccessful, unsuccessful attempts must be documented and meet the State’s guidelines defining diligent efforts. If enforcement attempts are unsuccessful, the State IV-D agency should determine when it would be appropriate to take an enforcement action in the future and take it at that time (45 CFR Section 303.6). Optional enforcement techniques available for use by the 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 FY 2010 over the ACCESS system and the Office of Child Support’s due diligence system. The results revealed several deficiencies in internal control, which have not been corrected by the Agency of Human Services as of June 30, 2010. As a result, 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 was due to insufficient IT staff and resources to implement the necessary corrective actions to address the IT deficiencies.

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***Effect***

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

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

***Questioned Costs***

None.

***Recommendation***

We recommend that the Office of Child Support and the Agency of Human Services reviews its control procedures for both manual and IT controls to ensure that there are adequate controls in place to ensure compliance with federal requirements.

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

A test of design over IT general controls was conducted for FY 2010 over the ACCESS system, however, a final report has not been issued. AHS consulted the draft summary of internal control deficiencies to write this response.

The control deficiencies deal primarily with reducing the level of access held by IT staff and creating written documentation for policies and procedures. Both these issues have been addressed by the Director of IT and resolution is anticipated by March 31, 2011.

In spite of the control deficiencies identified by KPMG and noted above, AHS notes that the Office of Child Support has no findings related to its operational performance as a result of the single audit. Federal audits of the program have produced favorable results.

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

March 31, 2011

***Contact for Corrective Action Plan***

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

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**Finding 10-21**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Child Support Enforcement (CFDA #93.563)

**Program Award Number and Year**

0904VT4004	10/1/08 – 9/30/09
1004VT4004	10/1/09 – 9/30/10

***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 FY 2010 over the ACCESS system and the Office of Child Support’s due diligence system. The results revealed several deficiencies in internal control, which have not been corrected by the Agency of Human Services as of June 30, 2010. As a result, 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 was 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.

***Questioned Costs***

None.

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***Recommendation***

We recommend that the Office of Child Support and the Agency of Human Services reviews its control procedures for both manual and IT controls to ensure that there are adequate controls in place to ensure compliance with federal requirements.

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

A test of design over IT general controls was conducted for FY 2010 over the ACCESS system, however, a final report has not been issued. AHS consulted the draft summary of internal control deficiencies to write this response.

The control deficiencies deal primarily with reducing the level of access held by IT staff and creating written documentation for policies and procedures. Both these issues have been addressed by the Director of IT and resolution is anticipated by March 31, 2011.

In spite of the control deficiencies identified by KPMG and noted above, AHS notes that the Office of Child Support has no findings related to its operational performance as a result of the single audit. Federal audits of the program have produced favorable results.

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

March 31, 2011

***Contact for Corrective Action Plan***

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

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**Finding 10-22**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Adoption Assistance (CFDA #93.659)

**Program Award Number and Year**

0901VT1403	10/1/08 – 9/30/09
0901VT1403 (ARRA)	10/1/08 – 9/30/09
1001VT1403	10/1/09 – 9/30/10
1001VT1403 (ARRA)	10/1/09 – 9/30/10

**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.

**Condition Found**

During our test work over allowability, we noted that for 1 of 40 files selected for test work, the adoption subsidy had been paid on behalf of a child who had exceeded the age of 18. The documentation maintained within the file indicated that the child graduated from high school in June of 2009 and subsidy payments should have ended at that time. However, subsidy payments continued to be made until October 2009 and no effort has been taken to recoup the adoption subsidy that was over paid on behalf of the child. Due to the increase in the federal matching rate, a portion of the benefits paid during the period of July 1, 2009 – October 31, 2009 were paid using ARRA funds.

**Cause**

The cause of the condition found is primarily due to a lack of resources to ensure all cases are monitored timely given the volume of the cases monitored by individual case managers and a lack of system or manual controls to identify cases that are approaching the end of the eligibility period on a timely basis.

**Effect**

The effect of the condition found is that unallowable benefits were paid for a 3 month period and the State was unaware of the matter until they were implementing a corrective action plan as a result of a similar finding noted as part of the June 30, 2009 audit. As the Department of Children and Families (the Department) manually reviewed all cases in the fall of 2009 to ensure that benefits were not being paid on behalf of children who were no longer eligible, there is a continued risk that as additional children reach the age of 18 or graduate from high school that subsidy payments will continue to be made on behalf of children who are no longer eligible.

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

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***Questioned Costs***

\$1,020

***Recommendation***

We recommend that the Department review its procedures and implement controls to review cases timely throughout the year to ensure that benefits are not paid on behalf of children that have either reached the age of 18 or have graduated high school.

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

AHS agrees with the recommendation. The appropriate documents to change the participant status were drawn up, however the Department did not change IV-E status of the case at the time of entering an over age 18 agreement.

The Department has reviewed controls and procedures and instituted a check and balance system to correct this oversight. This system involves the Adoption Clerk tracking all subsidy contracts for youth remaining in high school and running a list quarterly for the finance/business office verifying IV-E standing. It is our understanding that all over age 18 contracts extended for high school graduation are coded as non-IV-E. Those contracts based on a child's lifelong disability that originated as IV-E may continue until the youth is 21.

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

March 1, 2011

***Contact for Corrective Action Plan***

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

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**Finding 10-23**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Healthcare Providers and Suppliers (CFDA #93.777)

Medical Assistance Program (CDFA #93.778)

**Program Award Number and Year**

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

**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, Department of Vermont Health Access (DVHA) has been designated as the medical assistance unit and the Department of Children and Families (DCF) is responsible for determining client eligibility (using the ACCESS system). While Medicaid eligibility is determined by the State, claims processing is performed through a combination of State and contractor systems and resources. For example, DVHA contracts with HP to process all Medicaid claims for payment. DVHA also contracts with MedMetrics Health Partners, Inc. to serve 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 has made progress in implementing the federal ADP security program requirements. For example, the agency has been working with HP, MedMetrics Health Partners, and SXC Health Solutions to obtain and review security plans and risk assessments. Many of these documents were completed by the fall of 2010. Moreover, HP and SXC Health Solutions obtain annual independent security reviews (type II SAS 70 reports) that are provided to the State.

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Nevertheless, the State is not meeting the requirements for an ADP security program for the Medicaid program as a whole. In particular, (1) there was no risk assessment that addressed SXC Health Solution's pharmacy claims system, (2) the MedMetric's security plan did not address contingency planning, (3) the risk assessment of the HP system did not include a plan of action to address the security deficiencies and vulnerabilities identified in the document, and (4) many of the planned actions identified in the October 2009 ACCESS risk assessment have not been completed as of mid-September 2010 (the original due date for most planned actions was January 31, 2010). In addition, many of the documents provided were dated subsequent to the fiscal year under audit.

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. Moreover, if all aspects of the Medicaid program-whether conducted by service providers or State agencies-are not considered in the execution of these requirements then critical security weaknesses may not be identified and corrected.

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

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

None.

#### ***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 the finding and recommendations.

AHS will continue to develop the security plan for the Medicaid program that encompasses both eligibility and claims processing. AHS found it difficult to obtain some of the required information from contractors and their subcontractors. AHS is addressing this situation in two ways. First, AHS staff will meet with contractors to discuss the required information and the importance of timely submission. Second, all future contracts and contract extensions will include language that requires timely submission of the required information from both the contractor and their subcontractors.

AHS will continue to perform comprehensive risk assessment of the component Medicaid systems and control processes that include all major State and contractor organizations. AHS will continue the risk assessment of the HP system and require a written plan of action to address the security deficiencies and vulnerabilities identified.

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

June 30, 2011

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***Contact for Corrective Action Plan***

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

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**Finding 10-24**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Health Care Providers and Suppliers (CFDA #93.777)

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Year**

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

**Criteria**

As required by the 1115 Demonstration Waiver, Global Commitment to Health (the Waiver), provided that OVHA’s contractual obligation to the population covered under the Waiver is met, any excess revenue from capitation payments after benefit payments covered under the Waiver have been made must be used to (1) reduce the rate of uninsured and, or underinsured in Vermont; (2) increase the access of quality health care to uninsured, underinsured and Medicaid beneficiaries, (3) provide public health approaches to improve the health outcomes and the quality of life for Medicaid-eligible individuals in Vermont; and (4) encourage the formation and maintenance of public-private partnerships in health care. This revenue is referred to as MCO investments.

**Condition Found**

During our test work over the allowability of MCO Investment payments, we selected approximately \$47.9 million out of a total of \$55.5 million MCO Investment payments made for the year ended June 30, 2010 and noted the following:

- A. MCO Investments totaling \$1,713,959 were paid to the Vermont Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) to fund a various health care related activities. The funds paid were to have met the MCO Investment category of 2 as defined above. We noted that approximately \$435,000 of this MCO Investment was used to pay for salary expenses incurred at BISHCA, which is allocated to the MCO investment using a rate of 47%, or the percentage of total contract expenses incurred that is charged to this MCO Investment. While we were able to recalculate this percentage, we are unable to conclude that applying this percentage to salary costs is reasonable.
- B. MCO Investments totaling \$837,225 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

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- action). This program is directly appropriated money by the Vermont State Legislature as part of the annual budget process. The funds paid were to have met the MCO Investment category of 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.
- C. MCO Investments totaling \$4,006,152 were paid to the University of Vermont to provide services under the Vermont Physician Training program. This program is directly appropriated money by the Vermont State Legislature. The funds paid under this program were to have met the MCO Investment category of 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 with the waiver agreement.
- D. MCO Investments totaling \$2,827,617 were used to fund payments made for Aid to the Aged, Blind and Disabled CCL III program, administered by the Department of Children and Families. Funds paid under this program were to have met the MCO Investment categories of 2, defined above. The costs incurred under this program represented additional payments made to individuals who receive Social Supplemental Income (SSI) and live in a level III home. A level III home provides services to people in need of a residence for reasons of health status. The payments made under this program are paid directly to the participant. We were unable to obtain evidence to support that the participant used this payment for healthcare related services. As such, these costs do not appear to be healthcare related and, accordingly, do not meet the definition of MCO Investment category 2.
- E. MCO Investments totaling \$557,259 were used to 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 the MCO Investment categories of 2, 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, these costs do not appear to be healthcare related and, accordingly, do not meet the definition of MCO Investment category 2.
- F. MCO Investments totaling \$2,190,924 were used to fund the Community Rehabilitative Care Program administered by the Department of Corrections. Funds incurred under this program were to have met the MCO Investment category of 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

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services provided by the Probation and Parole Officers met the definition of health care 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.

- G. MCO Investments totaling \$1,875,487 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 approximately 60%, which is an estimate of the Vermont population that is Medicaid eligible, underinsured or uninsured based on the 2009 Vermont Household Healthy Insurance Survey (VHHIS) Results provided to the State Legislature on January 15, 2010. While the individual costs selected for test work under this program appeared to be health care related, we were unable to determine whether or not the 60% allocation rate is reasonable to appropriately allocate the costs to meet the MCO Investment definition.
- H. MCO Investments totaling \$1,417,770 were paid to help fund the Vermont 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 to the MCO Investment using a rate of approximately 60%, which is an estimate of the Vermont population that is Medicaid eligible, underinsured or uninsured based on the 2009 VHHIS Results provided to the State Legislature on January 15, 2010. While the individual costs selected for test work under this program appeared to be health care related, we were unable to determine whether or not the 60% allocation rate is reasonable to appropriately allocate the costs to meet the MCO Investment definition.
- I. MCO Investments totaling \$3,000,335 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 to the MCO Investment using a rate of approximately 60%, which is an estimate of the Vermont population that is Medicaid eligible, underinsured or uninsured based on the 2009 VHHIS Results provided to the State Legislature on January 15, 2010. While the individual costs selected for test work under this program appeared to be health care related, we were unable to determine whether or not the 60% allocation rate is reasonable to appropriately allocate the costs to meet the MCO Investment definition.

While the AHS and the Department of Vermont Health Access have developed procedures for defining how they interpret the types of costs that are allowable under each MCO Investment category, we were unable to conclude that each of the costs selected above was allowable under the narrow definition provided within the Waiver. Based on the lack of documentation to support the rationale for how these costs were allocated to the program, we consider this to be a material weakness in internal controls.

#### *Cause*

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

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#### ***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 is considered to be a material weakness in internal control.

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

Not determinable.

#### ***Recommendation***

We recommend that AHS implement control policies and procedures for documenting what a 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. The MCO investments are reported to CMS annually. Evaluation of the demonstration is an essential part of the waiver process and is ongoing. The adequacy of documentation of the demonstration is an element of that ongoing discussion and evaluation.

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. This rate is based on the results of the Vermont Household Health Insurance Survey (VHHIS) performed by Vermont Department of Banking, Insurance, and Health Care Administration (BISHCA). BISHCA contracted with experts in the field of survey methodology to complete the surveys and prepare the report. We are confident that it is unnecessary for AHS to assess the accuracy of the work completed by national experts when AHS does not share this expertise.

The GC Waiver was extended on January 1, 2011. Prior to extension, CMS reviewed expenditures made during the initial five year waiver period, including the MCO investments. The review did not challenge or request changes in any of the MCO investments nor were any new requirements added to the STCs pertaining to the MCO Investments; additionally, the STCs expanded the scope of MCO investment criteria #3 and #4. We are confident that we have documented the investments well, supported the costs allocated to this program, and that CMS approves of our process and MCO investment costs.

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

No further corrective action considered necessary

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

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

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**Finding 10-25**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Health Care Providers and Suppliers (CFDA #93.777)

Medical Assistance Program (CFDA #93.778)

**Program Award Number and Year**

75X0512	7/1/09 – 6/30/10
75X0518ARRA	7/1/09 – 6/30/10
11-W-00191/1	10/1/05 – 9/30/10
11-W-00194/1	10/1/05 – 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 sub award 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 test work related to MCO Investment payments, we noted that our sample contained payments that were made under 12 subrecipient grants entered into by the Vermont Department of Health (the Department). The Department did not amend their subrecipient grant agreements to indicate that a portion of their funding would be paid using ARRA funds. In addition, there is no evidence to support that the Department 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 Collect Form.

**Cause**

The cause of the condition found is that at the time that the subrecipient grant was entered into, the portion of funding to be paid for using ARRA funds was unknown. The Agency of Human Services sent out a memorandum to all Departments notifying them of the portion of funding that was ARRA related in June of 2010 so that the Departments could communicate this information to its subrecipients. However, the Department did not notify their subrecipients of this information as requested.

**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 Form.

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

***Questioned Costs***

None.

***Recommendation***

We recommend that the Department review its existing controls and procedures for communicating with grantees changes in grant agreements to ensure compliance with the above stated requirements.

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

The Department agrees that it neglected to notify sub-recipients about ARRA requirements in a timely way. The Department is rectifying the situation in two ways. For current year agreements notification is being sent to the sub-recipient with specific instructions that the letter is to be an integral part of the grant file. For agreements initiated after the current fiscal year, any known necessary language on behalf of a federal program funding impacting the grant will be incorporated into the standard notifications section of the agreement.

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

February 28, 2011

***Contact for Corrective Action Plan***

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

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Schedule of Findings and Questioned Costs

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**Finding 10-26**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Health Care Providers and Suppliers (CFDA #93.777)

Medical Assistance Program (CDFA #93.778)

**Program Award Number and Year**

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

**Criteria**

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

**Condition Found**

During our test work over the September 30, 2009 disproportionate share of health care payments (DSH payments), 4 of 8 hospitals reviewed had incorrect or unsupported data contained within the calculation that was used by the Department of Vermont Health Access (DVHA) to allocate the DSH appropriation to eligible hospitals.

**Cause**

The cause of the condition found is that DVHA used incorrect or inconsistent data when compiling the spreadsheet that is used to calculate the eligible DSH payment for each hospital. There does not appear to be any controls in place to review the accuracy of the DSH payment calculations to ensure that the data used within the calculation is appropriate and reasonable.

**Effect**

The effect of the condition found is that individual DSH hospital payments were not accurate and in accordance with the state plan or federal guidelines.

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

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***Recommendation***

We recommend that DVHA review its existing procedures for calculating annual DSH payments and implement controls necessary to ensure the data used to calculate individual DSH payments made to eligible hospitals is accurate, consistent and in accordance with state plan and federal requirements.

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

DVHA agrees with the finding and recommendation. Effective with the September 2010 DSH calculations DVHA implemented new controls to ensure accuracy and consistency. The calculation is performed by an individual knowledgeable about DSH rules and regulations as well as the State Plan. Prior to any cash payments based on this calculation, the controls call for a comprehensive review by a second individual knowledgeable about DSH rules and regulations as well as the State Plan. A final review is completed before the final DSH payment is made. Two layers of review ensure that the data used to calculate individual DSH payments made to eligible hospitals are accurate, consistent, and in accordance with state plan and federal requirements.

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

December 31, 2010

***Contact for Corrective Action Plan***

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

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**Finding 10-27**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Health Care Providers and Suppliers (CFDA #93.777)

Medical Assistance Program (CDFA #93.778)

**Program Award Number and Year**

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

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submitted to AHS. AHS then multiplies the total cost incurred by the school districts by the estimated percentage of uninsured, underinsured or Medicaid eligible children in the State of Vermont in order to determine the state matching expenditures. The estimated percentage used in the calculation has been developed, in part, from data contained in the 2009 Vermont Household Health Insurance Survey.

During our test work, we noted the following:

- A. For the year ending June 30, 2010, 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 based 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 2010 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 that 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.

- B. 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.

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#### ***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. 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 and Corrective Action Plan***

The finding states that AHS has not audited the school nurse expenditure data and AHS does not have any procedures to validate that the completeness or accuracy. AHS believes that it can appropriately rely on work of other State agencies. The Department of Education 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 finding states that data supporting the percentage were not audited and AHS does not have any procedures to validate that the completeness or accuracy. 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.

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 by the auditor in the prior year, AHS consulted with internal legal council regarding the necessity for the creation of the accounting entries to justify the collection of Federal Financial Participation. The conclusion was that the finding is not supported by State or Federal law and not supported by the actual facts.

The Standard Terms and Conditions of Section 1115 waiver extension, effective January 1, 2011, changes some of the accounting practices pertaining to waiver expenditures. In the future, the State will report the MCO investments on the CMS 64. We believe this change in the reporting of investments should alleviate any ambiguity pertaining to the use of the funds.

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

No further corrective action considered necessary

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

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

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**Finding 10-28**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

State Medicaid Fraud Control Units (CFDA #93.775)

State Survey and Certification of Health Care Providers and Suppliers (CFDA #93.777)

Medical Assistance Program (CDFA #93.778)

**Program Award Number and Year**

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

**Criteria**

Each State shall participate in the Income Eligibility and Verification System (IEVS) required by Section 1137 of the Social Security Act as amended. Under the State Plan the State is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations, and adhere to standardized formats and procedures in exchanging information with other programs and agencies. The State is required to request and obtain information regarding unearned income from the Internal Revenue Service (IRS) (42 USC 1320b-7; 45 CFR Sections 205.55).

Document qualified alien status if the applicant or recipient is not a U.S. citizen (42 USC 1320b-7d). Qualified aliens, as defined at 8 USC 1641, who entered the United States on or after August 22, 1996, are not eligible for Medicaid for a period of five years, beginning on the date the alien became a qualified alien, unless the alien is exempt from this five-year bar under the terms of 8 USC 1613. States must provide Medicaid to certain qualified aliens in accordance with the terms of 8 USC 1612(b)(2), provided that they meet all other eligibility requirements. States may provide Medicaid to all other otherwise eligible qualified aliens who are not barred from coverage under 8 USC 1613 (the five-year bar). All aliens who otherwise meet the Medicaid eligibility requirements are eligible for treatment of an emergency medical condition under Medicaid, as defined in 8 USC 1611(b)(1)(A), regardless of immigration status or date of entry.

**Condition Found**

During our test work over the IEVS system, and citizenship eligibility verification, we noted the following:

- A. When individual’s apply for benefits under the Medicaid program, the applicants are required to self declare income at the time of the eligibility determination. If the applicant is applying for other benefits, such as benefits under the Supplemental Nutritional Assistance Program (SNAP), the

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applicant is required to provide documentation of the last 30 days of wages. A wage data match is performed quarterly with the Department of Labor to identify any changes in wage information provided by the client. If the applicant is applying for the Medicaid program only, the wage data match is performed subsequent to the date that eligibility is determined. After eligibility has been determined, all participants are subject to the wage and unemployment compensation data matches that are performed monthly to assist in identifying any unreported changes in income.

During the year ended June 30, 2010, while the Department of Children and Families performed the required wage and unemployment data matches monthly, due to staffing vacancies, any discrepancies in the wage match that were identified were not followed up on. As a result, the potential exists that new earnings could have been reported that would have caused a participant to be ineligible to receive benefits during the benefit period and the Department of Children and Families would not have terminated the participants benefits, resulting in unallowable costs.

- B. For 1 out of 120 participants selected for the test work, the participant was incorrectly determined eligible for benefits. The claim amount paid was \$1,042.

#### *Cause*

The cause of the condition found in A above is due to a lack of personnel resources to perform the required tasks to follow up on wage match inconsistencies, or to ensure that there is a review of case files to ensure that eligibility determinations are correct.

#### *Effect*

The effect of the condition found is that the Department of Children and Families did not have sufficient controls in place to monitor unreported income changes that would impact a participant's eligibility and unallowable costs could have been paid. In addition, due to a lack of oversight, an incorrect eligibility determination was made.

This finding is considered to be systemic and is a material weakness in internal controls.

#### *Questioned Costs*

\$1,042.

#### *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 is validated to ensure that all eligibility determinations are valid and in compliance with federal regulations.

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

During fiscal year 2010, the health care Department of Labor wage and data matches were run monthly. However, the position responsible for following up on discrepancies in the wage data verification for health care only cases was vacant for several months and discrepancies were not addressed timely. Wage matches for any cases that also received 3 Squares or Reach Up benefits were followed up on. Although

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income verification is an important part of administering this program, the changes as a result of the match occur in approximately one tenth of a percent (0.1%) of the cases. The Benefit Program Staff have direct access to the Department of Labor information to review wages if the information reported by the applicant on their application is questionable. Considering this, we believe the period this position was vacant did not have a significant effect on the program. As of June 2010, the position was filled and all the data match discrepancies are being addressed regularly.

***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

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**Finding 10-29**

U.S. Department of Homeland Security

**Program Name and CFDA Number**

Public Assistance Grants (CDFA #97.036)

**Program Award Number and Year**

Declaration 1715	7/1/07 – 6/30/08
Declaration 1778	6/14/08 – 6/17/08
Declaration 1790	7/21/08 – 8/12/08
Declaration 1816	12/11/08 – 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 Stafford Act unless the federal share is increased under this Section (44 CFR Section 206.479(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 an accounting to the Regional Director of eligible costs for each large project. In submitting the accounting the grantee shall certify that the 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 practical after the subgrantee has completed the approved work and requested payment (44 CFR Section 206.205(b)(1)).

**Condition Found**

During our test work over costs incurred under this program, we selected a sample of 8 subrecipient projects and noted the following:

- A. For 1 of 8 projects, the subrecipient allocated 3% of the total project costs to be used for administrative costs as directed by FEMA. No documentation was provided from the subrecipient to support that the costs had been used for administrative purposes related to the project.
- B. The Agency of Transportation (the Agency) requires that subrecipients contribute funds to assist the Agency in meeting the 25% matching requirement under this program. The Agency did not monitor

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or validate that the subrecipient provided an eligible source of matching funds for all 8 projects selected for test work.

- C. For 6 of 8 projects, the Agency obtained a certification of completion from the subrecipient to support that the project costs were allowable. However, the Agency did not make a certification to FEMA as required by federal regulations. Instead, the Agency forwarded to FEMA the information received from the subrecipient.

#### *Cause*

The cause of the condition found is due to inadequate controls and procedures in place to properly monitor all subrecipients. This includes having procedure in place to monitor allowable costs, source of matching funds and ensuring that all required certifications are made to FEMA.

#### *Effect*

The effect of the condition is that the Agency does not have adequate documentation to support that all subrecipients incurred valid expenditures related to FEMA funded projects, or that the Agency met the required state matching share to be eligible to receive federal funding. In addition, the Agency did not submit the required federal certification for all of its FEMA projects.

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

#### *Questioned 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.

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

##### *Finding A.*

In response to a change to 44 CFR § 207.5 which took effect on November 13, 2007, VTrans elected to stop providing sub recipients with administrative cost reimbursement for non-project specific work in the Public Assistance Program. The instance cited was the last of the old declarations that was issued prior to this change in federal regulation and has subsequently closed.

##### *Finding B and C.*

In response to a previous audit finding VTrans instituted corrective action plans for both with an implementation date of January 31, 2010. Both of these findings occurred in September 2009, four months before our implementation date.

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

Completed.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2010

*Contacts for Corrective Action Plan*

Alec Portalupi, AOT Manager V, 802-828-5750

Krista Chadwick, Operations Division Grants Manager, 802-828-5750

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2010

**Finding 10-30**

U.S. Department of Homeland Security

**Program Name and CFDA Number**

Public Assistance Grants (CDFA #97.036)

**Program Award Number and Year**

Declaration 1715	7/1/07 – 6/30/08
Declaration 1778	6/14/08 – 6/17/08
Declaration 1790	7/21/08 – 8/12/08
Declaration 1816	12/11/08 – 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 FEMA 20-10, 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 test work over the Agency of Transportation’s (the Agency) reporting process for this program, we noted the following:

- A. For all of the reports filed for the quarters ending September 30, 2009 and June 30, 2010 contained mathematical inaccuracies in calculations which resulted in inaccurate reporting.
- B. For all of the reports filed for the quarters ending September 30, 2009 and June 30, 2010, the Agency utilized management estimates in determining the subrecipients matching component for the outlays during the reporting period. Utilization of the estimated does not necessarily contain a complete and accurate account of the financial reporting activity during the reporting period as required under federal regulations.

**Cause**

The cause of the condition found is due to inadequate controls and procedures related to the review and approval over federal reports.

**Effect**

The effect of the condition found is that inaccurate reports were filed.

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2010

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

***Questioned Costs***

Not determinable.

***Recommendation***

We recommend that the Agency implement controls and procedures to review all federal reports for accuracy and completeness prior to the report being filed.

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

VTrans acknowledges that reports are due to the Federal Agency 30 days after the close of each quarter. However, FEMA now has VTrans completing and submitting Form 425, not 269 as stated in KPMG's write up of Finding 10-30. VTrans' Operations Division has undergone a transformation in which it now has a central unit for contract and grant reporting. We will be taking this year to write procedures documenting how the quarterly reports are prepared, reported and supported by what financial documentation. This will include a focus on maintaining internal controls. We will immediately institute a practice of report review prior to submission to ensure accuracy.

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

March 31, 2011

***Contacts for Corrective Action Plan***

Alec Portalupi, AOT Manager V, 802-828-3889

Krista Chadwick, Operations Division Grants Manager, 802-828-5750

Mike Amell, Audit Unit Supervisor, 802-828-2406