



**STATE OF VERMONT**

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

Year ended June 30, 2012

# STATE OF VERMONT

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KPMG LLP  
Suite 400  
356 Mountain View Drive  
Colchester, VT 05446

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

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:

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, 2012, which collectively comprise the State's basic financial statements, and have issued our report thereon dated December 27, 2012. Our report was modified to include a reference to other auditors. 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, 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**

Management of the State is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the State's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the State's internal control over financial reporting.



Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in the State's internal control over financial reporting described in the accompanying schedule of findings and questioned costs as findings FS2012-01 and FS2012-02 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding FS2012-03 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*.

We noted certain matters that we reported to management of the State in a separate letter dated December 27, 2012.

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, the General Assembly, 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.

**KPMG LLP**

December 27, 2012



KPMG LLP  
Suite 400  
356 Mountain View Drive  
Colchester, VT 05446

**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations***

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 federal programs for the year ended June 30, 2012. 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/<br/>department name</b> | <b>Federal program name</b>                        | <b>Compliance<br/>requirements</b> | <b>Finding<br/>number</b> |
|--|--|------------------------------------|---------------------------|
| Department of Education                  | Child Nutrition Cluster                            | Subrecipient Monitoring            | 12-01                     |
| Department of Education                  | Child Nutrition Cluster                            | Subrecipient Monitoring            | 12-02                     |
| Department of Labor                      | WIA Cluster  | Allowability, Eligibility          | 12-06                     |
| Department of Labor                      | WIA Cluster  | Allowability                       | 12-07                     |
| Department of Education                  | Title I, Part A Cluster                            | Subrecipient Monitoring            | 12-11                     |
| Department of Education                  | Special Education Cluster                          | Subrecipient Monitoring            | 12-12                     |
| Department of Education                  | Special Education Cluster                          | Subrecipient Monitoring            | 12-13                     |
| Department of Education                  | IDEA, Part C Cluster                               | Subrecipient Monitoring            | 12-14                     |
| Department of Education                  | Twenty-First Century Community<br>Learning Centers | Subrecipient Monitoring            | 12-16                     |
| Department of Education                  | Twenty-First Century Community<br>Learning Centers | Subrecipient Monitoring            | 12-17                     |
| Department of Education                  | Improving Teacher Quality<br>State Grants          | Subrecipient Monitoring            | 12-18                     |
| Department of Education                  | SFSF Cluster                                       | Subrecipient Monitoring            | 12-19                     |
| Department of Education                  | Education Jobs Fund                                | Subrecipient Monitoring            | 12-20                     |
| Agency of Human Services                 | TANF Cluster                                       | Allowability, Eligibility          | 12-21                     |
| Agency of Human Services                 | Low Income Home Energy<br>Assistance Program       | Allowability, Eligibility          | 12-22                     |
| Agency of Human Services                 | Low Income Home Energy<br>Assistance Program       | Allowability                       | 12-23                     |
| Agency of Human Services                 | Foster Care – Title IV-E                           | Eligibility                        | 12-24                     |
| Agency of Human Services                 | Foster Care – Title IV-E                           | Allowability                       | 12-25                     |
| Agency of Human Services                 | Foster Care – Title IV-E                           | Allowability                       | 12-26                     |
| Agency of Human Services                 | Medicaid Cluster                                   | Allowability                       | 12-29                     |
| Agency of Human Services                 | Medicaid Cluster                                   | Allowability, Eligibility          | 12-30                     |
| Agency of Human Services                 | Medicaid Cluster                                   | Matching                           | 12-31                     |

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, 2012. 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 12-03, 12-04, 12-05, 12-08, 12-09, 12-10, 12-15, 12-27, 12-28, 12-32 and 12-33.

### **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 to determine the 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 in 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 12-01, 12-02, 12-06, 12-07, 12-11, 12-12, 12-13, 12-14, 12-16, 12-17, 12-18, 12-19, 12-20, 12-21, 12-22, 12-23, 12-24, 12-25, 12-26, 12-29, 12-30, and 12-31, to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 12-03, 12-04, 12-05, 12-08, 12-09, 12-10, 12-15, 12-27, 12-28, 12-32 and 12-33 to be significant deficiencies.

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.

### **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 Vermont, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 27, 2012, which referred to the use of the reports of other auditors and which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the State's basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to December 27, 2012. 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial



statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and schedule of expenditures of federal awards by Vermont State Agency are fairly stated in all material respects in relation to the basic financial statements as a whole.

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, the General Assembly, 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 21, 2013 (except for the schedule of expenditures  
of federal awards, which is as of December 27, 2012)



**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

| CFDA number                                       | Federal agency/program type  | Expenditures | Amounts passed through to subrecipients | Amounts transferred to state agencies |
|---|--|--------------|---|---------------------------------------|
| Direct grants:                                    |  |              |   |                                       |
| Monetary awards:                                  |  |              |   |                                       |
| U.S. Department of Agriculture:                   |  |              |   |                                       |
| 10.025  | Plant and Animal Disease, Pest Control, and Animal Care  | \$ 175,068   | —                                       | —                                     |
| 10.163  | Marketing Protection and Promotion   | 7,591        | —                                       | —                                     |
| 10.169  | Specialty Crop Block Grant Program   | 201,582      | 169,253                                 | —                                     |
| 10.475  | Cooperative Agreements with States for Intrastate Meat and Poultry Inspection                                | 504,196      | —                                       | —                                     |
| 10.551  | Supplemental Nutrition Assistance Program  | 24,571,884   | —                                       | —                                     |
| 10.553  | School Breakfast Program   | 5,249,630    | 5,257,273                               | —                                     |
| 10.555  | National School Lunch Program  | 14,291,141   | 14,267,508                              | 29,931                                |
| 10.556  | Special Milk Program for Children  | 59,066       | 59,066                                  | —                                     |
| 10.557  | Special Supplemental Nutrition Program for Women, Infants, and Children                                      | 13,921,356   | —                                       | —                                     |
| 10.558  | Child and Adult Care Food Program  | 5,339,367    | 5,246,652                               | 14,612                                |
| 10.559  | Summer Food Service Program for Children   | 609,899      | 579,129                                 | —                                     |
| 10.560  | State Administrative Expenses for Child Nutrition  | 522,085      | 500                                     | —                                     |
| 10.561  | State Administrative Matching Grants for Supplemental Nutrition Assistance Program                           | 10,256,263   | 1,470,344                               | —                                     |
| 10.565  | Commodity Supplemental Food Program  | 214,209      | 211,709                                 | —                                     |
| 10.568  | Emergency Food Assistance Program (Administrative Costs)   | 74,074       | 73,808                                  | —                                     |
| 10.572  | WIC Farmers' Market Nutrition Program (FMNP)   | 66,441       | —                                       | —                                     |
| 10.574  | Team Nutrition Grants  | 20,125       | —                                       | —                                     |
| 10.576  | Senior Farmers Market Nutrition Program  | 64,993       | —                                       | —                                     |
| 10.578  | ARRA – WIC Grants To States (WGS)  | 185,192      | —                                       | —                                     |
| 10.579  | Child Nutrition Discretionary Grants Limited Availability  | 45,138       | 45,138                                  | —                                     |
| 10.582  | Fresh Fruit and Vegetable Program  | 1,077,590    | 1,156,633                               | —                                     |
| 10.664  | Cooperative Forestry Assistance  | 1,517,889    | 567,008                                 | —                                     |
| 10.665  | Schools and Roads – Grants to States   | 339,626      | 339,626                                 | —                                     |
| 10.672  | Rural Development, Forestry, and Communities   | 215,199      | 157,885                                 | —                                     |
| 10.676  | Forest Legacy Program  | 1,464,141    | —                                       | —                                     |
| 10.688  | ARRA – Recovery Act of 2009: Wildland Fire Management  | 214,986      | —                                       | —                                     |
| 10.776  | Agriculture Innovation Center  | 627,771      | 522,183                                 | —                                     |
| 10.912  | Environmental Quality Incentive Program  | 77,528       | —                                       | —                                     |
| 10.999  | Organic Certification – Procedures   | 262,681      | —                                       | —                                     |
| 10.999  | Presidential Disaster in FY2008  | 63,085       | 61,655                                  | —                                     |
|   |  | 82,239,796   | 30,185,370                              | 44,543                                |
| U.S. Department of Commerce:                      |  |              |   |                                       |
| 11.113  | ITA Special Projects   | 92,077       | 56,095                                  | —                                     |
| 11.555  | Public Safety Interoperable Communications Grant Program   | 1,995,731    | 1,507,557                               | —                                     |
|   |  | 2,087,808    | 1,563,652                               | —                                     |
| U.S. Department of Defense:                       |  |              |   |                                       |
| 12.002  | Procurement Technical Assistance For Business Firms  | 389,445      | 125,070                                 | —                                     |
| 12.100  | Aquatic Plant Control  | 443,311      | 171,792                                 | —                                     |
| 12.113  | State Memorandum of Agreement Program for the Reimbursement of Technical Services                            | 23,258       | —                                       | —                                     |
| 12.401  | National Guard Military Operations and Maintenance (O&M) Projects  | 17,104,503   | —                                       | —                                     |
| 12.404  | National Guard ChalleNGe Program   | 497,243      | —                                       | —                                     |
|   |  | 18,457,760   | 296,862                                 | —                                     |
| U.S. Department of Housing and Urban Development: |  |              |   |                                       |
| 14.228  | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii                      | 13,747,082   | 13,523,566                              | —                                     |
| 14.231  | Emergency Solutions Grants Program   | 341,641      | 320,484                                 | —                                     |
| 14.239  | Home Investment Partnerships Program   | 4,042,680    | 3,988,611                               | —                                     |
| 14.251  | Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants            | 210,687      | —                                       | —                                     |
| 14.255  | ARRA – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, Recovery Act | 94,769       | 12,152                                  | —                                     |
| 14.257  | ARRA – Homelessness prevention and Rapid Re-Housing Program  | 49,634       | 49,634                                  | —                                     |
| 14.999  | Office of Fair Housing-Assistance Grant  | 84,250       | —                                       | —                                     |
|   |  | 18,570,743   | 17,894,447                              | —                                     |
| U.S. Department of Interior:                      |  |              |   |                                       |
| 15.605  | Sport Fish Restoration Program   | 3,591,620    | 11,986                                  | —                                     |
| 15.608  | Fish and Wildlife Management Assistance  | 24,334       | 11,179                                  | 2,746                                 |
| 15.611  | Wildlife Restoration and Basic Hunter Education  | 2,726,672    | 47,894                                  | —                                     |
| 15.615  | Cooperative Endangered Species Conservation Fund   | 183,069      | —                                       | —                                     |

**STATE OF VERMONT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

| <u>CFDA number</u> | <u>Federal agency/program type</u>   | <u>Expenditures</u> | <u>Amounts passed through to subrecipients</u> | <u>Amounts transferred to state agencies</u> |
|--------------------|--|---------------------|--|--|
| 15.622             | Sportfishing and Boating Safety Act  | \$ 48,516           | 36,236   | —  |
| 15.631             | Partners for Fish and Wildlife   | 14,731              | —  | —  |
| 15.633             | Landowner Incentive Program  | 93,688              | —  | —  |
| 15.634             | State Wildlife Grants  | 635,557             | 94,642   | —  |
| 15.810             | National Cooperative Geologic Mapping Program  | 78,814              | 6,956  | —  |
| 15.904             | Historic Preservation Fund Grants-In-Aid   | 468,832             | 71,877   | —  |
| 15.916             | Outdoor Recreation – Acquisition, Development and Planning   | 291,177             | 212,331  | —  |
| 15.929             | Save America’s Treasures   | 39,909              | —  | —  |
|                    |  | <u>8,196,919</u>    | <u>493,101</u>                                 | <u>2,746</u>                                 |
|                    | U.S. Department of Justice:  |                     |  |  |
| 16.017             | Sexual Assault Services Formula Program  | 166,250             | 126,593  | —  |
| 16.523             | Juvenile Accountability Block Grants   | 137,483             | —  | —  |
| 16.540             | Juvenile Justice and Delinquency Prevention – Allocation to States                                   | 827,920             | 582,285  | —  |
| 16.541             | Part E – Developing, Testing and Demonstrating Promising New Programs                                | 769,269             | 821,572  | —  |
| 16.554             | National Criminal History Improvement Program (NCHIP)  | 53,519              | —  | —  |
| 16.560             | National Institute of Justice Research, Evaluation and Development Project Grants                    | 5,426               | —  | —  |
| 16.575             | Crime Victim Assistance  | 1,198,307           | 415,695  | 524,275                                      |
| 16.576             | Crime Victim Compensation  | 298,894             | —  | —  |
| 16.580             | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program        | 220,125             | —  | —  |
| 16.582             | Crime Victim Assistance/Discretionary Grants   | 53,069              | 6,124  | —  |
| 16.588             | ARRA – Violence Against Women Formula Grants   | 109,934             | 55,000   | 54,934                                       |
| 16.588             | Violence Against Women Formula Grants  | 719,325             | 335,465  | 383,860                                      |
| 16.589             | Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program            | 411,521             | 278,298  | 91,848                                       |
| 16.590             | Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program                     | 354,364             | 200,112  | 154,252                                      |
| 16.606             | State Criminal Alien Assistance Program (SCAAP)  | 29,747              | —  | —  |
| 16.607             | Bulletproof Vest Partnership Program   | 8,144               | —  | —  |
| 16.609             | Project Safe Neighborhoods   | 72,309              | —  | —  |
| 16.710             | Public Safety Partnership and Community Policing Grants  | 948,328             | 37,143   | —  |
| 16.727             | Enforcing Underage Drinking Laws Program   | 465,568             | 282,791  | —  |
| 16.738             | Edward Byrne Memorial Justice Assistance Grant Program   | 366,877             | 154,233  | —  |
| 16.740             | Statewide Automated Victim Information Notification (SAVIN) Program                                  | 57,984              | —  | —  |
| 16.741             | DNA Backlog Reduction Program  | 63,094              | —  | —  |
| 16.742             | Paul Coverdell Forensic Science Improvement Grants Program   | 158,128             | —  | 39,000                                       |
| 16.744             | Anti-Gang Initiatives  | 31,355              | —  | —  |
| 16.745             | Criminal and Juvenile Justice and Mental Health Collaboration Program                                | 138,801             | —  | —  |
| 16.748             | Convicted Offender and/or Arrestee DNA Backlog Reduction Program                                     | 12,311              | —  | —  |
| 16.750             | Support for Adam Walsh Act Implementation Grant Program  | 167,416             | —  | —  |
| 16.753             | Congressionally Recommended Awards   | 882,423             | —  | 94,153                                       |
| 16.801             | ARRA – State Victim Assistance Formula Grant Program   | 24,437              | 2,000  | 22,437                                       |
| 16.803             | ARRA – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories | 330,484             | —  | —  |
| 16.810             | ARRA – Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program       | 216,469             | —  | —  |
| 16.812             | Second Chance Act Prisoner Reentry Initiative  | 149,349             | —  | —  |
| 16.999             | ATF Task Force   | 6,769               | —  | —  |
| 16.999             | Drug Enforcement Administration – DEA  | 26,259              | —  | —  |
| 16.999             | Marijuana Eradication  | 32,368              | —  | —  |
| 16.999             | New England High-Intensity Drug Trafficking Areas (HIDTA)  | 12,371              | —  | —  |
| 16.999             | FBI Joint Terrorism Task Force   | 13,789              | —  | —  |
| 16.999             | FBI Special Investigations   | 65,024              | —  | —  |
| 16.999             | Bordergap  | 15,928              | —  | —  |
| 16.999             | Evidence (Asset Seizure) Forfeiture Funds (Justice and Treasury)                                     | 424,756             | 1,685  | —  |
|                    |  | <u>10,045,894</u>   | <u>3,298,996</u>                               | <u>1,364,759</u>                             |
|                    | U.S. Department of Labor:  |                     |  |  |
| 17.002             | Labor Force Statistics   | 1,157,108           | —  | —  |
| 17.005             | Compensation and Working Conditions  | 33,601              | —  | —  |
| 17.207             | Employment Service/Wagner – Peyser Funded Activities   | 2,520,161           | —  | —  |
| 17.225             | Unemployment Insurance   | 150,438,645         | —  | —  |
| 17.225             | ARRA – Unemployment Insurance  | 227,617             | —  | —  |
| 17.235             | Senior Community Service Employment Program (SCSEP)  | 492,786             | 482,452  | —  |
| 17.245             | Trade Adjustment Assistance  | 689,426             | —  | —  |
| 17.258             | WIA Adult Program  | 1,620,534           | 66,890   | —  |
| 17.259             | WIA Youth Activities   | 1,735,987           | 71,668   | —  |

**STATE OF VERMONT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

| <b>CFDA number</b> | <b>Federal agency/program type</b>  | <b>Expenditures</b> | <b>Amounts passed through to subrecipients</b> | <b>Amounts transferred to state agencies</b> |
|--------------------|---|---------------------|--|--|
| 17.260             | WIA Dislocated Workers  | \$ 490,964          | 20,214   | —  |
| 17.261             | WIA Pilots, Demonstrations, and Research Projects   | 291,472             | 22,130   | —  |
| 17.275             | ARRA – Programs of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors    | 1,035,334           | 1,419,264                                      | —  |
| 17.277             | Workforce Investment Act (WIA) National Emergency Grants  | 607,026             | 24,992   | —  |
| 17.278             | WIA Dislocated Worker Formula Grants  | 556,272             | —  | —  |
| 17.503             | Occupational Safety and Health – State Program  | 764,176             | —  | —  |
| 17.504             | Consultation Agreements   | 382,338             | —  | —  |
| 17.600             | Mine Health and Safety Grants   | 86,415              | 63,482   | —  |
| 17.801             | Disabled Veterans' Outreach Program (DVOP)  | 133,337             | —  | —  |
| 17.804             | Local Veterans' Employment Representative Program   | 292,260             | —  | —  |
|                    |   | <b>163,555,459</b>  | <b>2,171,092</b>                               | <b>—</b>                                     |
|                    | <b>U.S. Department of Transportation:</b>   |                     |  |  |
| 20.106             | Airport Improvement Program   | 3,182,723           | 114,826  | —  |
| 20.106             | ARRA – Airport Improvement Program  | 237,810             | —  | —  |
| 20.205             | Highway Planning and Construction   | 286,498,277         | 30,638,327                                     | 195,120                                      |
| 20.205             | ARRA – Highway Planning and Construction  | 2,058,040           | —  | —  |
| 20.218             | National Motor Carrier Safety   | 973,141             | —  | —  |
| 20.219             | Recreational Trails Program   | 1,428,402           | 1,057,057                                      | —  |
| 20.314             | Railroad Development  | 1,021,835           | —  | —  |
| 20.319             | ARRA – High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants                       | 28,109,048          | —  | —  |
| 20.500             | Federal Transit – Capital Investment Grants   | 1,088,497           | 1,080,636                                      | —  |
| 20.505             | Metropolitan Transportation Planning  | 415,282             | 362,064  | —  |
| 20.509             | Formula Grants for Other Than Urbanized Areas   | 11,869,328          | 11,626,810                                     | —  |
| 20.509             | ARRA – Formula Grants for Other Than Urbanized Areas  | 62,917              | 62,917   | —  |
| 20.513             | Capital Assistance Program for Elderly Persons and Persons with Disabilities  | 206,790             | 176,767  | —  |
| 20.514             | Public Transportation Research  | 257,789             | 257,789  | —  |
| 20.521             | New Freedom Program   | 37,934              | 37,934   | —  |
| 20.600             | State and Community Highway Safety  | 1,588,011           | 695,282  | 259,081                                      |
| 20.601             | Alcohol Impaired Driving Countermeasures Incentive Grants I   | 589,996             | 92,449   | 114,168                                      |
| 20.602             | Occupant Protection Incentive Grants  | 84,828              | —  | —  |
| 20.608             | Minimum Penalties For Repeat Offenders For Driving While Intoxicated  | 4,301,391           | 252,033  | 3,788,360                                    |
| 20.609             | State Safety Belt Performance Grant   | 385,822             | 331,312  | 52,207                                       |
| 20.610             | State Traffic Safety Information System Improvement Grants  | 533,934             | —  | 320,864                                      |
| 20.612             | Incentive Grant Program to Increase Motorcyclist Safety   | 114,884             | —  | 114,884                                      |
| 20.613             | Child Safety and Child Booster Seat Incentive Grants  | 111,143             | 74,163   | —  |
| 20.703             | Interagency Hazardous Materials Public Sector Training and Planning Grants  | 100,474             | 55,821   | —  |
| 20.720             | State Damage Protection Programs  | 87,825              | 57,443   | —  |
| 20.721             | PHMSA Pipeline Safety Program One Call Grant  | 189,487             | —  | —  |
|                    |   | <b>345,535,608</b>  | <b>46,973,630</b>                              | <b>4,844,684</b>                             |
|                    | <b>U.S. General Services Administration:</b>  |                     |  |  |
| 39.011             | Election Reform Payments  | 60,824              | —  | —  |
|                    |   | <b>60,824</b>       | <b>—</b>                                       | <b>—</b>                                     |
|                    | <b>U.S. Institute of Museum and Library Service:</b>  |                     |  |  |
| 45.310             | Grants to States  | 846,357             | 62,819   | —  |
|                    |   | <b>846,357</b>      | <b>62,819</b>                                  | <b>—</b>                                     |
|                    | <b>U.S. Small Business Administration:</b>  |                     |  |  |
| 59.061             | State Trade and Export Promotion Pilot Grant Program  | 188,951             | 77,932   | —  |
|                    |   | <b>188,951</b>      | <b>77,932</b>                                  | <b>—</b>                                     |
|                    | <b>U.S. Environmental Protection Agency:</b>  |                     |  |  |
| 66.032             | State Indoor Radon Grants   | 136,015             | 7,000  | —  |
| 66.034             | Surveys, Studies, Research, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act | 237,363             | —  | —  |
| 66.040             | State Clean Diesel Grant Program  | 98,906              | 60,757   | —  |
| 66.040             | ARRA-State Clean Diesel Grant Program   | 73,653              | 118,945  | —  |
| 66.042             | Office of Research and Development Consolidated Research  | 107,710             | —  | —  |
| 66.202             | Congressionally Mandated Projects   | 308,092             | —  | —  |

STATE OF VERMONT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

| CFDA number | Federal agency/program type  | Expenditures | Amounts passed through to subrecipients | Amounts transferred to state agencies |
|-------------|--|--------------|---|---------------------------------------|
| 66.454      | Water Quality Management Planning  | \$ 96,882    | 35,072                                  | —                                     |
| 66.454      | ARRA-Water Quality Management Planning   | 5,668        | 4,553                                   | —                                     |
| 66.458      | Capitalization Grants for Clean Water State Revolving Funds                                  | 10,537,609   | 10,741,910                              | —                                     |
| 66.458      | ARRA-Capitalization Grants for Clean Water State Revolving Funds                             | 482,553      | —                                       | —                                     |
| 66.468      | Capitalization Grants for Drinking Water State Revolving Funds                               | 11,084,835   | 10,229,075                              | —                                     |
| 66.468      | ARRA-Capitalization Grants for Drinking Water State Revolving Funds                          | 576,998      | 460,906                                 | —                                     |
| 66.474      | Water Protection Grants to the States  | 66,378       | —                                       | —                                     |
| 66.481      | Lake Champlain Basin Program   | 476,462      | 215,278                                 | —                                     |
| 66.605      | Performance Partnership Grants   | 4,656,076    | 182,092                                 | —                                     |
| 66.608      | Environmental Information Exchange Network Grant Program and Related Assistance              | 9,791        | —                                       | —                                     |
| 66.700      | Consolidated Pesticide Enforcement Cooperative Agreements                                    | 353,592      | —                                       | —                                     |
| 66.701      | Toxic Substances Compliance Monitoring Cooperative Agreements                                | 25,000       | —                                       | —                                     |
| 66.707      | TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals              | 141,292      | —                                       | —                                     |
| 66.708      | Pollution Prevention Grants Program  | 49,974       | —                                       | —                                     |
| 66.709      | Multi-Media Capacity Building Grants for States and Tribes                                   | 39,417       | —                                       | —                                     |
| 66.802      | Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative Agreements | 37,198       | —                                       | —                                     |
| 66.804      | Underground Storage Tank Prevention, Detection, and Compliance Program                       | 335,154      | —                                       | —                                     |
| 66.805      | Leaking Underground Storage Tank Trust Fund Corrective Action Program                        | 754,495      | —                                       | —                                     |
| 66.805      | ARRA Leaking Underground Storage Tank Trust Fund Corrective Action Program                   | 305,656      | —                                       | —                                     |
| 66.809      | Superfund State and Indian Tribe Core Program Cooperative Agreements                         | 107,276      | —                                       | —                                     |
| 66.817      | State and Tribal Response Program Grants   | 754,676      | 5,953                                   | —                                     |
| 66.818      | Brownfields Assessment and Cleanup Cooperative Agreements                                    | 282,435      | 282,435                                 | —                                     |
| 66.818      | ARRA – Brownfields Assessment and Cleanup Cooperative Agreements                             | 474,211      | 463,165                                 | —                                     |
|             |  | 32,615,367   | 22,807,141                              | —                                     |
|             | U.S. Department of Energy:   |              |   |                                       |
| 81.039      | State Heating Oil and Propane Program  | 5,751        | —                                       | —                                     |
| 81.041      | State Energy Program   | 280,745      | —                                       | —                                     |
| 81.041      | ARRA-State Energy Program  | 13,877,512   | 3,806,028                               | 3,706,643                             |
| 81.042      | Weatherization Assistance for Low – Income Persons   | 882,328      | 848,867                                 | —                                     |
| 81.042      | ARRA-Weatherization Assistance for Low – Income Persons                                      | 7,029,507    | 5,798,204                               | —                                     |
| 81.119      | State Energy Program Special Projects  | 2,034        | —                                       | —                                     |
| 81.122      | ARRA – Electricity Delivery and Energy Reliability, Research, Development and Analysis       | 299,277      | —                                       | —                                     |
| 81.127      | ARRA – Energy Efficient Appliance Rebate Program (EEARP)                                     | 154,330      | —                                       | —                                     |
| 81.128      | ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)                        | 4,225,772    | 2,890,746                               | —                                     |
| 81.999      | Sustainable Energy for Homes and Businesses (Sanders)  | 254,114      | 254,114                                 | —                                     |
|             |  | 27,011,370   | 13,597,959                              | 3,706,643                             |
|             | U.S. Department of Education:  |              |   |                                       |
| 84.002      | Adult Education – Basic Grants to States   | 907,163      | 799,203                                 | —                                     |
| 84.010      | Title I Grants to Local Educational Agencies   | 34,120,976   | 33,967,501                              | —                                     |
| 84.011      | Migrant Education – State Grant Program  | 771,277      | 650,154                                 | —                                     |
| 84.013      | Title I State Agency Program for Neglected and Delinquent Children and Youth                 | 599,659      | 37,659                                  | 555,194                               |
| 84.027      | Special Education – Grants to States   | 25,944,785   | 23,251,385                              | 4,028                                 |
| 84.048      | Career and Technical Education – Basic Grants to States                                      | 4,235,805    | 3,690,605                               | 42,149                                |
| 84.126      | Rehabilitation Services – Vocational Rehabilitation Grants to States                         | 13,857,111   | 333,720                                 | —                                     |
| 84.169      | Independent Living – State Grants  | 276,964      | 151,599                                 | —                                     |
| 84.173      | Special Education – Preschool Grants   | 782,741      | 585,435                                 | —                                     |
| 84.177      | Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind    | 314,299      | 225,000                                 | —                                     |
| 84.181      | Special Education – Grants for Infants and Families  | 2,643,508    | 512,411                                 | —                                     |
| 84.186      | Safe and Drug-Free Schools and Communities – State Grants                                    | 249,893      | 147,280                                 | —                                     |
| 84.187      | Supported Employment Services for Individuals with the Most Significant Disabilities         | 371,646      | —                                       | —                                     |
| 84.196      | Education for Homeless Children and Youth  | 178,854      | 144,689                                 | —                                     |
| 84.213      | Even Start – State Educational Agencies  | 29,890       | 20,009                                  | —                                     |
| 84.224      | Assistive Technology   | 455,011      | —                                       | —                                     |
| 84.243      | Tech-Prep Education  | 12,292       | 12,292                                  | —                                     |
| 84.265      | Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training           | 53,816       | —                                       | —                                     |

**STATE OF VERMONT**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

| CFDA number | Federal agency/program type  | Expenditures       | Amounts passed through to subrecipients | Amounts transferred to state agencies |
|-------------|--|--------------------|---|---------------------------------------|
| 84.287      | Twenty-First Century Community Learning Centers  | \$ 6,221,668       | 6,082,971                               | —                                     |
| 84.318      | Educational Technology State Grants  | 225,953            | 197,982                                 | —                                     |
| 84.323      | Special Education – State Personnel Development  | 516,574            | 430,788                                 | —                                     |
| 84.330      | Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)  | 30,096             | —                                       | —                                     |
| 84.365      | English Language Acquisition Grants  | 590,343            | 391,856                                 | —                                     |
| 84.366      | Mathematics and Science Partnerships   | 959,375            | 941,971                                 | —                                     |
| 84.367      | Improving Teacher Quality State Grants   | 12,833,499         | 12,435,029                              | —                                     |
| 84.369      | Grants for State Assessments and Related Activities  | 2,091,886          | —                                       | —                                     |
| 84.371      | Striving Readers   | 142,972            | 142,972                                 | —                                     |
| 84.377      | School Improvement Grants  | 199,800            | 70,884                                  | —                                     |
| 84.386      | ARRA-Education Technology State Grants, Recovery Act   | 133,416            | 108,137                                 | —                                     |
| 84.388      | ARRA-School Improvement Grants, Recovery Act   | 2,114,132          | 2,114,132                               | —                                     |
| 84.389      | ARRA-Title I Grants to Local Educational Agencies, Recovery Act  | 867,588            | 701,997                                 | —                                     |
| 84.390      | ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act  | 99,102             | 35,298                                  | —                                     |
| 84.391      | ARRA-Special Education – Grants to States, Recovery Act  | 2,208,246          | 2,208,246                               | —                                     |
| 84.392      | ARRA-Special Education – Preschool Grants, Recovery Act  | 85,166             | 85,166                                  | —                                     |
| 84.393      | ARRA-Special Education – Grants for Infants and Families, Recovery Act   | 385,625            | —                                       | —                                     |
| 84.394      | ARRA-State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act   | 2,077,820          | —                                       | 2,077,820                             |
| 84.397      | ARRA-State Fiscal Stabilization Fund – Governmental Services, Recovery Act   | 13,634             | 6,121                                   | 7,512                                 |
| 84.398      | ARRA-Independent Living State Grants, Recovery Act   | 115,513            | 115,513                                 | —                                     |
| 84.410      | Education Jobs Fund  | 8,375,382          | 8,375,382                               | —                                     |
|             |  | <u>126,093,480</u> | <u>98,973,387</u>                       | <u>2,686,703</u>                      |
| 89.003      | U.S. National Archives and Records Administration:<br>National Historical Publications and Records Grant   | 21,813             | —                                       | —                                     |
|             |  | <u>21,813</u>      | <u>—</u>                                | <u>—</u>                              |
| 90.401      | U.S. Election Assistance Commission:<br>Help America Vote Act Requirements Payments  | 480,868            | —                                       | —                                     |
|             |  | <u>480,868</u>     | <u>—</u>                                | <u>—</u>                              |
| 93.041      | U.S. Department of Health and Human Services:<br>Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation | 25,169             | 25,169                                  | —                                     |
| 93.042      | Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals  | 78,797             | 78,797                                  | —                                     |
| 93.043      | Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services  | 110,217            | 110,217                                 | —                                     |
| 93.044      | Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers   | 2,086,711          | 2,086,711                               | —                                     |
| 93.045      | Special Programs for the Aging – Title III, Part C – Nutrition Services  | 3,444,492          | 3,444,492                               | —                                     |
| 93.048      | Special Programs for the Aging – Title IV – and Title II – Discretionary Projects  | 216,140            | —                                       | —                                     |
| 93.051      | Alzheimer’s Disease Demonstration Grants to States   | 142,185            | —                                       | —                                     |
| 93.052      | National Family Caregiver Support, Title III, Part E   | 654,562            | 392,591                                 | —                                     |
| 93.053      | Nutrition Services Incentive Program   | 774,788            | 774,788                                 | —                                     |
| 93.069      | Public Health Emergency Preparedness   | 6,279,956          | 875,474                                 | —                                     |
| 93.070      | Environmental Public Health and Emergency Response   | 1,505,484          | 9,250                                   | —                                     |
| 93.071      | Medicare Enrollment Assistance Program   | 918                | 918                                     | —                                     |
| 93.092      | Affordable Care Act (ACA) Personal Responsibility Education Program  | 114,405            | 49,900                                  | —                                     |
| 93.103      | Food and Drug Administration – Research  | 5,000              | —                                       | —                                     |
| 93.104      | Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)  | 1,550,380          | 1,550,380                               | —                                     |
| 93.110      | Maternal and Child Health Federal Consolidated Programs  | 579,770            | 196,274                                 | 21,250                                |
| 93.116      | Project Grants and Cooperative Agreements for Tuberculosis Control Programs  | 123,361            | —                                       | —                                     |
| 93.127      | Emergency Medical Services for Children  | 74,570             | —                                       | —                                     |
| 93.130      | Cooperative Agreements to States/ Territories for the Coordination and Development of Primary Care Offices   | 125,227            | —                                       | —                                     |
| 93.136      | Injury Prevention and Control Research and State and Community Based Programs<br>Childhood Lead Poisoning Prevention Projects-State and Local Childhood                    | 92,995             | 64,932                                  | —                                     |
| 93.150      | Projects for Assistance in Transition from Homelessness (PATH)   | 245,993            | 126,464                                 | —                                     |
| 93.217      | Family Planning – Services   | 836,221            | 828,637                                 | —                                     |
| 93.230      | Consolidated Knowledge Development and Application Program   | 183,529            | —                                       | —                                     |
| 93.241      | State Rural Hospital Flexibility Program   | 337,372            | 271,772                                 | —                                     |
| 93.243      | Substance Abuse and Mental Health Services – Projects of Regional and National Significance  | 2,303,103          | 1,094,712                               | —                                     |
| 93.251      | Universal Newborn Hearing Screening  | 308,826            | 253,175                                 | —                                     |
| 93.268      | Immunization Cooperative Agreements  | 1,636,607          | 2,498                                   | —                                     |
| 93.270      | Adult Viral Hepatitis Prevention and Control   | 71,938             | —                                       | —                                     |

**STATE OF VERMONT**

Schedule of Expenditures of Federal Awards

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| <b>CFDA number</b> | <b>Federal agency/program type</b>  | <b>Expenditures</b> | <b>Amounts passed through to subrecipients</b> | <b>Amounts transferred to state agencies</b> |
|--------------------|---|---------------------|--|--|
| 93.283             | Centers for Disease Control and Prevention – Investigations and Technical Assistance  | \$ 4,656,940        | 364,780  | —  |
| 93.296             | State Partnership Grant Program to Improve Minority Health  | 89,268              | 9,048  | —  |
| 93.301             | Small Rural Hospital Improvement Grants Program   | 101,635             | 95,385   | —  |
| 93.414             | ARRA – State Primary Care Offices   | 26,190              | 26,190   | —  |
| 93.500             | Pregnancy Assistance Fund Program   | 1,205,158           | 1,096,774                                      | —  |
| 93.505             | Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program   | 463,661             | —  | —  |
| 93.507             | PPHF 2012 National Public Health Improvement Initiative   | 852,764             | 198,702  | —  |
| 93.511             | Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review  | 345,248             | —  | —  |
| 93.517             | Affordable Care Act – Aging and Disability Resource Center  | 244,235             | —  | —  |
| 93.518             | Affordable Care Act – Medicare Improvements for Patients and Providers  | 48,447              | 48,447   | —  |
| 93.519             | Affordable Care Act (ACA) – Consumer Assistance Program Grants  | 81,178              | —  | —  |
| 93.520             | Centers for Disease Control and Prevention – Affordable Care Act (ACA) – Communities Putting Prevention to Work   | 39,039              | 38,998   | —  |
| 93.521             | The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF | 643,936             | 36,961   | —  |
| 93.525             | State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges   | 1,966,906           | —  | —  |
| 93.531             | PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds  | 30,289              | —  | —  |
| 93.539             | PPHF 2012 – Prevention and Public Health Fund (Affordable Care Act) – Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds          | 88,719              | —  | —  |
| 93.544             | The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorize Coordinated Chronic Disease Prevention and Health Promotion Program  | 93,210              | —  | —  |
| 93.550             | Transitional Living for Homeless Youth  | 116,007             | 114,096  | —  |
| 93.556             | Promoting Safe and Stable Families  | 377,623             | 277,336  | —  |
| 93.558             | Temporary Assistance for Needy Families   | 29,051,363          | 202,787  | —  |
| 93.563             | Child Support Enforcement   | 7,596,748           | —  | —  |
| 93.566             | Refugee and Entrant Assistance – State Administered Programs  | 726,153             | 306,425  | —  |
| 93.568             | Low Income Home Energy Assistance Program   | 22,268,321          | 4,147,242                                      | —  |
| 93.569             | Community Services Block Grant  | 3,434,581           | 3,304,438                                      | —  |
| 93.575             | Child Care and Development Block Grant  | 12,796,565          | 1,334,775                                      | —  |
| 93.576             | Refugee and Entrant Assistance – Discretionary Grants   | 226,983             | 200,625  | —  |
| 93.586             | State Court Improvement Program   | 389,987             | —  | —  |
| 93.590             | Community – Based Child Abuse Prevention Grants   | 153,476             | 153,476  | —  |
| 93.596             | Child Care Mandatory and Matching Funds of the Child Care and Development Fund  | 6,298,578           | 730,917  | —  |
| 93.597             | Grants to States for Access and Visitation Programs   | 104,736             | 103,831  | —  |
| 93.599             | Chafee Education and Training Vouchers Program (ETV)  | 144,004             | 144,004  | —  |
| 93.600             | Head Start  | 146,213             | —  | —  |
| 93.617             | Voting Access for Individuals with Disabilities – Grants to States  | 105,838             | 84,400   | —  |
| 93.630             | Developmental Disabilities Basic Support and Advocacy Grants  | 447,992             | 198,341  | —  |
| 93.643             | Children's Justice Grants to States   | 135,024             | 4,925  | —  |
| 93.645             | Stephanie Tubbs Jones Child Welfare Services Program  | 578,691             | —  | —  |
| 93.658             | Foster Care – Title IV-E  | 8,710,313           | —  | —  |
| 93.659             | Adoption Assistance   | 8,084,168           | —  | —  |
| 93.667             | Social Services Block Grant   | 8,160,873           | 668,312  | —  |
| 93.669             | Child Abuse and Neglect State Grants  | 28,979              | 3,000  | —  |
| 93.671             | Family Violence Prevention and Services/Grants for Battered Women's Shelters – Grants to States and Indian Tribes   | 718,490             | 716,816  | —  |
| 93.674             | Chafee Foster Care Independence Program   | 375,000             | —  | —  |
| 93.708             | ARRA – Head Start   | 276,185             | —  | —  |
| 93.717             | ARRA – Preventing Healthcare-Associated Infections  | 255,919             | 180,711  | —  |
| 93.719             | ARRA – State Grants to Promote Health Information Technology  | 2,864,861           | —  | —  |
| 93.723             | ARRA – Prevention and Wellness-State, Territories and Pacific Islands   | 483,756             | 54,500   | —  |
| 93.725             | ARRA – Communities Putting Prevention to Work: Chronic Disease Self-Management Program  | 53,022              | —  | —  |
| 93.767             | Children's Health Insurance Program   | 8,793,365           | —  | —  |
| 93.768             | Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities  | 652,613             | 231,114  | —  |
| 93.775             | State Medicaid Fraud Control Units  | 622,835             | —  | —  |
| 93.777             | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare  | 1,497,536           | —  | —  |
| 93.778             | Medical Assistance Program  | 774,672,559         | 982  | —  |
| 93.778             | ARRA-Medical Assistance Program   | 6                   | —  | —  |
| 93.779             | Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations   | 414,489             | 403,174  | —  |

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Schedule of Expenditures of Federal Awards

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| CFDA number | Federal agency/program type   | Expenditures         | Amounts passed through to subrecipients | Amounts transferred to state agencies |
|-------------|---|----------------------|---|---------------------------------------|
| 93.791      | Money Follows the Person Rebalancing Demonstration  | \$ 226,790           | —                                       | —                                     |
| 93.889      | National Bioterrorism Hospital Preparedness Program   | 1,311,733            | 666,385                                 | —                                     |
| 93.913      | Grants to States for Operation of Offices of Rural Health   | 188,150              | 89,573                                  | —                                     |
| 93.917      | HIV Care Formula Grants   | 1,183,981            | —                                       | —                                     |
| 93.938      | Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 181,440              | 33,082                                  | —                                     |
| 93.940      | HIV Prevention Activities – Health Department Based   | 1,551,867            | 530,541                                 | —                                     |
| 93.944      | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance   | 77,485               | —                                       | —                                     |
| 93.946      | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs                                     | 160,854              | —                                       | —                                     |
| 93.958      | Block Grants for Community Mental Health Services   | 725,344              | 55,559                                  | —                                     |
| 93.959      | Block Grants for Prevention and Treatment of Substance Abuse  | 5,381,970            | 1,094,703                               | —                                     |
| 93.977      | Preventive Health Services – Sexually Transmitted Disease Control Grants  | 181,824              | 17,010                                  | —                                     |
| 93.982      | Mental Health Disaster Assistance and Emergency Mental Health   | 288,235              | —                                       | —                                     |
| 93.991      | Preventive Health and Health Services Block Grant   | 69,714               | 20,000                                  | —                                     |
| 93.994      | Maternal and Child Health Services Block Grant to the States  | 1,679,247            | 587,641                                 | —                                     |
|             |   | <u>949,858,025</u>   | <u>30,813,157</u>                       | <u>21,250</u>                         |
|             | U.S. Corporation for National Community Service:  |                      |   |                                       |
| 94.003      | State Commissions   | 247,837              | —                                       | —                                     |
| 94.006      | AmeriCorps  | 1,218,447            | 1,208,337                               | —                                     |
| 94.007      | Program Development and Innovation Grants   | 20,936               | —                                       | —                                     |
| 94.009      | Training and Technical Assistance   | 15,808               | —                                       | —                                     |
| 94.013      | Volunteers in Service to America (VISTA)  | 37,295               | —                                       | —                                     |
|             |   | <u>1,540,323</u>     | <u>1,208,337</u>                        | <u>—</u>                              |
|             | U.S. Social Security Administration:  |                      |   |                                       |
| 96.001      | Social Security – Disability Insurance  | 5,282,969            | —                                       | —                                     |
| 96.008      | Social Security-Work Incentives Planning and Assistance Program   | 105,899              | 27,918                                  | —                                     |
|             |   | <u>5,388,868</u>     | <u>27,918</u>                           | <u>—</u>                              |
|             | U.S. Department of Homeland Security:   |                      |   |                                       |
| 97.012      | Boating Safety Financial Assistance   | 707,436              | 24,339                                  | 98,282                                |
| 97.023      | Community Assistance Program – State Support Services Element (CAP – SSSE)  | 175,179              | —                                       | —                                     |
| 97.032      | Crisis Counseling   | 297,972              | 277,109                                 | —                                     |
| 97.036      | Disaster Grants – Public Assistance (Presidentially Declared Disasters)   | 77,299,695           | 62,306,787                              | 1,475,485                             |
| 97.039      | Hazard Mitigation Grants  | 577,469              | 577,469                                 | —                                     |
| 97.041      | National Dam Safety Program   | 53,937               | —                                       | —                                     |
| 97.042      | Emergency Management Performance Grants   | 3,018,584            | 609,521                                 | 28,533                                |
| 97.043      | State Fire Training Systems Grants  | 25,820               | —                                       | —                                     |
| 97.045      | Cooperating Technical Partners  | 110,200              | —                                       | —                                     |
| 97.047      | Pre Disaster Mitigation   | 29,528               | 29,924                                  | —                                     |
| 97.052      | Emergency Operations Center   | 243,290              | —                                       | 243,290                               |
| 97.055      | Interoperable Emergency Communications  | 194,688              | —                                       | —                                     |
| 97.056      | Port Security Grant Program   | 15,178               | —                                       | —                                     |
| 97.067      | Homeland Security Grant Program   | 5,461,870            | 1,653,570                               | 121,657                               |
| 97.082      | Earthquake Consortium   | 83,097               | 46,496                                  | —                                     |
| 97.090      | Law Enforcement Officer Reimbursement Agreement Program   | 61,680               | —                                       | —                                     |
| 97.999      | FEMA Admin Training Procurement   | 354                  | —                                       | —                                     |
|             |   | <u>88,355,977</u>    | <u>65,525,215</u>                       | <u>1,967,247</u>                      |
|             | Total direct monetary awards  | <u>1,881,152,210</u> | <u>335,971,015</u>                      | <u>14,638,575</u>                     |
|             | Nonmonetary programs:   |                      |   |                                       |
|             | U.S. Department of Agriculture:   |                      |   |                                       |
| 10.551      | Supplemental Nutrition Assistance Program   | 114,876,511          | —                                       | —                                     |
| 10.555      | National School Lunch Program Commodities   | 1,939,884            | —                                       | —                                     |
| 10.558      | Child and Adult Care Food Program Commodities   | 9,052                | —                                       | —                                     |
| 10.560      | State Administrative Expenses for Child Nutrition   | 1,942,480            | —                                       | —                                     |
| 10.565      | Commodity Supplemental Food Program   | 730,379              | —                                       | —                                     |
| 10.569      | Emergency Food Assistance Program (Food Commodities)  | 400,271              | —                                       | —                                     |
|             | Total U.S. Department of Agriculture  | <u>119,898,577</u>   | <u>—</u>                                | <u>—</u>                              |
|             | Buildings and General Services:   |                      |   |                                       |
| 39.003      | Donation of Federal Surplus Personal Property   | 1,004,760            | —                                       | —                                     |
|             |   | <u>1,004,760</u>     | <u>—</u>                                | <u>—</u>                              |
|             | U.S. Dept of Health and Human Services:   |                      |   |                                       |
| 93.268      | Immunization Cooperative Agreements   | 5,856,616            | —                                       | —                                     |
|             |   | <u>5,856,616</u>     | <u>—</u>                                | <u>—</u>                              |
|             | Total direct nonmonetary federal assistance   | <u>126,759,953</u>   | <u>—</u>                                | <u>—</u>                              |

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2012

| <u>CFDA number</u> | <u>Federal agency/program type</u>  | <u>Expenditures</u>     | <u>Amounts passed through to subrecipients</u> | <u>Amounts transferred to state agencies</u> |
|--------------------|---|-------------------------|--|--|
|                    | Indirect Federal Grants   |                         |  |  |
| 10.678             | Forest Stewardship Program  | \$ 3,494                | —  | —  |
| 11.558             | ARRA – State Broadband Data and Development Grant Program   | 106,753                 | —  | —  |
| 14.251             | Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants | 1,362                   | —  | —  |
| 16.547             | Victims Child Abuse   | 47,715                  | —  | —  |
| 17.261             | WIA Pilots, Demonstrations, and Research Projects   | 59,463                  | —  | —  |
| 64.005             | Grants to States for Construction of State Home Facilities  | 991,059                 | —  | —  |
| 81.087             | ARRA – Renewable Energy Research and Development  | 76,239                  | —  | —  |
| 93.767             | Children’s Health Insurance Program   | 151,426                 | —  | —  |
| 93.999             | ADAP Data Collection  | 75,000                  | —  | —  |
|                    | Total indirect federal grants   | <u>1,512,511</u>        | <u>—</u>                                       | <u>—</u>                                     |
|                    | Total direct federal grants   | <u>2,007,912,163</u>    | <u>335,971,015</u>                             | <u>14,638,575</u>                            |
|                    | Total federal financial aid expended  | <u>\$ 2,009,424,674</u> | <u>335,971,015</u>                             | <u>14,638,575</u>                            |

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



**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2012

| VT agency/department               | CFDA number | Federal agency/program type   | Expenditures      | Subgranted to non state of vermont entities | Subgranted to State of vermont agencies |
|------------------------------------|-------------|---|-------------------|---|---|
| Administration Secretary           | 84.394      | ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recover Act                               | \$ 2,077,820      | —   | 2,077,820                               |
| Administration Secretary           | 84.397      | ARRA – State Fiscal Stabilization Fund – Governmental Services, Recovery Act                                      | 13,634            | 6,121                                       | 7,512                                   |
| Administration Secretary           | 84.410      | Education Jobs Fund   | 8,375,382         | 8,375,382                                   | —                                       |
| Administration Secretary total     |             |   | <u>10,466,836</u> | <u>8,381,503</u>                            | <u>2,085,332</u>                        |
| Agriculture                        | 10.025      | Plant and Animal Disease, Pest Control, and Animal Care   | 175,068           | —   | —                                       |
| Agriculture                        | 10.163      | Marketing Protection and Promotion  | 7,591             | —   | —                                       |
| Agriculture                        | 10.169      | Specialty Crop Block Grant Program  | 201,582           | 169,253                                     | —                                       |
| Agriculture                        | 10.475      | Cooperative Agreements with States for Intrastate Meat and Poultry Inspection                                     | 504,196           | —   | —                                       |
| Agriculture                        | 10.776      | Agriculture Innovation Center   | 627,771           | 522,183                                     | —                                       |
| Agriculture                        | 10.912      | Environmental Quality Incentive Program   | 77,528            | —   | —                                       |
| Agriculture                        | 10.999      | Long Term Standing Agreements For Storage, Transportation and Lease   | 262,681           | —   | —                                       |
| Agriculture                        | 66.700      | Consolidated Pesticide Enforcement Cooperative Agreements   | 353,592           | —   | —                                       |
| Agriculture total                  |             |   | <u>2,210,009</u>  | <u>691,436</u>                              | <u>—</u>                                |
| Attorney General                   | 93.775      | State Medicaid Fraud Control Units  | 622,835           | —   | —                                       |
| Attorney General total             |             |   | <u>622,835</u>    | <u>—</u>                                    | <u>—</u>                                |
| Financial Regulation               | 93.511      | Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review                                    | 345,248           | —   | —                                       |
| Financial Regulation               | 93.519      | Affordable Care Act (ACA) – Consumer Assistance Program Grants  | 81,178            | —   | —                                       |
| Financial Regulation total         |             |   | <u>426,426</u>    | <u>—</u>                                    | <u>—</u>                                |
| Buildings & General Services       | 14.251      | Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants                 | 1,362             | —   | —                                       |
| Buildings & General Services       | 39.003      | Donation of Federal Surplus Personal Property   | 1,004,760         | —   | —                                       |
| Buildings & General Services       | 64.005      | Grants to States for Construction of State Home Facilities  | 991,059           | —   | —                                       |
| Buildings & General Services total |             |   | <u>1,997,181</u>  | <u>—</u>                                    | <u>—</u>                                |
| Commerce                           | 10.999      | Presidential Disaster in FFY2008  | 63,085            | 61,655                                      | —                                       |
| Commerce                           | 11.113      | ITA Special Projects  | 92,077            | 56,095                                      | —                                       |
| Commerce                           | 12.002      | Procurement Technical Assistance For Business Firms   | 389,445           | 125,070                                     | —                                       |
| Commerce                           | 14.228      | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii                           | 13,747,082        | 13,523,566                                  | —                                       |
| Commerce                           | 14.239      | Home Investment Partnerships Program  | 423,616           | 369,547                                     | —                                       |
| Commerce                           | 14.251      | Home Investment Partnerships Program – VHCBC  | 3,619,064         | 3,619,064                                   | —                                       |
| Commerce                           | 14.251      | Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants                 | 10,687            | —   | —                                       |
| Commerce                           | 14.255      | ARRA – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, Recovery Act      | 94,769            | 12,152                                      | —                                       |
| Commerce                           | 15.904      | Historic Preservation Fund Grants-In-Aid  | 468,832           | 71,877                                      | —                                       |
| Commerce                           | 15.929      | Save Americas Treasures   | 39,909            | —   | —                                       |
| Commerce                           | 59.061      | State Trade and Export Promotion Pilot Grant Program  | 188,951           | 77,932                                      | —                                       |
| Commerce                           | 66.818      | Brownfields Assessment and Cleanup Cooperative Agreements   | 282,435           | 282,435                                     | —                                       |
| Commerce                           | 66.818      | ARRA – Brownfields Assessment and Cleanup Cooperative Agreements  | 474,211           | 463,165                                     | —                                       |
| Commerce total                     |             |   | <u>19,894,163</u> | <u>18,662,558</u>                           | <u>—</u>                                |
| Ctr. for Crime Victims Svcs.       | 16.017      | Sexual Assault Services Formula Program   | 166,250           | 126,593                                     | —                                       |
| Ctr. for Crime Victims Svcs.       | 16.575      | Crime Victim Assistance   | 1,198,307         | 415,695                                     | 524,275                                 |
| Ctr. for Crime Victims Svcs.       | 16.576      | Crime Victim Compensation   | 298,894           | —   | —                                       |
| Ctr. for Crime Victims Svcs.       | 16.582      | Crime Victim Assistance/Discretionary Grants  | 53,069            | 6,124                                       | —                                       |
| Ctr. for Crime Victims Svcs.       | 16.588      | ARRA – Violence Against Women Formula Grants  | 109,934           | 55,000                                      | 54,934                                  |
| Ctr. for Crime Victims Svcs.       | 16.588      | Violence Against Women Formula Grants   | 719,325           | 335,465                                     | 383,860                                 |
| Ctr. for Crime Victims Svcs.       | 16.589      | Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program                         | 411,521           | 278,298                                     | 91,848                                  |
| Ctr. for Crime Victims Svcs.       | 16.590      | Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program                                  | 354,364           | 200,112                                     | 154,252                                 |
| Ctr. for Crime Victims Svcs.       | 16.801      | Recovery Act – State Victim Assistance Formula Grant Program  | 24,437            | 2,000                                       | 22,437                                  |
| Ctr. for Crime Victims Svcs.       | 93.671      | Family Violence Prevention and Services/Grants for Battered Women's Shelters – Grants to States and Indian Tribes | 718,490           | 716,816                                     | —                                       |
| Ctr. for Crime Victims Svcs. total |             |   | <u>4,054,591</u>  | <u>2,136,103</u>                            | <u>1,231,606</u>                        |
| Education                          | 10.553      | School Breakfast Program  | 5,249,630         | 5,257,273                                   | —                                       |
| Education                          | 10.555      | National School Lunch Program   | 14,291,141        | 14,267,508                                  | 29,931                                  |
| Education                          | 10.555      | National School Lunch Program – Commodities   | 1,939,884         | —   | —                                       |
| Education                          | 10.556      | Special Milk Program for Children   | 59,066            | 59,066                                      | —                                       |
| Education                          | 10.558      | Child and Adult Care Food Program   | 5,339,367         | 5,246,652                                   | 14,612                                  |
| Education                          | 10.558      | Child and Adult Care Food Program – Commodities   | 9,052             | —   | —                                       |
| Education                          | 10.559      | Summer Food Service Program for Children  | 609,899           | 579,129                                     | —                                       |
| Education                          | 10.560      | State Administrative Expenses for Child Nutrition   | 459,517           | 500   | —                                       |
| Education                          | 10.574      | Team Nutrition Grants   | 20,125            | —   | —                                       |
| Education                          | 10.579      | Child Nutrition Discretionary Grants Limited Availability   | 45,138            | 45,138                                      | —                                       |
| Education                          | 10.582      | Fresh Fruit & Vegetable Program   | 1,077,590         | 1,156,633                                   | —                                       |
| Education                          | 16.541      | Part E – Developing, Testing and Demonstrating Promising New Programs   | 420,383           | 408,678                                     | —                                       |
| Education                          | 84.002      | Adult Education – Basic Grants to States  | 907,163           | 799,203                                     | —                                       |
| Education                          | 84.010      | Title I Grants to Local Educational Agencies  | 34,120,976        | 33,967,501                                  | —                                       |
| Education                          | 84.011      | Migrant Education _ State Grant Program   | 771,277           | 650,154                                     | —                                       |
| Education                          | 84.013      | Title I State Agency Program for Neglected and Delinquent Children  | 599,659           | 37,659                                      | 555,194                                 |
| Education                          | 84.027      | Special Education _ Grants to States  | 25,944,785        | 23,251,385                                  | 4,028                                   |
| Education                          | 84.048      | Career and Technical Education – Basic Grants to States   | 4,235,805         | 3,690,605                                   | 42,149                                  |
| Education                          | 84.173      | Special Education _ Preschool Grants  | 782,741           | 585,435                                     | —                                       |
| Education                          | 84.186      | Safe and Drug-Free Schools and Communities – State Grants   | 43,849            | 42,540                                      | —                                       |
| Education                          | 84.196      | Education for Homeless Children and Youth   | 178,854           | 144,689                                     | —                                       |
| Education                          | 84.213      | Even Start – State Educational Agencies   | 29,890            | 20,009                                      | —                                       |
| Education                          | 84.243      | Tech-Prep Education   | 12,292            | 12,292                                      | —                                       |
| Education                          | 84.287      | Twenty First Century Community Learning Centers   | 6,221,668         | 6,082,971                                   | —                                       |
| Education                          | 84.318      | Education Technology State Grants   | 225,953           | 197,982                                     | —                                       |
| Education                          | 84.323      | Special Education – State Personnel Development   | 516,574           | 430,788                                     | —                                       |
| Education                          | 84.330      | Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)             | 30,096            | —   | —                                       |
| Education                          | 84.365      | English Language Acquisition Grants   | 590,343           | 391,856                                     | —                                       |
| Education                          | 84.366      | Mathematics and Science Partnerships  | 959,375           | 941,971                                     | —                                       |
| Education                          | 84.367      | Improving Teacher Quality State Grants  | 12,833,499        | 12,435,029                                  | —                                       |

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2012

| VT agency/department          | CFDA number | Federal agency/program type   | Expenditures       | Subgranted to non state of vermont entities | Subgranted to State of vermont agencies |
|-------------------------------|-------------|---|--------------------|---|---|
| Education                     | 84.369      | Grants for State Assessments and Related Activities   | \$ 2,091,886       | —   | —                                       |
| Education                     | 84.371      | Striving Readers  | 142,972            | 142,972                                     | —                                       |
| Education                     | 84.377      | School Improvement Grants   | 199,800            | 70,884                                      | —                                       |
| Education                     | 84.386      | ARRA-Enhancing Education Through Technology, Recovery Act   | 133,416            | 108,137                                     | —                                       |
| Education                     | 84.388      | ARRA-School Improvement Grants, Recovery Act  | 2,114,132          | 2,114,132                                   | —                                       |
| Education                     | 84.389      | ARRA-Title I Grants to Local Educational Agencies, Recovery Act   | 867,588            | 701,997                                     | —                                       |
| Education                     | 84.391      | ARRA-Special Education – Grants to States, Recovery Act   | 2,208,246          | 2,208,246                                   | —                                       |
| Education                     | 84.392      | ARRA-Special Education – Preschool Grants, Recovery Act   | 85,166             | 85,166                                      | —                                       |
| Education                     | 93.938      | Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems | 181,440            | 33,082                                      | —                                       |
| Education total               |             |   | <u>126,550,237</u> | <u>116,167,262</u>                          | <u>645,914</u>                          |
| Human Rights Commission       | 14.999      | Office of Fair Housing-Assistance Grant   | 84,250             | —   | —                                       |
| Human Rights Commission total |             |   | <u>84,250</u>      | <u>—</u>                                    | <u>—</u>                                |
| Human Services                | 10.551      | Supplemental Nutrition Assistance Program (Cash)  | 24,571,884         | —   | —                                       |
| Human Services                | 10.551      | Supplemental Nutrition Assistance Program (EBT)   | 114,876,511        | —   | —                                       |
| Human Services                | 10.557      | Special Supplemental Nutrition Program for Women, Infants, and Children   | 13,921,356         | —   | —                                       |
| Human Services                | 10.560      | State Administrative Expenses for Child Nutrition   | 62,568             | —   | —                                       |
| Human Services                | 10.561      | State Administrative Matching Grants for Supplemental Nutrition Assistance Program  | 10,256,263         | 1,470,344                                   | —                                       |
| Human Services                | 10.561      | State Administrative Matching Grants for Supplemental Nutrition Assistance Program – Commodities  | 1,942,480          | —   | —                                       |
| Human Services                | 10.565      | Commodity Supplemental Food Program   | 214,209            | 211,709                                     | —                                       |
| Human Services                | 10.565      | Commodity Supplemental Food Program – Commodities   | 730,379            | —   | —                                       |
| Human Services                | 10.568      | Emergency Food Assistance Program (Administrative Costs)  | 74,074             | 73,808                                      | —                                       |
| Human Services                | 10.569      | Emergency Food Assistance Program (Food Commodities)  | 400,271            | —   | —                                       |
| Human Services                | 10.572      | ARRA – WIC Farmers' Market Nutrition Program (FMNP)   | 66,441             | —   | —                                       |
| Human Services                | 10.576      | Senior Farmers Market Nutrition Program   | 64,993             | —   | —                                       |
| Human Services                | 10.578      | WIC Grants to States (WGS)  | 185,192            | —   | —                                       |
| Human Services                | 14.231      | Emergency Shelter Grants Program  | 341,641            | 320,484                                     | —                                       |
| Human Services                | 14.251      | Economic Development Initiative-Special Project, Neighborhood Initiative and Miscellaneous Grants                                       | 200,000            | —   | —                                       |
| Human Services                | 14.257      | ARRA-Homelessness Prevention and Rapid Re-Housing Program (HPRR)  | 49,634             | 49,634                                      | —                                       |
| Human Services                | 16.523      | Juvenile Accountability Block Grants  | 137,483            | —   | —                                       |
| Human Services                | 16.540      | Juvenile Justice and Delinquency Prevention – Allocation to States  | 827,920            | 582,285                                     | —                                       |
| Human Services                | 16.541      | Part E – Developing, Testing and Demonstrating Promising New Programs   | 348,886            | 412,894                                     | —                                       |
| Human Services                | 16.580      | Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program   | 156,127            | —   | —                                       |
| Human Services                | 16.606      | State Criminal Alien Assistance Program (SCAAP)   | 29,747             | —   | —                                       |
| Human Services                | 16.710      | Public Safety Partnership and Community Policing Grants   | 362,373            | —   | —                                       |
| Human Services                | 16.727      | Enforcing Underage Drinking Laws Program  | 465,568            | 282,791                                     | —                                       |
| Human Services                | 16.740      | Statewide Automated Victim Information Notification (SAVIN) Program   | 57,984             | —   | —                                       |
| Human Services                | 16.750      | Support for Adam Walsh Act Implementation Grant Program   | 18,916             | —   | —                                       |
| Human Services                | 16.812      | Second Chance Act Prisoner Reentry Initiative   | 149,349            | —   | —                                       |
| Human Services                | 17.235      | Senior Community Service Employment Program   | 492,786            | 482,452                                     | —                                       |
| Human Services                | 17.261      | WIA Pilots, Demonstrations, and Research Projects   | 247,662            | —   | —                                       |
| Human Services                | 66.032      | State Indoor Radon Grants   | 136,015            | 7,000                                       | —                                       |
| Human Services                | 66.701      | Toxic Substances Compliance Monitoring Cooperative Agreements   | 25,000             | —   | —                                       |
| Human Services                | 66.707      | TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals   | 141,292            | —   | —                                       |
| Human Services                | 81.042      | Weatherization Assistance for Low – Income Persons  | 882,328            | 848,867                                     | —                                       |
| Human Services                | 81.042      | ARRA-Weatherization Assistance for Low – Income Persons   | 7,029,507          | 5,798,204                                   | —                                       |
| Human Services                | 84.126      | Rehabilitation Services – Vocational Rehabilitation Grants to States  | 13,857,111         | 333,720                                     | —                                       |
| Human Services                | 84.169      | Independent Living – State Grants   | 276,964            | 151,599                                     | —                                       |
| Human Services                | 84.177      | Rehabilitation Services – Independent Living Services for Older Individuals Who are Blind   | 314,299            | 225,000                                     | —                                       |
| Human Services                | 84.181      | Special Education – Grants for Infants and Families   | 2,643,508          | 512,411                                     | —                                       |
| Human Services                | 84.186      | Safe and Drug-Free Schools and Communities – State Grants   | 206,044            | 104,740                                     | —                                       |
| Human Services                | 84.187      | Supported Employment Services for Individuals with the Most Significant Disabilities  | 371,646            | —   | —                                       |
| Human Services                | 84.224      | Assistive Technology  | 455,011            | —   | —                                       |
| Human Services                | 84.265      | Rehabilitation Training – State Vocational Rehabilitation Unit In-Service Training  | 53,816             | —   | —                                       |
| Human Services                | 84.390      | ARRA-Rehabilitation Services-Vocational Rehabilitation Grants to States, Recovery Act   | 99,102             | 35,298                                      | —                                       |
| Human Services                | 84.393      | ARRA-Special Education – Grants for Infants and Families, Recovery Act  | 385,625            | —   | —                                       |
| Human Services                | 84.398      | ARRA-Independent Living State Grants, Recovery Act  | 115,513            | 115,513                                     | —                                       |
| Human Services                | 93.041      | Special Programs for the Aging – Title VII, Chapter 3 – Programs for Prevention of Elder Abuse, Neglect, and Exploitation               | 25,169             | 25,169                                      | —                                       |
| Human Services                | 93.042      | Special Programs for the Aging – Title VII, Chapter 2 – Long Term Care Ombudsman Services for Older Individuals                         | 78,797             | 78,797                                      | —                                       |
| Human Services                | 93.043      | Special Programs for the Aging-Title III, Part D – Disease Prevention and Health Promotion Services                                     | 110,217            | 110,217                                     | —                                       |
| Human Services                | 93.044      | Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers                                  | 2,086,711          | 2,086,711                                   | —                                       |
| Human Services                | 93.045      | Special Programs for the Aging – Title III, Part C -Nutrition Services  | 3,444,492          | 3,444,492                                   | —                                       |
| Human Services                | 93.048      | Special Programs for the Aging – Title IV – and Title II – Discretionary Projects   | 216,140            | —   | —                                       |
| Human Services                | 93.051      | Alzheimer's Disease Demonstration Grants to States  | 142,185            | —   | —                                       |
| Human Services                | 93.052      | National Family Caregiver Support, Title III, Part E  | 654,562            | 392,591                                     | —                                       |
| Human Services                | 93.053      | Nutrition Services Incentive Program  | 774,788            | 774,788                                     | —                                       |
| Human Services                | 93.069      | Public Health Emergency Preparedness  | 6,279,956          | 875,474                                     | —                                       |
| Human Services                | 93.070      | Environmental Public Health and Emergency Response  | 1,505,484          | 9,250                                       | —                                       |
| Human Services                | 93.071      | Medicare Enrollment Assistance Program  | 918                | 918   | —                                       |
| Human Services                | 93.092      | Affordable Care Act (ACA) Personal Responsibility Education Program   | 114,405            | 49,900                                      | —                                       |
| Human Services                | 93.103      | Food and Drug Administration – Research   | 5,000              | —   | —                                       |
| Human Services                | 93.104      | Comprehensive Community Mental Health Services for Children with Emotional Disturbances (SEID)  | 1,550,380          | 1,550,380                                   | —                                       |
| Human Services                | 93.110      | Maternal and Child Health Federal Consolidated Programs   | 579,770            | 196,274                                     | 21,250                                  |
| Human Services                | 93.116      | Project Grants and Cooperative Agreements for Tuberculosis Control Programs   | 123,361            | —   | —                                       |
| Human Services                | 93.127      | Emergency Medical Services for Children   | 74,570             | —   | —                                       |
| Human Services                | 93.130      | Cooperative Agreements to States/Territories for the Coordination and of Primary Care Offices   | 125,227            | —   | —                                       |

**STATE OF VERMONT**  
 Schedule of Expenditures of Federal Awards  
 by Vermont State Agency  
 Year ended June 30, 2012

| VT agency/department | CFDA number | Federal agency/program type   | Expenditures | Subgranted to non state of vermont entities | Subgranted to State of vermont agencies |
|----------------------|-------------|---|--------------|---|---|
| Human Services       | 93.136      | Injury Prevention and Control Research and State and Community Based Programs   | \$ 92,995    | 64,932                                      | —                                       |
| Human Services       | 93.150      | Projects for Assistance in Transition from Homelessness (PATH)  | 245,993      | 126,464                                     | —                                       |
| Human Services       | 92.217      | Family Planning – Services  | 836,221      | 828,637                                     | —                                       |
| Human Services       | 93.230      | Consolidated Knowledge Development and Application Program  | 183,529      | —   | —                                       |
| Human Services       | 93.241      | State Rural Hospital Flexibility Program  | 337,372      | 271,772                                     | —                                       |
| Human Services       | 93.243      | Substance Abuse and Mental Health Services – Projects of Regional and National Significance   | 1,984,752    | 1,094,712                                   | —                                       |
| Human Services       | 93.251      | Universal Newborn Hearing Screening   | 308,826      | 253,175                                     | —                                       |
| Human Services       | 93.268      | Immunization Cooperative Agreements   | 1,636,607    | 2,498                                       | —                                       |
| Human Services       | 93.268      | Immunization Cooperative Agreements – Vaccine   | 5,856,616    | —   | —                                       |
| Human Services       | 93.270      | Adult Viral Hepatitis Prevention and Control  | 71,938       | —   | —                                       |
| Human Services       | 93.283      | Centers for Disease Control and Prevention – Investigations and Technical Assistance  | 4,656,940    | 364,780                                     | —                                       |
| Human Services       | 93.296      | State Partnership Grant Program to Improve Minority Health  | 89,268       | 9,048                                       | —                                       |
| Human Services       | 93.301      | Small Rural Hospital Improvement Grants Program   | 101,635      | 95,385                                      | —                                       |
| Human Services       | 93.414      | ARRA – State Primary Care Offices   | 26,190       | 26,190                                      | —                                       |
| Human Services       | 93.500      | Pregnancy Assistance Fund Program   | 1,205,158    | 1,096,774                                   | —                                       |
| Human Services       | 93.505      | Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program   | 463,661      | —   | —                                       |
| Human Services       | 93.507      | PPHF 2012 National Public Health Improvement Initiative   | 852,764      | 198,702                                     | —                                       |
| Human Services       | 93.517      | Affordable Care Act – Aging and Disability Resource Center  | 244,235      | —   | —                                       |
| Human Services       | 93.518      | Affordable Care Act – Medicare Improvements for Patients and Providers  | 48,447       | 48,447                                      | —                                       |
| Human Services       | 93.520      | Centers for Disease Control and Prevention – Affordable Care Act (ACA) – Communities Putting Prevention to Work   | 39,039       | 38,998                                      | —                                       |
| Human Services       | 93.521      | The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges | 643,936      | 36,961                                      | —                                       |
| Human Services       | 93.525      | State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges   | 1,966,906    | —   | —                                       |
| Human Services       | 93.531      | PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants – financed solely by 2012 Prevention and Public Health Funds  | 30,289       | —   | —                                       |
| Human Services       | 93.539      | PPHF 2012 – Prevention and Public Health Fund (Affordable Care Act) – Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds  | 88,719       | —   | —                                       |
| Human Services       | 93.544      | The Patient Protection and Affordable Care Act of 2010 (Affordable Care Act) authorize Coordinated Chronic Disease Prevention and Health Promotion Program  | 93,210       | —   | —                                       |
| Human Services       | 93.550      | Transitional Living for Homeless Youth  | 116,007      | 114,096                                     | —                                       |
| Human Services       | 93.556      | Promoting Safe and Stable Families  | 377,623      | 277,336                                     | —                                       |
| Human Services       | 93.558      | Temporary Assistance for Needy Families   | 29,051,363   | 202,787                                     | —                                       |
| Human Services       | 93.563      | Child Support Enforcement   | 7,596,748    | —   | —                                       |
| Human Services       | 93.566      | Refugee and Entrant Assistance – State Administered Programs  | 726,153      | 306,425                                     | —                                       |
| Human Services       | 93.568      | Low-Income Home Energy Assistance   | 22,268,321   | 4,147,242                                   | —                                       |
| Human Services       | 93.569      | Community Services Block Grant  | 3,434,581    | 3,304,438                                   | —                                       |
| Human Services       | 93.575      | Child Care and Development Block Grant  | 12,796,565   | 1,334,775                                   | —                                       |
| Human Services       | 93.576      | Refugee and Entrant Assistance – Discretionary Grants   | 226,983      | 200,625                                     | —                                       |
| Human Services       | 93.590      | Community – Based Child Abuse Prevention Grants   | 153,476      | 153,476                                     | —                                       |
| Human Services       | 93.596      | Child Care Mandatory and Matching Funds of the Child Care and Development Fund  | 6,298,578    | 730,917                                     | —                                       |
| Human Services       | 93.597      | Grants to States for Access and Visitation Programs   | 104,736      | 103,831                                     | —                                       |
| Human Services       | 93.599      | Chafee Education and Training Vouchers Program (ETV)  | 144,004      | 144,004                                     | —                                       |
| Human Services       | 93.600      | Head Start  | 146,213      | —   | —                                       |
| Human Services       | 93.630      | Developmental Disabilities Basic Support and Advocacy Grants  | 447,992      | 198,341                                     | —                                       |
| Human Services       | 93.630      | Children's Justice Grants to States   | 135,024      | 4,925                                       | —                                       |
| Human Services       | 93.643      | Stephanie Tubbs Jones Child Welfare Services Program  | 578,691      | —   | —                                       |
| Human Services       | 93.645      | Foster Care – Title IV-E  | 8,710,313    | —   | —                                       |
| Human Services       | 93.658      | Adoption Assistance   | 8,084,168    | —   | —                                       |
| Human Services       | 93.667      | Social Services Block Grant   | 8,160,873    | 668,312                                     | —                                       |
| Human Services       | 93.669      | Child Abuse and Neglect State Grants  | 28,979       | 3,000                                       | —                                       |
| Human Services       | 93.674      | Chafee Foster Care Independence Program   | 375,000      | —   | —                                       |
| Human Services       | 93.708      | ARRA – Head Start   | 276,185      | —   | —                                       |
| Human Services       | 93.717      | ARRA – Preventing Healthcare-Associated Infections  | 255,919      | 180,711                                     | —                                       |
| Human Services       | 93.719      | ARRA – State Grants to Promote Health Information Technology  | 2,864,861    | —   | —                                       |
| Human Services       | 93.723      | ARRA – Prevention and Wellness-State, Territories and Pacific Islands   | 483,756      | 54,500                                      | —                                       |
| Human Services       | 93.725      | ARRA – Communities Putting Prevention to Work: Chronic Disease Self-Management Program  | 53,022       | —   | —                                       |
| Human Services       | 93.767      | Children's Health Insurance Program   | 8,944,791    | —   | —                                       |
| Human Services       | 93.768      | Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities  | 652,613      | 231,114                                     | —                                       |
| Human Services       | 93.777      | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare  | 1,497,536    | —   | —                                       |
| Human Services       | 93.778      | Medical Assistance Program  | 774,672,559  | 982   | —                                       |
| Human Services       | 93.778      | ARRA-Medical Assistance Program   | 6            | —   | —                                       |
| Human Services       | 93.779      | Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations   | 414,489      | 403,174                                     | —                                       |
| Human Services       | 93.791      | Money Follows the Person Rebalancing Demonstration  | 226,790      | —   | —                                       |
| Human Services       | 93.889      | National Bioterrorism Hospital Preparedness Program   | 1,311,733    | 666,385                                     | —                                       |
| Human Services       | 93.913      | Grants to States for Operation of Offices of Rural Health   | 188,150      | 89,573                                      | —                                       |
| Human Services       | 93.917      | HIV Care Formula Grants   | 1,183,981    | —   | —                                       |
| Human Services       | 93.940      | HIV Prevention Activities – Health Department Based   | 1,551,867    | 530,541                                     | —                                       |
| Human Services       | 93.944      | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance   | 77,485       | —   | —                                       |
| Human Services       | 93.946      | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs   | 160,854      | —   | —                                       |
| Human Services       | 93.958      | Block Grants for Community Mental Health Services   | 725,344      | 55,559                                      | —                                       |
| Human Services       | 93.959      | Block Grants for Prevention and Treatment of Substance Abuse  | 5,381,970    | 1,094,703                                   | —                                       |
| Human Services       | 93.977      | Preventive Health Services – Sexually Transmitted Disease Control Grants  | 181,824      | 17,010                                      | —                                       |
| Human Services       | 93.982      | Mental Health Disaster Assistance and Emergency Mental Health   | 288,235      | —   | —                                       |
| Human Services       | 93.991      | Preventive Health and Health Services Block Grant   | 69,714       | 20,000                                      | —                                       |
| Human Services       | 93.994      | Maternal and Child Health Services Block Grant to the States  | 1,679,247    | 587,641                                     | —                                       |
| Human Services       | 93.999      | ADAP Data Collection  | 75,000       | —   | —                                       |
| Human Services       | 94.003      | State Commissions   | 247,837      | —   | —                                       |

**STATE OF VERMONT**  
 Schedule of Expenditures of Federal Awards  
 by Vermont State Agency  
 Year ended June 30, 2012

| VT agency/department        | CFDA number | Federal agency/program type  | Expenditures         | Subgranted to non state of vermont entities | Subgranted to State of vermont agencies |
|-----------------------------|-------------|--|----------------------|---|---|
| Human Services              | 94.006      | AmeriCorps   | \$ 1,218,447         | 1,208,337                                   | —                                       |
| Human Services              | 94.007      | Program Development and Innovation Grants  | 20,936               | —   | —                                       |
| Human Services              | 94.009      | Training and Technical Assistance  | 15,808               | —   | —                                       |
| Human Services              | 94.013      | Volunteers in Service to America (VISTA)   | 37,295               | —   | —                                       |
| Human Services              | 96.001      | Social Security – Disability Insurance   | 5,282,969            | —   | —                                       |
| Human Services              | 96.008      | Social Security-Work Incentives Planning and Assistance Program  | 105,899              | 27,918                                      | —                                       |
| Human Services              | 97.032      | Crisis Counseling  | 297,972              | 277,109                                     | —                                       |
| Human Services total        |             |  | <u>1,158,650,341</u> | <u>43,510,976</u>                           | <u>21,250</u>                           |
| Judiciary                   | 16.547      | Victims Child Abuse  | 47,715               | —   | —                                       |
| Judiciary                   | 16.580      | Edward Byrne Memorial State and Local Law Enforcement Assistance<br>Discretionary Grants Program   | 12,408               | —   | —                                       |
| Judiciary                   | 16.745      | Criminal and Juvenile Justice and Mental Health Collaboration Program  | 138,801              | —   | —                                       |
| Judiciary                   | 16.753      | Congressionally Recommended Awards   | 87,838               | —   | —                                       |
| Judiciary                   | 93.243      | Substance Abuse and Mental Health Services – Projects of Regional<br>and National Significance   | 318,351              | —   | —                                       |
| Judiciary                   | 93.586      | State Court Improvement Program  | 389,987              | —   | —                                       |
| Judiciary total             |             |  | <u>995,100</u>       | <u>—</u>                                    | <u>—</u>                                |
| Labor                       | 17.002      | Labor Force Statistics   | 1,157,108            | —   | —                                       |
| Labor                       | 17.005      | Compensation and Working Conditions  | 33,601               | —   | —                                       |
| Labor                       | 17.207      | Employment Service/Wagner – Peysor Funded Activities   | 2,520,161            | —   | —                                       |
| Labor                       | 17.225      | Unemployment Insurance   | 150,438,645          | —   | —                                       |
| Labor                       | 17.225      | ARRA-Unemployment Insurance  | 227,617              | —   | —                                       |
| Labor                       | 17.245      | Trade Adjustment Assistance  | 689,426              | —   | —                                       |
| Labor                       | 17.258      | WIA Adult Program  | 1,620,534            | 66,890                                      | —                                       |
| Labor                       | 17.259      | WIA Youth Activities   | 1,735,987            | 71,668                                      | —                                       |
| Labor                       | 17.260      | WIA Dislocated Workers   | 490,964              | 20,214                                      | —                                       |
| Labor                       | 17.261      | WIA Pilots, Demonstrations, and Research Projects  | 43,810               | 22,130                                      | —                                       |
| Labor                       | 17.261      | ARRA – Program of Competitive Grants for Worker Training and Placement in High Growth<br>and Emerging Industry Sectors   | 59,463               | —   | —                                       |
| Labor                       | 17.277      | Workforce Investment Act (WIA) National Emergency Grants   | 1,035,334            | 1,419,264                                   | —                                       |
| Labor                       | 17.278      | WIA Dislocated Worker Formula Grants   | 607,026              | 24,992                                      | —                                       |
| Labor                       | 17.503      | Occupational Safety and Health – State Program   | 556,272              | —   | —                                       |
| Labor                       | 17.504      | Consultation Agreements  | 764,176              | —   | —                                       |
| Labor                       | 17.600      | Mine Health and Safety Grants  | 382,338              | —   | —                                       |
| Labor                       | 17.600      | Mine Health and Safety Grants  | 86,415               | 63,482                                      | —                                       |
| Labor                       | 17.801      | Disabled Veterans' Outreach Program (DVOP)   | 133,337              | —   | —                                       |
| Labor                       | 17.804      | Local Veterans' Employment Representative Program  | 292,260              | —   | —                                       |
| Labor total                 |             |  | <u>162,874,474</u>   | <u>1,688,640</u>                            | <u>—</u>                                |
| Libraries                   | 45.310      | Grants to States   | 846,357              | 62,819                                      | —                                       |
| Libraries total             |             |  | <u>846,357</u>       | <u>62,819</u>                               | <u>—</u>                                |
| Military                    | 12.401      | National Guard Military Operations and Maintenance (O&M) Projects  | 17,104,503           | —   | —                                       |
| Military                    | 12.404      | National Guard ChalleNge Program   | 497,243              | —   | —                                       |
| Military total              |             |  | <u>17,601,746</u>    | <u>—</u>                                    | <u>—</u>                                |
| Natural Resources-DEC       | 12.100      | Aquatic Plant Control  | 443,311              | 171,792                                     | —                                       |
| Natural Resources-DEC       | 12.113      | State Memorandum of Agreement Program for the Reimbursement of Technical<br>Services   | 23,258               | —   | —                                       |
| Natural Resources-DEC       | 15.608      | Fish and Wildlife Management Assistance  | 24,334               | 11,179                                      | 2,746                                   |
| Natural Resources-DEC       | 15.631      | Partners for Fish & Wildlife   | 14,731               | —   | —                                       |
| Natural Resources-DEC       | 15.810      | National Cooperative Geologic Mapping Program  | 78,814               | 6,956                                       | —                                       |
| Natural Resources-DEC       | 66.042      | Office of Research and Development Consolidated Research<br>Surveys, Studies, Research, Investigations, Demonstrations and Special<br>Purpose Activities Relating to the Clean Air Act | 107,710              | —   | —                                       |
| Natural Resources-DEC       | 66.034      | State Clean Diesel Grant Program   | 237,363              | —   | —                                       |
| Natural Resources-DEC       | 66.040      | ARRA-State Clean Diesel Grant Program  | 98,906               | 60,757                                      | —                                       |
| Natural Resources-DEC       | 66.040      | Congressionally Mandated Projects  | 73,653               | 118,945                                     | —                                       |
| Natural Resources-DEC       | 66.202      | Water Quality Management Planning  | 308,092              | —   | —                                       |
| Natural Resources-DEC       | 66.454      | ARRA-Water Quality Management Planning   | 96,882               | 35,072                                      | —                                       |
| Natural Resources-DEC       | 66.454      | Capitalization Grants for Clean Water State Revolving Funds  | 5,668                | 4,553                                       | —                                       |
| Natural Resources-DEC       | 66.458      | ARRA-Capitalization Grants for Clean Water State Revolving Funds   | 10,537,609           | 10,741,910                                  | —                                       |
| Natural Resources-DEC       | 66.458      | Capitalization Grants for Drinking Water State Revolving Funds   | 482,553              | —   | —                                       |
| Natural Resources-DEC       | 66.468      | ARRA-Capitalization Grants for Drinking Water State Revolving Funds  | 11,084,835           | 10,229,075                                  | —                                       |
| Natural Resources-DEC       | 66.468      | Water Protection Grants to the States  | 576,998              | 460,906                                     | —                                       |
| Natural Resources-DEC       | 66.474      | Lake Champlain Basin Program   | 66,378               | —   | —                                       |
| Natural Resources-DEC       | 66.481      | Performance Partnership Grants   | 476,462              | 215,278                                     | —                                       |
| Natural Resources-DEC       | 66.605      | Environmental Information Exchange Network Grant Program and<br>Related Assistance   | 4,656,076            | 182,092                                     | —                                       |
| Natural Resources-DEC       | 66.608      | Pollution Prevention Grants Program  | 9,791                | —   | —                                       |
| Natural Resources-DEC       | 66.708      | Multi-Media Capacity Building Grants for States and Tribes   | 49,974               | —   | —                                       |
| Natural Resources-DEC       | 66.802      | Superfund State, Political Subdivision and Indian Tribe Site-Specific Cooperative<br>Agreements  | 39,417               | —   | —                                       |
| Natural Resources-DEC       | 66.804      | Underground Storage Tank Prevention, Detection, and Compliance Program   | 37,198               | —   | —                                       |
| Natural Resources-DEC       | 66.805      | Leaking Underground Storage Tank Trust Fund Corrective Action Program  | 335,154              | —   | —                                       |
| Natural Resources-DEC       | 66.805      | ARRA Leaking Underground Storage Tank Trust Fund Corrective Action Program   | 754,495              | —   | —                                       |
| Natural Resources-DEC       | 66.809      | Superfund State and Indian Tribe Core Program Cooperative Agreements   | 305,656              | —   | —                                       |
| Natural Resources-DEC       | 66.817      | State and Tribal Response Program Grants   | 107,276              | —   | —                                       |
| Natural Resources-DEC       | 81.087      | ARRA – Renewable Energy Research and Development – Indirect  | 754,676              | 5,953                                       | —                                       |
| Natural Resources-DEC       | 97.023      | Community Assistance Program – State Support Services Element (CAP – SSSE)   | 76,239               | —   | —                                       |
| Natural Resources-DEC       | 97.041      | National Dam Safety Program  | 175,179              | —   | —                                       |
| Natural Resources-DEC       | 97.045      | Cooperating Technical Partners   | 53,937               | —   | —                                       |
| Natural Resources-DEC       | 97.082      | Earthquake Consortium  | 110,200              | —   | —                                       |
| Natural Resources-DEC total |             |  | <u>32,285,922</u>    | <u>22,290,964</u>                           | <u>2,746</u>                            |
| Natural Resources-F&W       | 15.605      | Sport Fish Restoration Program   | 3,591,620            | 11,986                                      | —                                       |
| Natural Resources-F&W       | 15.611      | Wildlife Restoration and Basic Hunter Education  | 2,726,672            | 47,894                                      | —                                       |
| Natural Resources-F&W       | 15.615      | Cooperative Endangered Species Conservation Fund   | 183,069              | —   | —                                       |
| Natural Resources-F&W       | 15.622      | Sportfishing and Boating Safety Act  | 48,516               | 36,236                                      | —                                       |
| Natural Resources-F&W       | 15.633      | Landowner Incentive Program  | 93,688               | —   | —                                       |
| Natural Resources-F&W       | 15.634      | State Wildlife Grants  | 635,557              | 94,642                                      | —                                       |
| Natural Resources-F&W total |             |  | <u>7,279,122</u>     | <u>190,758</u>                              | <u>—</u>                                |
| Natural Resources-FPR       | 10.664      | Cooperative Forestry Assistance  | 1,517,889            | 567,008                                     | —                                       |
| Natural Resources-FPR       | 10.672      | Rural Development, Forestry, and Communities   | 215,199              | 157,885                                     | —                                       |
| Natural Resources-FPR       | 10.676      | Forest Legacy Program  | 1,464,141            | —   | —                                       |
| Natural Resources-FPR       | 10.678      | Forest Stewardship Program   | 3,494                | —   | —                                       |

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2012

| VT agency/department              | CFDA number | Federal agency/program type  | Expenditures      | Subgranted to non state of vermont entities | Subgranted to State of vermont agencies |
|-----------------------------------|-------------|--|-------------------|---|---|
| Natural Resources-FPR             | 10.688      | ARRA – Recovery Act of 2009: Wildland Fire Management  | \$ 214,986        | —   | —                                       |
| Natural Resources-FPR             | 15.916      | Outdoor Recreation – Acquisition, Development and Planning   | 291,177           | 212,331                                     | —                                       |
| Natural Resources-FPR             | 20.219      | Recreational Trails Program  | 1,428,402         | 1,057,057                                   | —                                       |
| Natural Resources-FPR total       |             |  | <u>5,135,288</u>  | <u>1,994,281</u>                            | <u>—</u>                                |
| Public Safety                     | 11.555      | Public Safety Interoperable Communications Grant Program   | 1,995,731         | 1,507,557                                   | —                                       |
| Public Safety                     | 16.554      | National Criminal History Improvement Program (NCHIP)  | 53,519            | —   | —                                       |
| Public Safety                     | 16.560      | National Institute of Justice Research, Evaluation, and Development Project Grants                           | 5,426             | —   | —                                       |
| Public Safety                     | 16.580      | Edward Byrne Memorial State and Local Law Enforcement Assistance   | —                 | —   | —                                       |
|                                   |             | Discretionary Grants Program   | 51,590            | —   | —                                       |
| Public Safety                     | 16.607      | Bulletproof Vest Partnership Program   | 8,144             | —   | —                                       |
| Public Safety                     | 16.609      | Project Safe Neighborhoods   | 72,309            | —   | —                                       |
| Public Safety                     | 16.710      | Public Safety Partnership and Community Policing Grants  | 585,955           | 37,143                                      | —                                       |
| Public Safety                     | 16.738      | Edward Byrne Memorial Justice Assistance Grant Program   | 366,877           | 154,233                                     | —                                       |
| Public Safety                     | 16.741      | DNA Backlog Reduction Program  | 63,094            | —   | —                                       |
| Public Safety                     | 16.742      | Paul Coverdell Forensic Science Improvement Grants Program   | 158,128           | —   | 39,000                                  |
| Public Safety                     | 16.744      | Anti-Gang Initiatives  | 31,355            | —   | —                                       |
| Public Safety                     | 16.748      | Convicted Offender and/or Arrestee DNA Backlog Reduction Program   | 12,311            | —   | —                                       |
| Public Safety                     | 16.750      | Support for Adam Walsh Act Implementation Grant Program  | 148,500           | —   | —                                       |
| Public Safety                     | 16.753      | Congressionally Recommended Awards   | 737,823           | —   | 94,153                                  |
| Public Safety                     | 16.803      | Recovery Act – Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories | 330,484           | —   | —                                       |
| Public Safety                     | 16.810      | Recovery Act – Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program       | 216,469           | —   | —                                       |
| Public Safety                     | 16.999      | ATF Task Force   | 6,769             | —   | —                                       |
| Public Safety                     | 16.999      | Drug Enforcement Administration – DEA  | 26,259            | —   | —                                       |
| Public Safety                     | 16.999      | Marijuana Eradication  | 32,368            | —   | —                                       |
| Public Safety                     | 16.999      | New England High-Intensity Drug Trafficking Areas (HIDTA)  | 12,371            | —   | —                                       |
| Public Safety                     | 16.999      | FBI Joint Terrorism Task Force   | 13,789            | —   | —                                       |
| Public Safety                     | 16.999      | FBI Special Investigations   | 65,024            | —   | —                                       |
| Public Safety                     | 16.999      | Bordergap  | 15,928            | —   | —                                       |
| Public Safety                     | 16.999      | Evidence (Asset Seizure) Forfeiture Funds (Justice and Treasury)   | 409,071           | 1,685                                       | —                                       |
| Public Safety                     | 20.600      | State and Community Highway Safety   | 1,588,011         | 695,282                                     | 259,081                                 |
| Public Safety                     | 20.601      | Alcohol Impaired Driving Countermeasures Incentive Grants I  | 589,996           | 92,449                                      | 114,168                                 |
| Public Safety                     | 20.602      | Occupant Protection Incentive Grants   | 84,828            | —   | —                                       |
| Public Safety                     | 20.608      | Minimum Penalties For Repeat Offenders For Driving While Intoxicated   | 4,301,391         | 252,033                                     | 3,788,360                               |
| Public Safety                     | 20.609      | Safety Belt Performance Grant  | 385,822           | 331,312                                     | 52,207                                  |
| Public Safety                     | 20.610      | State Traffic Safety Information System Improvement Grants   | 533,934           | —   | 320,864                                 |
| Public Safety                     | 20.612      | Incentive Grant Program to Increase Motorcyclist Safety  | 114,884           | —   | 114,884                                 |
| Public Safety                     | 20.613      | Child Safety and Booster Seat Incentive Grant  | 111,143           | 74,163                                      | —                                       |
| Public Safety                     | 20.703      | Interagency Hazardous Materials Public Sector Training and Planning Grants                                   | 100,474           | 55,821                                      | —                                       |
| Public Safety                     | 97.999      | FEMA Admin Training Procurement  | 354               | —   | —                                       |
| Public Safety                     | 97.012      | Boating Safety Financial Assistance  | 707,436           | 24,339                                      | 98,282                                  |
| Public Safety                     | 97.039      | Hazard Mitigation Grants   | 577,469           | 577,469                                     | —                                       |
| Public Safety                     | 97.042      | Emergency Management Performance Grants  | 3,018,584         | 609,521                                     | 28,533                                  |
| Public Safety                     | 97.043      | State Fire Training Systems Grants   | 25,820            | —   | —                                       |
| Public Safety                     | 97.047      | Pre Disaster Mitigation  | 29,528            | 29,924                                      | —                                       |
| Public Safety                     | 97.520      | Emergency Operations Center  | 243,290           | —   | 243,290                                 |
| Public Safety                     | 97.055      | Interoperable Emergency Communications   | 194,688           | —   | —                                       |
| Public Safety                     | 97.056      | Port Security Grant Program  | 15,178            | —   | —                                       |
| Public Safety                     | 97.067      | Homeland Security Grant Program  | 5,461,870         | 1,653,570                                   | 121,657                                 |
| Public Safety total               |             |  | <u>23,503,994</u> | <u>6,096,501</u>                            | <u>5,274,479</u>                        |
| Public Service                    | 11.558      | ARRA – State Broadband Data and Development Grant Program  | 106,753           | —   | —                                       |
| Public Service                    | 20.720      | State Damage Protection Programs   | 87,825            | 57,443                                      | —                                       |
| Public Service                    | 20.721      | PHMSA Pipeline Safety Program One Call Grant   | 189,487           | —   | —                                       |
| Public Service                    | 81.039      | SHOPP (State Heating Oil and Propane Program)  | 5,751             | —   | —                                       |
| Public Service                    | 81.041      | State Energy Program   | 280,745           | —   | —                                       |
| Public Service                    | 81.041      | ARRA-State Energy Program  | 13,877,512        | 3,806,028                                   | 3,706,643                               |
| Public Service                    | 81.119      | State Energy Program Special Projects  | 2,034             | —   | —                                       |
| Public Service                    | 81.122      | ARRA – Electricity Delivery & Energy Reliability, Research, Development and Analysis                         | 95,828            | —   | —                                       |
| Public Service                    | 81.127      | ARRA – Energy Efficient Appliance Rebate Program (EEARP)   | 154,330           | —   | —                                       |
| Public Service                    | 81.128      | ARRA – Energy Efficiency and Conservation Block Grant Program (EECBG)  | 4,225,772         | 2,890,746                                   | —                                       |
| Public Service                    | 81.999      | Sustainable Energy for Homes and Businesses (Sanders)  | 254,114           | 254,114                                     | —                                       |
| Public Service total              |             |  | <u>19,280,151</u> | <u>7,008,331</u>                            | <u>3,706,643</u>                        |
| Public Service Board              | 81.122      | Electricity Delivery and Energy Reliability, Research, Development and Analysis                              | 203,449           | —   | —                                       |
| Public Service Board total        |             |  | <u>203,449</u>    | <u>—</u>                                    | <u>—</u>                                |
| Secretary of State's Office       | 39.011      | Election Reform Payments   | 60,824            | —   | —                                       |
| Secretary of State's Office       | 89.003      | National Historical Publications and Records Grant   | 21,813            | —   | —                                       |
| Secretary of State's Office       | 90.401      | Help America Vote Act Requirements Payments  | 480,868           | —   | —                                       |
| Secretary of State's Office       | 93.617      | Voting Access for Individuals with Disabilities – Grants to States   | 105,838           | 84,400                                      | —                                       |
| Secretary of State's Office total |             |  | <u>669,343</u>    | <u>84,400</u>                               | <u>—</u>                                |
| State Treasurer                   | 10.665      | Schools and Roads – Grants to States   | 339,626           | 339,626                                     | —                                       |
| State Treasurer total             |             |  | <u>339,626</u>    | <u>339,626</u>                              | <u>—</u>                                |

**STATE OF VERMONT**  
Schedule of Expenditures of Federal Awards  
by Vermont State Agency  
Year ended June 30, 2012

| VT agency/department                | CFDA number | Federal agency/program type   | Expenditures            | Subgranted to non state of vermont entities | Subgranted to State of vermont agencies |
|-------------------------------------|-------------|---|-------------------------|---|---|
| State's Attorneys & Sheriffs        | 16.753      | Congressionally Recommended Awards  | \$ 56,762               | —   | —                                       |
| State's Attorneys & Sheriffs        | 16.999      | Evidence (Asset Seizure) Forfeiture Funds (Justice and Treasury)                                | 15,685                  | —   | —                                       |
| State's Attorney's & Sheriffs total |             |   | <u>72,447</u>           | —   | —                                       |
| Transportation                      | 20.106      | Airport Improvement Program   | 3,182,723               | 114,826                                     | —                                       |
| Transportation                      | 20.106      | ARRA-Airport Improvement Program  | 237,810                 | —   | —                                       |
| Transportation                      | 20.205      | Highway Planning and Construction   | 286,498,277             | 30,638,327                                  | 195,120                                 |
| Transportation                      | 20.205      | ARRA-Highway Planning and Construction  | 2,058,040               | —   | —                                       |
| Transportation                      | 20.218      | National Motor Carrier Safety   | 973,141                 | —   | —                                       |
| Transportation                      | 20.314      | Railroad Development  | 1,021,835               | —   | —                                       |
| Transportation                      | 20.319      | ARRA-High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants | 28,109,048              | —   | —                                       |
| Transportation                      | 20.500      | Federal Transit – Capital Investment Grants   | 1,088,497               | 1,080,636                                   | —                                       |
| Transportation                      | 20.505      | Metropolitan Transportation Planning  | 415,282                 | 362,064                                     | —                                       |
| Transportation                      | 20.509      | Formula Grants for Other Than Urbanized Areas   | 11,869,328              | 11,626,810                                  | —                                       |
| Transportation                      | 20.509      | ARRA-Formula Grants for Other Than Urbanized Areas  | 62,917                  | 62,917                                      | —                                       |
| Transportation                      | 20.513      | Capital Assistance Program for Elderly Persons and Persons with Disabilities                    | 206,790                 | 176,767                                     | —                                       |
| Transportation                      | 20.514      | Public Transportation Research  | 257,789                 | 257,789                                     | —                                       |
| Transportation                      | 20.521      | New Freedom Program   | 37,934                  | 37,934                                      | —                                       |
| Transportation                      | 97.036      | Disaster Grants – Public Assistance (Presidentially Declared Disasters)                         | 77,299,695              | 62,306,787                                  | 1,475,485                               |
| Transportation                      | 97.090      | Law Enforcement Officer Reimbursement Agreement Program   | 61,680                  | —   | —                                       |
| Transportation total                |             |   | <u>413,380,786</u>      | <u>106,664,857</u>                          | <u>1,670,605</u>                        |
| Grand total                         |             |   | <u>\$ 2,009,424,674</u> | <u>335,971,015</u>                          | <u>14,638,575</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, 2012

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

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

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

For purposes of complying with the Single Audit Act Amendments of 1996, the State includes all entities that are considered part of the primary government, as described in the basic financial statements as of and for the year ended June 30, 2012. 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, 2012. 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 Telecommunications Authority         |
| Vermont Municipal Bond Bank                               | 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 \$ 6,028,274 in expenditures, distributions, or issuances for the fiscal year ended June 30, 2012.

**STATE OF VERMONT**

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

June 30, 2012

(c) ***Basis of Accounting***

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

(d) ***Matching Costs***

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

**(2) Categorization of Expenditures**

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

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

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

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

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

|         |                       |
|---------|-----------------------|
| State   | \$ 104,905,365        |
| Federal | <u>45,760,897</u>     |
|         | <u>\$ 150,666,262</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 the Supplemental Nutrition Assistance Program represent the Federal government's 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, 2012

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 16.55% of USDA's total expenditure for SNAP benefits in the federal fiscal year ended September 30, 2011.

**(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 which are also provided with these funds. Total federal expenditures included in the Schedules for the State Administrative Expenses for Child Nutrition represent the federal government's acquisition value of the food commodities provided to the State for distribution.

## STATE OF VERMONT

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

June 30, 2012

**(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 locally agencies selected, usually food banks, which in turn distribute the food to soup kitchens and pantries that directly serve the public. Total federal expenditures included in the Schedules for the Emergency Food Assistance Program represent the federal government's acquisition value of the food commodities provided to the State.

**(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) Immunization Grants (CFDA #93.268)**

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

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2012

**(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***

- Child Nutrition Cluster (CFDA #10.553, #10.555, #10.556, and #10.559)
- WIA Cluster (CFDA #17.258, #17.259, #17.260, and #17.278)
- Title 1, Part A Cluster (CFDA #84.010 and #84.389)
- Special Education Cluster (CFDA #84.027, #84.173, #84.391, and #84.392)
- IDEA, Part C Cluster (CFDA #84.181, and #84.393)
- Twenty-First Century Community Learning Centers (CFDA #84.287)
- Improving Teacher Quality State Grants (CFDA #84.367)
- SFSF Cluster (CFDA #84.394 and #84.397)
- Education Jobs Fund (CFDA #84.410)
- TANF Cluster (CFDA #93.558, #93.714, and #93.716)
- Low Income Home Energy Assistance Program (CFDA #93.568)
- Foster Care – Title IV-E (CFDA #93.658)
- Medicaid Cluster (CFDA #93.775 #93.777, and #93.778)

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

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2012

***Identification of Major Programs***

| <u>CFDA number</u>                         | <u>Name of federal program</u>   |
|--|--|
| 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   |
| Fish and Wildlife Cluster:                 |  |
| 15.605                                     | Sport Fish Restoration Program   |
| 15.611                                     | Wildlife Restoration and Basic Hunter Education  |
| WIA Cluster:                               |  |
| 17.258                                     | WIA Adult Program  |
| 17.259                                     | WIA Youth Activities   |
| 17.260                                     | WIA Dislocated Workers   |
| 17.278                                     | WIA Dislocated Worker Formula Grants   |
| Highway Planning and Construction Cluster: |  |
| 20.205                                     | Highway Planning and Construction  |
| 20.205                                     | ARRA – Highway Planning and Construction   |
| 20.219                                     | Recreational Trails Program  |
| Highway Safety Cluster:                    |  |
| 20.600                                     | State and Community Highway Safety   |
| 20.601                                     | Alcohol Impaired Driving Countermeasures Incentive Grants I                            |
| 20.602                                     | Occupant Protective Incentive Grants   |
| 20.609                                     | State Safety Belt Performance Measures   |
| 20.610                                     | State Traffic Safety Information System Improvement Grants                             |
| 20.611                                     | Incentive Grant Program to Prohibit Racial Profiling                                   |
| 20.612                                     | Incentive Grant Program to Increase Motorcyclist Safety                                |
| 20.613                                     | Child Safety and Child Booster Seat Incentive Grants                                   |
| Title I, Part A Cluster:                   |  |
| 84.010                                     | Title I Grants to Local Educational Agencies   |
| 84.389                                     | ARRA – Title I Grants to Local Educational Agencies, Recovery Act                      |

**STATE OF VERMONT**

Schedule of Findings and Questioned Costs

June 30, 2012

| <b>CFDA number</b>         | <b>Name of federal program</b>   |
|----------------------------|--|
| Special Education Cluster: |  |
| 84.027                     | Special Education – Grants to States   |
| 84.173                     | Special Education – Preschool Grants   |
| 84.391                     | ARRA – Special Education – Grants to States, Recovery Act  |
| 84.392                     | ARRA – Special Education – Preschool Grants, Recovery Act  |
| IDEA, Part C Cluster:      |  |
| 84.181                     | Special Education – Grants for Infants and Families  |
| 84.393                     | ARRA – Special Education – Grants for Infants and Families, Recovery Act   |
| SFSF Cluster:              |  |
| 84.394                     | ARRA – State Fiscal Stabilization Fund (SFSF) – Education State Grants, Recovery Act                                 |
| 84.397                     | ARRA – State Fiscal Stabilization Fund – Government Services, Recovery Act   |
| TANF Cluster:              |  |
| 93.558                     | Temporary Assistance for Needy Families  |
| 93.714                     | ARRA – Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs                         |
| 93.716                     | ARRA – Temporary Assistance for Needy Families Supplemental Grants   |
| Medicaid Cluster:          |  |
| 93.775                     | State Medicaid Fraud Control Units   |
| 93.777                     | State Survey and Certification of Health Care Providers and Suppliers  |
| 93.778                     | Medical Assistance Program   |
| 93.778                     | ARRA – Medical Assistance Program  |
| Other programs:            |  |
| 17.275                     | ARRA – Programs of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors |
| 20.319                     | ARRA – High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants                    |
| 81.041                     | State Energy Program   |
| 81.041                     | ARRA – State Energy Program  |
| 81.042                     | Weatherization Assistance for Low-Income Persons   |
| 81.042                     | ARRA – Weatherization Assistance for Low-Income Persons  |
| 81.128                     | ARRA – Energy Efficiency and Conservation Block Grant Program  |
| 84.287                     | Twenty-First Century Community Learning Centers  |
| 84.367                     | Improving Teacher Quality State Grants   |
| 84.410                     | Education Jobs Fund  |
| 93.069                     | Public Health Emergency Preparedness   |
| 93.563                     | Child Support Enforcement  |
| 93.568                     | Low Income Home Energy Assistance Program  |
| 93.658                     | Foster Care – Title IV-E   |
| 93.659                     | Adoption Assistance  |
| 93.719                     | ARRA – State Grants to Promote Health Information Technology   |
| 93.767                     | Children’s Health Insurance Program  |
| 97.036                     | Disaster Grants – Public Assistance (Presidentially Declared Disaster)   |

**STATE OF VERMONT**  
Schedule of Findings and Questioned Costs  
June 30, 2012

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

\$6,028,274

Auditee qualified as low-risk auditee?

\_\_\_\_\_ yes      x   no

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

June 30, 2012

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

Over the past several years, the State has improved its financial accounting and reporting capabilities. As the State moves forward, however, maintaining focus on accountability, transparency and accuracy will continue to be difficult as 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 2012 audit are presented below:

##### **FS2012-01 – 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 (Finance) in the form of the year end closing packages. Finance provides the individual departments and agencies with annual guidance on generally accepted accounting principles and the form and content of the information that is required in the year end closing packages; but relies on the individual departments and agencies to completely and accurately compile the data.

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

Finance has been working with individual departments and agencies for several years to improve the financial reporting process and reduce the number of data errors and adjustments. Although improvements have been made in this area, adjustments to the financial statements continue to be identified through the external audit. The cause of these adjustments is in part due to personnel changes in the individual departments and agencies, a lack of financial reporting knowledge in the individual departments and agencies, and departments and agencies not having adequate control procedures over the recording of financial data. The adjustments identified during the fiscal 2012 audit are as follows:

###### a. Federal Revenue Fund:

- o \$36 million reclassification to reduce deferred revenue and increase federal grant revenue as a result of the Department of Finance and Management not recording federal revenue in accordance with the proper accounting basis.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State generally considers revenues to be available if they are collected within 60 days of year-end. However, federal receivables are treated differently within the governmental funds as federal receivables are amounts due from the federal government to reimburse the State's expenditures incurred pursuant to federally funded programs. Therefore, federal grant revenues are generally accrued for when the qualifying expenditure is incurred.

## STATE OF VERMONT

### Schedule of Findings and Questioned Costs

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We noted that the Department of Finance and Management was not accruing federal revenue when the qualifying expenditure was incurred, but rather if the federal funds were received within July and August, which is inconsistent with the State's accounting policy as stated in the footnotes to the financial statements.

- o Increase receivables by \$2.9 million and revenue by \$5.9 million and corresponding decrease of \$3 million to payables. While we were reviewing the reconciling draw for the Global Commitment waiver it was determined that the Department of Finance and Management was using a draft report from the Agency of Human Services and not the final year end data which resulted in the above entry.
- b. Transportation Fund: \$5.9 million reclassification to reduce deferred revenue and increase federal grant revenue as a result of the Department of Finance and Management not recording federal revenue in accordance with the proper accounting basis. See Federal Revenue Fund item a above for additional details.
- c. Special Fund: Decrease cash and revenue by \$15,000, due to a correcting entry being recorded without reversing the original entry. The Catamount Heath Fund receipts are managed by the Department of Labor (DOL), who didn't notice that after the correcting entry was made the original entry was not reversed. The Office of the State Treasurer performs cash account reconciliations and we noted that this \$15,000 was listed as a reconciling item and was not corrected during their reconciliation process.
- d. Unemployment Compensation Trust Fund: Increase receivables and revenue by \$481,243, due to data inadvertently being excluded from a spreadsheet calculation. This adjustment was the result of a new Program Integrity Chief within Unemployment performing the allowance for uncollectible taxes calculation at the Department of Labor and the lack of review over this calculation.
- e. Workers Compensation (Internal Service) Fund: Decrease claims expense and claims payable by \$223,518 as a result of incorrectly calculating the Incurred But Not Reported (IBNR) amount. This adjustment is the result of the Office of Workers' Compensation and Prevention within the Department of Buildings and General Services (BGS) not calculating the IBNR liability correctly and the lack of review over this calculation.

While Finance is primarily responsible for the preparation of the State's financial statements, responsibility for the underlying data and activity resides in the departments and agencies. These adjustments indicate the continued need for 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***

Finance 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. Finance should also evaluate its procedures for spot-checking year end closing packages and for analyzing data for completeness.



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#### *Management's Response*

The Department of Finance and Management has made significant progress in working with the individual departments and agencies on properly recording activity during the year and providing accurate information for closing at year-end, but we recognize we can continue to make improvements in this area. We plan to make the following changes to our procedures:

- Finance will review our year-end closing package to make sure that we are clear about the information that we are requesting and to provide more guidance on the accounting and reporting concepts that are applied to the various items we are asking departments and agencies to report.
- Finance will review the significant adjustments that were made during the last audit and review those changes with the responsible department to determine how they plan to improve their procedures to ensure similar adjustments are not required in the future.
- Finance will review the status of responsible personnel in each of the departments and agencies to determine which personnel might need additional assistance or training due to staff changes, and reach out to those personnel to ensure they better understand the needs of our department.
- Finance will be more proactive during our processes by performing more reviews of the information that has been submitted to our department; paying particular attention to areas of concern in the prior year audit or accounting and to reporting concepts that are new to a particular department or agency; and requesting supporting information and calculations for more significant items.

#### **FS2012-02 – Liquor Control Fund - Inventory**

##### *Background*

The Liquor Control Fund (the Fund) is a major enterprise fund reported in the State's financial statements. The financial activity for this fund is managed by the Department of Liquor Control (the DLC).

The DLC stocks inventory in a central warehouse in Montpelier, Vermont and throughout the State in the Agency retail locations. The majority of the inventory in the Montpelier warehouse is not State-owned, but rather held in bailment. The inventory shown on the financial statements consists of a small portion residing at the warehouse that is owned by the State, while the majority of the inventory is located across the state at the various Agency locations. At June 30, 2012, the State owned \$5.2 million of liquor inventory.

##### *Finding*

We noted that the DLC does not appear to have sufficient internal knowledge relating to inventory accounting or any documented policies and/or procedures for the handling of its inventory, including annual physical inventory counts and year end cut off. Throughout the course of the audit, we received incomplete and contradictory information from various personnel at the DLC in response to our questions and requests for information. Specifically, the following matters related to inventory were noted:

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- a. The DLC does not maintain formal agreements with their vendors outlining the terms of ownership, but indicated that the terms are specified on quote sheets. These sheets contain boxes including State stock, bailment or special purchase, and the vendor checks the corresponding box to indicate the ownership.
- During our testwork we observed the ownership designations on the quote sheets were not consistent with the ownership designations reported from DLC's accounting system. Specifically, of the 50 items selected in our counts, 21 (or 42%) had conflicting ownership designations.
  - The DLC does not appear to have any documentation beyond the price quotes to outline the terms of the custody of the bailment inventory. Any financial penalty due to losses from natural causes is ambiguous within the terms of the existing support.
  - We further noted that the effective date on several of the quote sheets appeared to be very old, some dating back to 2008 and before.
- b. During our inventory count of the warehouse on June 21, 2012, we noted differences between the inventory system report and the actual inventory counted. The differences primarily related to inventory that was loaded onto delivery trucks. We noted that the DLC leaves unattended inventory in these delivery vehicles overnight for deliveries to various agencies the following day. Due to the lack of formal vendor agreements outlining the bailment terms and when ownership transfers to the State, it is unclear if the inventory residing in the delivery trucks should be considered State-owned or vendor-owned. This also proposes a potential cut-off issue at year end, due to the fact that if this is considered to be State-owned inventory, there is a manual process for confirming the inventory within the DLC's inventory system (RIMS) to add it as State inventory and if not confirmed in the system on the day it is loaded on the truck, the inventory will be understated. During our warehouse inventory count, the inventory loaded onto the delivery trucks was not properly confirmed within the DLC's inventory system, which caused the majority of the differences noted between the DLC accounting system and the actual counts taken.
- To ensure that year-end inventory was properly stated, KPMG requested that the DLC review its cut off procedures and verify that inventory loaded on the trucks was confirmed in the system and included in the June 30, 2012 balance. During this process KPMG received conflicting information from agency personnel on whether the inventory loaded on the delivery trucks, valued at \$163,819 had been included in the year-end balance. KPMG notes that the DLC was not able to determine if the inventory on the trucks had been recorded in fiscal year 2012 and was not able to provide supporting documentation for the inventory.
- c. We obtained a rollforward of the inventory balance from the prior year end to June 30, 2012. Included in this rollforward were adjustments valued at \$275,365. The DLC management provided the following explanations for these adjustments:
- \$176,000 from losses due to fire, flood and theft. We noted the DLC submitted a claim for the loss of inventory but has not booked a receivable for the amount of the claim.
  - \$26,000 in warehouse breakage. The DLC was unable to provide sufficient documentation to support the amount of breakage. Based on the average cost of a bottle of liquor, this represents approximately 1,000 broken bottles over the 12-month period.

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- \$71,000 in warehouse over and shorts. Per discussion with DLC personnel, they indicated that it was a common occurrence for there to be disagreements between what is shipped per vendor records and what was received per the Department, including disagreements on entire pallets of inventory. DLC was unable to provide sufficient documentation on how these disputes were handled and whether the State paid for inventory they did not receive.
  - \$18,000 variance from adjustments in the inventory system to adjustments in VISION. The DLC was unable to provide sufficient documentation to support the difference from VISION to RIMS.
- d. We noted there were many variances between the inventory system and VISION, the State's accounting system. During our review of the reconciliation of differences prepared by the Department of Liquor Control, we noted there were multiple accounts for over and short adjustments as well as other adjustment accounts. Per discussion with management these accounts refer to over and shorts and breakage at Agency locations. We noted that there is insufficient supporting documentation to determine what is considered breakage, which the State assumes as the cost of doing business, and over and short items that must be reimbursed by the Agency. In addition there appears to be a lack of differentiation in the accounting system for the unsellable inventory resulting from breakage versus from over and shorts.

#### ***Recommendation***

We recommend that the Department of Liquor Control review its internal control procedures over inventory including the safeguarding of those assets. We also recommend that the DLC update its policies and procedures documentation for the handling of its inventory, including annual physical inventory counts and year end cut off. Finally we recommend that the State set up formal vendor agreements, update the terms and conditions, and specifically define the 'bailment', which will help ensure that the transfer of ownership is clearly defined.

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

- a. DLC is currently in the process of generating agreements that will specify ownership with its vendors. DLC plans to have these agreements in place by the end of FY2013.
- DLC uses quote sheets to obtain quote information on products and for no other reason. Ownership designations listed on the quote sheet are irrelevant. DLC is unsure what this finding is specifically addressing since quote sheets are not used for ownership designation.
  - DLC is currently in the process of generating agreements that will specify ownership with its vendors. DLC plans to have these agreements in place by the end of FY2013.
  - There is current availability in the warehouse to house six trucks. The trucks are not locked; however, they are housed in a locked building armed with a security system. It is extremely rare that DLC will have more than six trucks loaded, but if needed, trucks can also be loaded and stored outside the warehouse. If this happens, the trailer is padlocked.

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- b. Inventory is confirmed on the day of shipment, which indicates ownership of the inventory in DLC's current process. Per KPMG's request, an adjustment was made to include the inventory held on the truck in DLC's financials.
- c. DLC has resolved this issue in FY2013.
- A receivable was not booked due to the recovery not deemed realizable.
  - Supporting documentation was provided on December 21, 2012.
  - DLC has since resolved this issue and is documenting the process that relates to "overs and shorts" in the warehouse.
  - DLC has resolved this issue in FY2013
- d. DLC provided breakage reports for one agency and the warehouse on December 21, 2012. These were examples of what could be generated to provide support for breakage. No further requests were made for reports. On December 20, 2012, DLC also provided an explanation of how Agencies are held responsible for their over and shorts.

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**FS2012-03 –Information Technology Controls**

***Background***

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

As part of the fiscal year 2012 audit the prior year findings were followed up on to ascertain if the identified control deficiencies had been corrected. The following computer systems were part of this follow up:

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| 1.                           | <p><b>Application Name:</b> State Network &amp; Data Center</p> <p><b>Responsible Agency:</b> Department of Innovation and Information (DII)</p> <p><b>Purpose:</b> State-wide local area network.</p>   |
|                              | <p>a. The initial control deficiency related to the fact that the complexity for password parameters was disabled. Weak password constructs increase the risk that computer application access will be compromised leading to a misuse or misappropriation of confidential and sensitive information. As of fiscal year 2012 they increased the minimum length to 8 alpha-numeric characters for all clients except the Agency of Human Services’ ACCESS system.</p> <p>Currently the minimum password length is set to 8 alpha-numeric characters for all clients except for AHS ACCESS.</p> <p>We recommend that DII continue to work towards enabling the complexity for the RACF password parameters.</p> <p>b. The Agency/Department notifies DII when user access is to be removed. DII has written procedures requiring the DII RACF Administrator to acquire and review the HR termination list to determine if any access has inappropriately been retained. DII reviews a lock-out report for anomalies, such as hacking attempts, but does not distribute it to departmental RACF Administrators because it is not user friendly. A program has been written to address this problem, but it has not yet been implemented. Absence or lack of prompt communication to responsible IT staff regarding employee terminations could result in the continuance of unauthorized gateways into key systems or application and may lead to the compromise of</p> |

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|                              | <p>key systems, application and data assets by unauthorized persons.</p> <p>We recommend that DII establish a review process, and determine a process to begin the lock out report process.</p> <p>c. The initial control deficiency related to the fact that backup restoration testing is periodically performed; however, no formal backup or restoration policy existed. Without appropriate and periodic restoration tests, assurance cannot be placed on the reliability of backup media to recover key systems, applications and data assets in the event of an emergency. As of fiscal year 2012 a disaster recovery plan was in draft form, but had not been finalized, and no disaster recovery was performed to ensure the recoverability of the data.</p> <p>We recommend that DII create and implement a policy for backup restoration testing that includes the timing of restoration tests, the scope of the restoration, and the retention of the results of the restoration test.</p> <p><b>Management Response</b></p> <p>a. RACF Complex Password - Complex Password is planned for implementation after a few critical software upgrades. Target Date: 12/1/2013</p> <p>b. RACF Report - We are in the process of implementing a new reporting system. Target Date: 04/30/2013</p> <p>c. We have replaced the IBM Tape Backup System with an IBM Virtual Tape Library. We are updating our Backup/Restore &amp; Disaster Recovery procedures. Target Date: 09/30/2013</p> |
| 2.                           | <p><b>Application Name:</b> VISION Financials</p> <p><b>Responsible Agency:</b> Department of Finance and Management</p> <p><b>Purpose:</b> State-wide accounting system</p>  |
|                              | <p>a. The initial control deficiency related to a variety of segregation of duties issues, including:</p> <ul style="list-style-type: none"> <li>- users have superuser_no_sec, vendor processing, and manager roles that allow them to add a vendor, enter a voucher, and approve a voucher.</li> <li>- users have superuser_no_sec and manager roles.</li> <li>- users have been granted the manager role that allows them to enter a voucher and approve a voucher.</li> </ul> <p>In addition, there is no edit in VISION that would preclude a user from entering a voucher and approving this same voucher. This is particularly important since State employees are commonly listed as vendors in VISION in order to receive certain reimbursements. Ineffective segregation of duties may permit inappropriate access that leads to the creation and approval by a single individual of fraudulent transactions that compromise the financial</p>  |

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|                              | <p>integrity of the system.</p> <p>We recommend that Finance, in conjunction with DII, establish and enforce a segregation of duties policy that restricts developers from having added and change access to data. If this policy allows for limited or emergency access, then such access should be monitored. Finance, in conjunction with DII, should reduce the access of certain staff that can perform each of the roles of adding a vendor, entering a voucher, and approving a voucher. Finance, in conjunction with DII, should expeditiously implement a control in VISION to preclude a user from both entering and approving the same voucher. Finance, in conjunction with DII, should evaluate the current role structure in VISION to ensure that the system enforces segregation of duties.</p> <p>b. The initial control deficiency related to the fact that a comprehensive change management policy for the VISION environment did not exist. Moreover, the VISION change management process is not fully documented. The lack of a change management policy with appropriate outlines of approval increase the risk that unauthorized and inappropriate software changes could be put into production leading to the compromise of key applications and data assets. As of the end of fiscal year 2012, a policy was in draft form and Finance &amp; Management was working with DII to implement an overarching change management process with DII.</p> <p>We recommend that Finance, in conjunction with DII, expeditiously document its VISION change management policy and process.</p> <p><b>Management Response</b></p> <p>DII along with Finance have created a comprehensive Change Management process that will be finalized and fully operational by June, 2013.</p> <p>The Department of Finance and Management strongly agrees that segregation of duties is a powerful tool against fraudulent transactions. We have made segregation of duties a key element of our accounts payable and internal control guidance, emphasizing the importance of separating key functions within that process. We also have incorporated this concept into our annual self-assessment of internal controls survey. Although the current configuration of PeopleSoft security has the entry and approval process imbedded in the same role, we have always encouraged manual approval and sign off of invoices be someone different than the person that does the data entry. Additionally, within VISION, entering and approving a voucher does not make that voucher available for payment. To have a voucher move from an approved status to a payable status it still needs to be budget check. This is the process that actually commits the funds for payment. We strongly encourage that this final step also be performed by someone other than the person that enters and approves. Additionally, there are several accounts payable management reports that are available to departments and widely used that provide insight to payment being made and to whom. Monitoring through reports is a great way to identify fraudulent payments as well.</p> <p>Within the next several months we will be embarking on an upgrade of the VISION Financials</p> |

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|                              | <p>Application from version 8.8 to 9.2. During that upgrade we will review our security roles with an eye toward separating the function of data entry and approval within the same security level. We will also be reviewing the enhanced workflow functionality.</p> <p>Over the past several months we have also been in the process of implementing a new employee expense reimbursement module. We are expected to go live with this new module during May 2013. This module will allow us to remove all employees from our master vendor file and pay them as employees through our expense module, not the accounts payables module. This will eliminate the opportunity for employees to process checks to themselves or to co-workers through the account payable module</p>  |
| 3                            | <p><b>Application Name:</b> ETM</p> <p><b>Responsible Agency:</b> Department of Taxes</p> <p><b>Purpose:</b> State Tax System.</p>   |
|                              | <p>a. The State of Vermont’s IT Security Policy has not been updated since May 2009. An updated or reviewed IT Security Policy provides the end user with comprehensive and up to date information related to IT policies and procedures in place. Lack of an updated policy could result in outdated information being provided to end users and consequently increase risk to security.</p> <p>We recommend that the IT Security policies and procedures be reviewed and updated at least on an annual basis to address all relevant systems and applications and to address new security threats.</p> <p>b. No formal user access review by the business owners of the ETM application is conducted to identify potential separation of duties conflicts. However, on a quarterly basis, Department of Tax reviews the inactive network accounts to determine that access to ETM was appropriately deactivated. The absence of periodic management reviews of the key application user access increases the risk that active staff may retain processing capability that exceeds their job requirements and undermines a prudent separation-of-duties.</p> <p>We recommend that Department of Taxation management:</p> <ul style="list-style-type: none"> <li>- Develop, publish and enforce a policy to require business application owners to limit staff access privileges to those necessary to perform their jobs and to ensure an appropriate separation of duties.</li> <li>- Review user access privileges on a periodic basis and take steps to identify and remove unnecessary or inappropriate application functionality or privileges.</li> </ul> <p>c. No formal change management policy/procedure exists for the ETM application environment. A generic change management policy for Department of Taxation exists that was last updated on September 13, 2007. The lack of a formal and enforced Change Management Policy that documents steps to be followed, approvals required, testing to be conducted and acceptance</p> |



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|                              | <p>sign-offs to be required for changes to ETM, increases the risk that unauthorized and/or inappropriate software changes could be intentionally or accidentally be placed into production.</p> <p>We recommend that an ETM specific Change Management policy and procedure be documented that describes the software change management process from initiation through migration to production and documents the roles and responsibilities of all parties including the business owners for development, testing and migration.</p> <p>d. While one (1) user has been designated as the primary migrator of software changes, currently ten (10) users have “SYSADM” level access that grants them access to develop and migrate changes to production. Of these 10 users, 2 are vendors from CGI/Oracle. Based on our discussion with the Department of Taxation, we noted that no mitigating or compensating controls exist that could be used to prevent or detect unauthorized changes being made to production. The risk of the introduction of inappropriate software changes is commensurate to the number of persons with the access privileges that support this activity.</p> <p>We recommend that Department of Taxation IT management review current support access and:</p> <ul style="list-style-type: none"> <li>- Limit privileged support access to the minimum needed to support the application in production.</li> <li>- Enforce an appropriate separation of duties between software development staff and those migrating software into.</li> </ul> <p>We further recommend that periodic reviews of changes moved to production be conducted to discourage and to identify any unauthorized changes.</p> <p>e. The initial control deficiency related to the fact that no restorations from tape have been conducted for ETM since it went live in August 2010. The lack of periodic restoration of data from backup tapes increases the risk that when needed critical data may not be available to restore business operations. During fiscal year 2012 the Tax Department stopped using tape backups for ETM and the systems are now backed up via Net Backup to two data domains. A procedure document has been put in place detailing the steps and processes to follow for restoring data files from Net Backup and three restorations were done during FY 2012, however no documentation was provided evidencing that the restorations took place.</p> <p>We recommend that Taxation Department IT periodically test restoration of data from tape to ensure the integrity and completeness of the data and that the backup process and equipment is working as expected.</p> <p>f. ETM currently has no formal, documented or tested Disaster Recovery or Business Continuity Plan. The lack of a comprehensive and tested Disaster Recovery Plan (DRP) and complementary Business Continuity Plan (BCP) increases the risk that in the event of a serious environmental event affecting ETM’s operations could be disrupted for an extended period of time.</p> |

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|                              | <p>We recommend that Department of Taxation business and IT management take appropriate steps to bring the DRP up to date and augment it with an appropriate BCP and provide resources to ensure an appropriate recovery capability. We further recommend that the DRP and its associated BCP be treated as a living document subject to ongoing revision and that it be tested at least annually.</p> <p>g. No daily operations log/checklist is maintained to capture information on daily production such as job processing, backups taken, abends and issues noted. Depending on the specific job schedule, a text message is sent to the Operations group and Department of Taxation notifying if a job ran successfully or not. If error/issues occurred, support personnel are required to follow up and may be required to raise a support ticket if necessary. A formal daily computer operations log/checklist provides evidence that all appropriate processes were completed and if error or abends occurred they were followed up and resolved in an appropriate manner. An appropriate log can also serve as the basis for conducting root cause analysis when dealing with reoccurring issues.</p> <p>We recommend that a documented log/checklist of daily computer operations be introduced. The log should be retained to provide evidence that batch jobs and backups processed to completion and also as a means to identify recurring issues.</p> <p><b>Management Response</b></p> <p>In order to manage the system and promote to production there are different components requiring different ID's that need to be accessed. There is basically one ID for each component used for these purposes and known by a select few for the tasks they need to accomplish. Even fewer know how to migrate anything to production. We have not gotten to the point of setting up individual users ID's with all the combinations of roles needed.</p> <p>The partition wall between DII and National Life was opened while National Life Technical people were removing equipment from their racks. The finding was to add camera while the duration of partition wall was open.</p> <p>Action taken:</p> <p>The partition wall was closed. Cameras were installed looking down the cold and hot aisles where the Tax racks are located.</p> <p>Pursuant to the SAO / KPMG ETM Review and subsequent Audit Finding, DII will install an additional security camera in the National Life Data Center by February 29, 2012. The new security camera will be positioned in Row 1 where the ETM production server is located in order to monitor activity in the vicinity of the ETM production server as recommended below by KPMG.</p> <p>a. VDT agrees. Will endeavor to review annually and update as needed and will distribute annually as well.</p> |

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|                              | <p>b. VDT will establish a process to review user access of ETM on a quarterly basis.</p> <p>c. VDT will review and update our current change management policy and within it call out any specific differences regarding ETM vs Advantage Revenue.</p> <p>d. VDT will review access and adjust access to those required to support the application.</p> <p>VDT will take separation of duties between software development staff and those migrating software under advisement for future implementation however given current resource constraints this separation is not feasible at this time.</p> <p>VDT agrees that periodic reviews of production changes is a good practice and will look into the feasibility of implementing this recommendation.</p> <p>e. VDT will strive to implement this recommendation however please note that multiple DB refreshes have been conducted from backups since ETM go live.</p> <p>f. VDT will review and update the business continuance plan within the next 12 months.</p> <p>g. VDT will take this under advisement to augment our current operational batch processing logs.</p>  |
| 4.                           | <p><b>Application Name:</b> STARS</p> <p><b>Responsible Agency:</b> Agency of Transportations</p> <p><b>Purpose:</b> Project Cost Accounting System for Transportation Construction Projects</p>   |
|                              | <p>a. The initial control deficiency related to the fact that assets from backup media are only restored when required for Operational reasons and there was no documented Disaster Recovery Plan or activity to restore systems to test recovery procedures. Restoration tests of off-site data backups are performed on a regular basis to determine the usability and integrity of the files. Documentation of the testing results is retained. During fiscal year 2012 AOT performed restorations from the main site using backup tapes successfully; however restores from the backup media at the disaster recovery site have not yet been performed successfully.</p> <p>We recommend that AOT continue to work towards successfully restoring the backup media at the disaster recovery site.</p> <p><b><i>Management Response</i></b></p> <p>The Agency does have a completed Disaster Recovery Plan that is available in both electronic and hard copy formats. The document is comprehensive and therefore rather large so I have not included it here but we can make it available upon request. With regards to the restoration tests of backup data at the DR facility this is something we have wanted but with DII's change from traditional tape to the VTL that has not occurred. On May 9, 2013, DII will be giving us access to the DR site in Barre. We will be performing a series of tests to determine if we are able to successfully restore our databases from backup media. We will also be testing STARS</p> |

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|                              | <p>functionality, both online and batch. In addition, we will be testing to ensure we are able to promote code through our environments. Given the May 9<sup>th</sup> testing is successful we should be able to satisfy this finding.</p>   |
| 5.                           | <p><b>Application Name:</b> FARS, VABS and CATS</p> <p><b>Responsible Agency:</b> Department of Labor (DOL)</p> <p><b>Purpose:</b> FARS is the Department’s financial accounting system; VABS is the Unemployment Insurance Benefit and Eligibility System; and CATS is the Employer Contribution Tax System.</p>  |
|                              | <p><b>FARS:</b></p> <p>a. Reliance is placed on the policies established by the State of VT DII and no specific policies exist for DOL in regard to the FARS application and support. Lack of established information security function reduces focus on information security and results in inconsistencies with execution of statewide policies and processes.</p> <p style="padding-left: 40px;">We recommend that the DOL develop a security policy in relation to the FARS application and support which is consistent with DII statewide policy.</p> <p>b. The initial control deficiency related to the fact that access to the computer room required knowledge of the key punch code to open either of the two doors. We observed that the door was left open by the admin desk for people to come and go instead of using the key punch access, as multiple people come into the room to pick up reports during the day and are not IT staff. Additionally, one of the two doors key punch lock was not functioning during our initial visit. Absence of controls over privileged access, powerful utilities and system manager facilities increases the risk of compromise to key IT systems, applications and data assets. As of the 2012 fiscal year end, we observed that the door was shut to access the computer room and clocked by slots that hold reports for employees and the other door requires a key to access. However the door was not open it was unlocked during working hours and a person could climb over the 3 foot cubicle wall.</p> <p style="padding-left: 40px;">We recommend that the DOL ensure that the door is locked at all times and that key codes are restricted to appropriate personnel.</p> <p>c. Reviews of the access to the computer room are performed by the Manager of IT or their delegate and are completed on a quarterly basis, however this review is not documented.</p> <p style="padding-left: 40px;">We recommend that DOL IT Management request and review on a quarterly basis a list of people/contractors with access to the computer room.</p> <p>d. No policy exists stating that a periodic review of FARS access should be performed and no periodic review is performed by Business on active users and their privileges. Currently, an ad hoc review is done as new employee or contractor is added or an existing person is changed. The absence of periodic reviews of system or application access by appropriate Business and/or IT management increases the risk that unauthorized individuals may retain</p> |

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|                              | <p>inappropriate access to key systems, applications and data assets.</p> <p>We recommend business management and IT management develop and implement a policy requiring a regular access review to the FARS application at a minimum of an annual basis.</p> <p>e. The initial control deficiency related to the lack of policies for changes to the infrastructure or the operating system as well as an emergency change management policy for the FARS Application, which has not been vendor supported since 1991 and updates are performed by Roger Lowe. The absence of authorization over the change management of application software changes may result in the intentional or unintentional migration of invalid application changes into production that lead to the compromise of key systems, applications and data assets. As of 2012 fiscal year end, the Change Management Policy is in draft form and is applicable for Emergency Changes as well as covering infrastructure and operating system changes. This policy is pending updated data and additional input from the Configuration and Change Management Board.</p> <p>We recommend that the DOL develop, introduce and monitor a comprehensive change management policy that include emergency changes and that is consistent with the statewide DII policy.</p> <p>f. Changes to the system are not consistently made until after an appropriate level of testing is performed and approved, which is not always in writing. An absence of formal testing and appropriate sign-off by both information systems and user personnel increases the risk that unauthorized or untested changes may be migrated into production.</p> <p>We recommend that the DOL develop, introduce and monitor a comprehensive change management policy that is consistent with the statewide DII policy.</p> <p>g. No segregation of duties exists for the FARS application as Roger Lowe and Joe Lucia have access to development and production. A lack of control over who has the ability to migrate software changes into production increases the risk that inappropriate and unauthorized changes could be made to software, moved undetected into production.</p> <p>We recommend that the DOL implement a process to segregate the migration of changes to production that would alternate between Roger Lowe and Joe Lucia. This would accomplish the segregation without adding another resource.</p> <p>h. Restoration of backup data is performed on an as needed basis; however, no regular tests or policy exists. Without appropriate and periodic restoration tests, assurance cannot be placed on the reliability of backup media to recover key systems, application and data assets in the event of an emergency.</p> <p>We recommend that the DOL develop and document the process to test on a regular basis restoral of data from tapes. The regularity of the test should be documented and maintained for the State’s retention period.</p> <p><b>VABS and CATS:</b></p> <p>i. DOL applications (VABS and CATS) had weak password syntax with a minimum of 3 and</p> |

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|                              | <p>maximum of 6 character required. Weak password parameters create weaknesses that can be exploited to gain unauthorized access leading to the compromise of key systems, applications and data assets.</p> <p>The current VSE/ESA system limits passwords from 3 to 6 characters in length.</p> <p>We recommend that the DOL IT upgrade to a newer version of IBM o/s that supports longer passwords.</p> <p>j. The initial control deficiency related to the fact that reviews of Access Lists indicated that there was no regular, periodic review of DOL user access rights to the IBM systems supporting VABS and CATS. The absence of periodic reviews of system or application access by appropriate Business and/or IT management increases the risk that unauthorized individuals may retain inappropriate access to key systems, applications and data assets. As of the 2012 fiscal year end, the DOL rescinds user access as their status changes daily through the Helpstar tracking system and reviews are performed quarterly. However, we were unable to obtain evidence to substantiate that quarterly reviews are performed for VABS/CATS.</p> <p>We recommend the DOL IBM Support Group (with input from DOL HR) conduct a quarterly review of VDOL staff with access to VDOL's IBM mainframe and deactivate inactive users pending further review with HR and should remove access from accounts for terminated employees and maintain documentation of this review.</p> <p>k. The initial control deficiency related to the fact that there was no periodic review of the DOL user access rights to the DOL network. The absence of periodic reviews of system or application access by appropriate Business and/or IT management increases the risk that unauthorized individuals may retain inappropriate access to key systems, applications and data assets. As of the 2012 fiscal year end, the DOL rescinds user access as their status changes daily through the Helpstar tracking system and reviews are performed quarterly. However, we were unable to obtain evidence to substantiate that quarterly reviews are performed for VABS/CATS.</p> <p>We recommend the DOL Network group (with input from HR) conduct a quarterly review of DOL staff with access to DOL's network assets and deactivate inactive users pending further review and should remove access from accounts for terminated employees and maintain documentation of this review.</p> <p>l. The initial control deficiency related to the fact that there is no periodic review by business management of functional VDOL user access to the VABS &amp; CATS applications. The lack of a periodic review of functional access to applications by Business Management may result in the continued and inappropriate access to application functionality by individuals and increases the risk that inappropriate transactions can be processed. As of the 2012 fiscal year end, the DOL rescinds user access as their status changes daily through the Helpstar tracking system and reviews are performed quarterly. However, we were unable to obtain evidence to substantiate that quarterly reviews are performed for VABS/CATS.</p> <p>We recommend the DOL IT develop and generate every quarter a detailed report by User-ID</p> |

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|                              | <p>that lists Functional capability within both the VABS &amp; CATS applications. We further recommend that the DOL UI Business Management review the report every quarter to ensure that user access is current and appropriate and the DOL IT take immediate steps to remove application access no longer authorized by UI Management. Documentation of the review by UI Business Management should be maintained.</p> <p>m. The initial control deficiency related to the fact that requests for VABS and/or CATS changes are informal and IT staff receive verbal requests and e-mails detailing small changes; however more complex requests may be discussed at staff meetings. The absence of authorization over the change management of application software changes may result in the intentional or unintentional migration of invalid application changes into production that lead to the compromise of key systems, applications and data assets. As of 2012 fiscal year end, the process for program changes has been documented within the Change Management Policy. However this policy is in draft form and is pending updated data and additional input from the Configuration and Change Management Board.</p> <p>We recommend that the DOL introduce a formal Change Request document that requires information on the change required and Management approval before work can be started.</p> <p>n. The initial control deficiency related to the fact that software development, modification or error correction changes were informally managed. While testing of changes was undertaken in a test environment by development staff, unless the changes are complex, there was generally no business user participation in testing. Business user/management sign-off was not required or solicited by IT development. Due to a lack of an IT manager, IT sign-off was not formally conducted. The absence of authorization over the change management of application software changes may result in the intentional or unintentional migration of invalid application changes into production that lead to the compromise of key systems, applications and data assets. As of 2012 fiscal year end, the process for program changes has been documented within the Change Management Policy. However this policy is in draft form and is pending updated data and additional input from the Configuration and Change Management Board.</p> <p>We recommend that one business signoff be required on an appropriately initiated Change Request form to confirm that testing was appropriate and successfully completed. We further recommend that the software change not be put into Production (by appropriate IT Operations staff) unless there is Business approval and sign-off.</p> <p>o. The initial control deficiency related to the fact that there was no DOL policy or procedure detailing with VABS and CATS Change Management. A lack of control over who has the ability to migrate software changes into production increases the risk that inappropriate and unauthorized changes could be made to software, moved undetected into production. As of 2012 fiscal year end, the Change Management Policy has been documented for the DOL. However this policy is in draft form and is pending updated data and additional input from the Configuration and Change Management Board.</p> <p>We recommend that the DOL develop, introduce, and monitor a comprehensive DOL Change</p> |



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|                              | <p>Management Policy for application software which is consistent with any statewide DII policy on Change Management.</p> <p>p. Due to the small size of the DOL’s IT staff, developers are permitted to migrate software into production. An ability of IT development staff to migrate application software into production risks the introduction of inappropriate code changes.</p> <p>We recommend that access to and migration of software into the production environment should be restricted to Production Control/Operations staff only.</p> <p>q. Business management is rarely involved in testing or authorizing of application changes including configuration changes. All VABS and CATS application configuration changes are tested by application development staff but are not required to be validated by the business. An absence of appropriate testing and approvals by IT and Business personnel over application configuration changes may lead to the introduction into production of inappropriate and unauthorized changes that could adversely affect the results of financial application processing.</p> <p>We recommend that all changes to production software including configuration changes should be formally approved and authorized by appropriate Business owners.</p> <p>r. There is no policy or procedure to handle Emergency Changes. A lack of emergency change procedures that document changes made to production applications and jobs makes follow-up and future avoidance difficult and increases the risk that inappropriate or incorrect changes go undetected. Written policies and procedures also provide for continuity of operation during times of staff transition.</p> <p>We recommend that the DOL develop, introduce, and monitor a comprehensive DOL Emergency Change Policy which is consistent with any statewide DII policy on Change Management. It is further recommended that a statewide policy on dealing with Emergency Production changes be written and introduced by DII.</p> <p>s. Notification of emergency changes to Management is informal and not mandatory. There is no requirement for retrospective review and authorization. The absence of management reviews of emergency changes risks that inappropriate or incorrect modifications to applications could be introduced and remain undetected.</p> <p>We recommend that all emergency changes to batch runs should be documented and notified to Business and appropriate IT management in a timely fashion.</p> <p>t. Assets from backup media are restored when required for Operational reasons. There is no documented Disaster Recovery Plan or activity to restore systems to test recovery procedures. Without appropriate and periodic restoration tests, assurance cannot be placed on the reliability of backup media to recover key systems, applications and data assets in the event of an emergency.</p> <p>We recommend that VDOL IT should immediately develop and document a Disaster Recovery Plan for recovering its IBM and related applications in the event of a data center</p> |



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|                              | <p>disaster.</p> <p><b>Management Response</b></p> <ul style="list-style-type: none"><li>a. DOL is in the process of creating a VABS/FARS/CATS specific security policy upon existing DII policy. Should have document and approvals by end 3<sup>rd</sup> QTR 2013.</li><li>b. DOL Central Office is card access entry on. Non employees are escorted when they are admitted. The access door to the data center with key punch is now working, has been reinforced with a magnetic lock mechanism. The unlocked door allowing staff access to pick up print outs is protected by the fact that the building is locked down and that non-employees are escorted. Defeating those two barriers an intruder could then if still undetected climb over the 3 foot barrier wall created behind the open door. Key codes to the key pad door are restricted and periodically reviewed and the door to print outs will remain unlocked to staff during normal working hours.</li><li>c. Quarterly review by DOL Director of Admin Service and sign off is now documented.</li><li>d. Will be referenced in VABS/CATS/FARS policy, see 5a response</li><li>e. Change Management Policy will address this issue</li><li>f. Change Management Policy will address this issue.</li><li>g. Change Management Policy will address this, but regardless of the role currently played by programmers Lowe or Lucia, production sign off resides with IT Manager Patrick McCabe.</li><li>h. DOL is developing this process and will have a formal policy.</li><li>i. DOL follows the State of Vermont password policy network access <u>and</u> maintains in house AD settings that exceed that requirement. You can't get to VABS/CATS password screen without first complying with these standards.</li><li>j. DOL runs a quarterly job for UI Director that prints as a 21 page green bar print out. It contains all employee names and lists their VABS/CATS access by category. We NOW require a sign off on this listing quarterly. We provided this file physically to KPMP in December 2012 at their request.</li><li>k. DOL removes individual users access as they leave the department. Physical access cards are recovered or deactivated, domain access is removed, any dept equipment is recovered through the office of the Director of Admin Services working with DHR. We consider the quarterly review by UI Director as back up to this process for VABS/CATS.</li><li>l. See response 5j., the quarterly review process and sign off serves this purpose. The list is provided by IT Administration to UI Business Management, signed off and returned.</li><li>m. Change Management Policy in draft form as noted and will resolve the concern in this finding.</li><li>n. Change Management Policy in draft form as noted and will resolve the concern in this finding.</li></ul> |

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|                              | <ul style="list-style-type: none"> <li>o. Change Management Policy in draft form as noted and will resolve the concern in this finding.</li> <li>p. Change Management Policy in draft form as noted and will resolve the concern in this finding.</li> <li>q. DOL would argue that Business management is always involved but their involvement is not documented, we will correct that in Management Change Policy.</li> <li>r. DOL will review and consider Emergency Production Change policies when they are available. At this time, all emergency production changes are approved and documented by IT Manager Patrick McCabe.</li> <li>s. Management Change Policy will address notice to Business and IT Admin.</li> <li>t. IT Disaster contingency Review began in Sept 2012 and documentation letter from BerryDunn was provided to KPMG December 13, 2012. We intend to follow up with an annual review after December 2013.</li> </ul>   |
| 6.                           | <p><b>Application Name:</b> Management System (WMS), Point of Sale (POS), and Sequoia</p> <p><b>Responsible Agency:</b> Division of Liquor Control</p> <p><b>Purpose:</b> Manages warehousing, inventory, purchasing, AP, tracking of sales/revenues, commission, licensing and GL. In addition, Point of Sale terminals which are owned by the State and are installed in each store.</p>   |
|                              | <ul style="list-style-type: none"> <li>a. The Programmer and Developer have access to both the development and production environment for Sequoia and POS. A lack of control over who has the ability to migrate software changes into production increases the risk that inappropriate and unauthorized changes could be made to software, moved undetected into production.</li> </ul> <p>We recommend a clear separation of access be created to restrict developers from having production access. This can be implemented with different resources, or with a work around that logs changes made by a developer that require a Manager’s review and approval.</p> <p><b>Management Response</b></p> <p>As noted in our IT Change Management Policy (Version 1.0) instituted in October 2012 in response to previous auditor recommendations, these procedures are already in effect. In each of the two systems for which in-house development is still possible, the developer does not put changes into production. Due to limitations in staff, the specific role depends on the system. For Sequoia, the Systems Developer does development; putting changes into production is done by the IT Systems Administrator. For Point of Sale, development is done by the IT Systems Administrator; putting changes into production is done by the Systems Developer.</p> <p>In addition, in both cases, changes are logged in the Help Desk for review and a permanent record. All change logs are visible to all DLC staff members, including both IT and other staff up to and including the Commissioner.</p> |

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|                              | Development is not possible in the Warehouse Management System (WMS) since it is a commercial software package developed by a third party, so there is no development to manage or restrict. (Even there, the Help Desk is used to log issues, although those issues are resolved with calls to the software provider, since the Help Desk is used to log all IT activities, not just development).  |
| 7.                           | <p><b>Application Name:</b> BFIS</p> <p><b>Responsible Agency:</b> Agency of Human Services (AHS)</p> <p><b>Purpose:</b> A system for Human Services Child Care Subsidy Payments.</p>  |
|                              | <p>a. Password parameters are weak with complexity disabled.<br/>We recommend that the Agency enable complexity of pass word parameters.</p> <p>b. No formalized policy or process exists to determine users who no longer require access to the application due to termination.<br/>We recommend that the Agency implement a process to utilize the State of VT HR listing on a scheduled basis (monthly/quarterly) to verify users that should be removed from BFIS.</p> <p>c. Although ad hoc reviews of user access were performed; the review is not formally documented or occurrence defined.<br/>We recommend that the Agency create and implement a formal process for a review of access rights to the application and appropriate sign off retention of the performance of the review should be retained.</p> <p>d. Without standard scheduled partial and full backups, data may be lost and not available for restoration should an event occur and data is lost. The Agency relies on DII to perform and store backup data; however, the Agency was not aware of what the backup schedules are.<br/>We recommend that the Agency document the backup schedule and periodically review to ensure that all data sets are being backed-up appropriately.</p> <p>e. The Agency does not have a formalized restoration process and testing schedule for ensuring that data from backups can be restored completely and accurately.<br/>We recommend that the Agency document the process and a standard testing cycle for restoral of data from backup tapes.</p> <p>f. No formalized process is defined or utilized to respond to problems and issues by receipt of an email or a helpdesk ticket.<br/>We recommend that the Agency develop and utilize a tool that allows them to identify and track all problems and issues for the application.</p> |

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|                              | <p><b><i>Management Response</i></b></p> <ul style="list-style-type: none"> <li>a. There is a BFIS Upgrades project currently underway that includes this as a requirement. This project is scheduled to be completed in spring 2013.</li> <li>b. Quarterly BFIS Users Account is reviewed by BFIS Help Desk. A tracking sheet has been developed to document this activity. Ref: BFIS User Account Management Tracking Checklist. Ref: BFIS Monitoring User Protocol, All BFIS Users are reminded about Users responsibilities.</li> <li>c. This has been implemented and is a current work in progress. Quarterly BFIS Users Account is reviewed by BFIS Help Desk. A tracking sheet has been developed to document this activity. Ref: BFIS User Account Management Tracking Checklist.</li> <li>d. There is documentation as of December 2012, and includes review of all data sets.</li> <li>e. With the new backup system, developers can now schedule regular restore/backup on servers. Documentation of this process and standard testing cycle will be developed and in place by December 2013.</li> <li>f. A tool is currently being researched (potentially JIRA) and will be set up to track issues and resolutions. This will be in place by December 2013.</li> </ul> |
| 8.                           | <p><b>Application Name:</b> SSMIS</p> <p><b>Responsible Agency:</b> Agency of Human Services (AHS)</p> <p><b>Purpose:</b> A benefit and eligibility system for Foster Care, Adoption Assistance and Social Services Block Grant Programs.</p>  |
|                              | <ul style="list-style-type: none"> <li>a. Password parameters are weak with no policies other than recommendations of data dictionary words that should not be used.<br/>We recommend that the Agency create and implement a set of standard password parameters.</li> <li>b. SSMIS perform ad hoc reviews of user access; however, the review is not formally documented or occurrence defined.<br/>We recommend that the Agency create and implement a formal process for a review of access rights to the application and appropriate sign off retention of the performance of the review should be retained.</li> <li>c. The Agency does not have formalized change management policy that outlines the requirements for making changes, obtaining approvals and the retention of the documents.<br/>We recommend that the Agency create a change management policy should be developed and issued for SSMIS and communicated to the organization.</li> <li>d. There is no formalized change management policy that requires that testing and approvals are</li> </ul>   |

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|                              | <p>obtained prior to migrating a change into production.</p> <p>We recommend that the Agency create a change management policy should be developed that defines the requirements for appropriate testing and approvals of testing prior to changes being migrated into production.</p> <p>e. SSMIS do not have a formalized restoration process and testing schedule for ensuring that data from backups can be restored completely and accurately.</p> <p>We recommend that the Agency document the process and a standard testing cycle for restoral of data from backup tapes.</p> <p>f. SSMIS respond to problems and issues by receipt of an email or a helpdesk ticket. No formalized process is defined or utilized.</p> <p>We recommend that the Agency develop and utilize a tool that allows them to identify and track all problems and issues for the application.</p> <p><b><i>Management Response</i></b></p> <p>a. Standard password parameters are being implemented as part of the SSMIS Upgrade project. This project is underway and is set for implementation in the Spring of 2013.</p> <p>b. A formal process for reviewing access rights to the application and appropriate sign off retention of the performance of the review is being created as part of the SSMIS Upgrade project. This project is underway and is set for implementation in the Spring of 2013.</p> <p>c. Currently, JIRA is being used as the Change Request mechanism. A formal change management policy will be created by the DCF ISD Standards Committee. Completion of this policy is planned for December 2013.</p> <p>d. A change management policy that defines the requirements for appropriate testing and approvals of testing prior to changes being migrated into production will be created by the DCF ISD Standards Committee. Completion of this policy is planned for December 2013.</p> <p>e. We do not use tape in our environment any longer, having recently converted to a solution that does replicated, versioning disk to disk (offsite) backups. We need to create new documentation of procedures and standard testing – this will be completed by December 2013.</p> <p>f. A tool is currently being researched (potentially JIRA) and will be set up to track issues and resolutions. This will be in place by December 2013.</p> |
| 9.                           | <p><b>Application Name:</b> ACCESS</p> <p><b>Responsible Agency:</b> Agency of Human Services (AHS)</p> <p><b>Purpose:</b> Benefit and Eligibility System for Human Service Cash Assistance Programs.</p>   |

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|                              | <p>a. We noted that appropriate IT Security Policy exists and is communicated to employees via intranet. However, no evidence was provided to substantiate that the policies are reviewed periodically and updated by management. We noted that several of the policies have not been revised since more than a year.</p> <p>We recommend that IT Security Policies be reviewed on an annual basis to ensure compliance with new regulations as well as to address potential security threats.</p> <p>b. DII network Domain Administrator access should be appropriately restricted. KPMG was unable to obtain screens for the DII Domain Administrators. However, KPMG obtained and inspected the State of Vermont, Agency Department of Information and Innovation Organization chart to identify the Network and System Administrators. Without appropriate restrictions to the Domain Administrators group, applications and supporting infrastructure may be exposed to unauthorized access.</p> <p>We recommend that appropriate documentation is provided to identify the Domain Administrators for the ACCESS application and verify the job roles and responsibilities of the Domain Administrators to assure appropriateness of their access.</p> <p>c. Super User level access to the application should be limited to appropriate personnel and monitored to detect inappropriate activity. System access to add/change/delete user accounts should be limited to Security Administrators.</p> <p>KPMG noted that developers have Super User access to the production system. In addition, DBAs are allowed to create, edit and delete users and can grant roles. KPMG noted that a vacant account "D14" has both the "SSS" role and the "DBA" role which gives DBA an ability to add, modify or delete a user account or grant user role in the production system. KPMG also noted that there are 3 additional vacant accounts (D20, D70 and D80). No monitoring is in place over the use of these ids. KPMG was informed that if a worker tries to login with a RACF ID that is not associated with their user ID they cannot get into the system. However it was noted in the case of two (D14 and D80) out of the four vacant roles noted above, the RACF ID was tied to user ID</p> <p>We recommend that vacant accounts be removed to reduce the chance that the ID is misused. In addition, a monitoring process should be in place to assure against misuse of the super user capability.</p> <p>d. On a periodic basis, business management reviews user access rights to the application to verify that access is appropriately aligned with users' job responsibilities and that terminated employees have not retained access. We were unable to substantiate periodic access review to assure that access is not retained for terminated employees and that access is appropriate for current users based on their job responsibilities.</p> <p>We recommend that management perform periodic review of user access for the ACCESS</p> |

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|                                     | <p>application. This will enable removal of inappropriate/inactive IDs in a timely manner and will reduce the possibility of malicious activity by unauthorized users. This review should be formally documented and evidence should be retained for audit purposes.</p>   |
| e.                                  | <p>A change management document was not provided for review. KPMG was notified that DCF ISD has formed a Standards Committee which will be working on the development of a formal written policy and procedure. These documents are to be completed by the end of calendar year 2013.</p> <p>We recommend that AHS develops processes and mechanisms to implement these policies as well.</p>  |
| f.                                  | <p>AHS does not have appropriate segregation of duties. Personnel who have development responsibilities currently have access to migrate changes to the production environment. KPMG was informed that AHS is currently going to a reorganization that will address the segregation of duties requirements.</p> <p>We recommend that conflicts of interest and concentration of power with any role be evaluated as part of the reorganization.</p>  |
| g.                                  | <p>No evidence was provided to substantiate that adequate backups were performed. Without appropriate backups, there is a risk that financially significant information may be lost in case of a disaster or hardware failure.</p> <p>We recommend that the Agency document the data backup and retention process and work with DII to monitor the effectiveness of backups. AHS should document the process and establish a standard testing cycle for restoral of data from backup tapes.</p>  |
| h.                                  | <p>We noted that no ticketing system is used to track issues. The current process is manual and the mainframe group keeps track of issues via a spreadsheet. In addition, there is no formally documented process for logging issues and tracking them to resolution. Without a formally documented process for logging issues as well as appropriate controls in place to ensure that all issues are logged and tracked through resolution, there is a risk that all issue may not be tracked or resolved in a timely manner.</p> <p>We recommend that the Agency utilize a ticketing system to manage the documentation of issues and problems to ensure proper management and resolution. A ticketing system provides appropriate structure and control to ensure that all problems are managed to resolution. Furthermore a formally documented policies and procedures should be in place to include process of tracking, categorizing and resolving issues in a timely manner.</p> |
| i.                                  | <p>We noted that the ACCESS system is not capable of enforcing the password complexity requirements as required by AHS Security Plan and System/Service Password Policy. Even though complexity is not enabled, the multi layer authentication process mitigates some of the risk associated with not having strong password parameters. In addition, password lockout is</p>  |



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|                              | <p>enabled.</p> <p>We recommend that the Agency investigate the possibility of enabling password complexity or a policy exception form should be obtained to document non-compliance with the AHS Security Policy requirements.</p> <p><b>Management Response</b></p> <ul style="list-style-type: none"><li>a. Currently the position of AHS Security Director is vacant. Once this position is filled the task of reviewing security policies on an annual basis will be implemented by that position.</li><li>b. The ACCESS system is a mainframe application. Authentication is not handled by Active Directory; therefore, no Domain Administrators would have any access to the mainframe. There is full separation of duties and access between the Network/Active Directory environment and DII's hosted mainframe environment.</li><li>c. It is true that a RACF ID must be associated with an ACCESS ID. For a user to get into the ACCESS system there is a further level of security with the password being removed/scrambled and the user access is revoked at both the RACF and ACCESS level. In ISD when a person leaves, we revoke access and scramble the passwords until such time as the position is either filled or a decision is made not to fill the position. If the position is not filled, then deletes are done and positions are marked vacant.</li><li>d. The periodic review of user access for the ACCESS application will be conducted by the business. ESD is creating a Business Application Support Unit (BASU) and will have responsibility for creating and managing procedures for account review. This unit and the procedures will be in place by December 31, 2013.</li><li>e. The DCF ISD Standards Committee will be developing a change management policy for the Department. As part of this work, processes and mechanisms for implementing the policy will also be developed. This will include management and oversight by the newly implemented Business Application Support Unit (BASU) within ESD. All work has a planned implementation date of December 31, 2013.</li><li>f. Within our teams we strive to have separation of duties. A developer who has made changes to programming does not migrate those changes to production without another developer reviewing the code. This is not a formal process however, as our current staffing levels prevent us from having the level of separation that we would like. As we continue to improve or internal work processes we will strive to improve in this area and will evaluate conflicts of interest and concentration of power with any role as part of our continuous efforts toward improvement.</li><li>g. In the ACCESS system we have a full stand alone backup that is created every Sunday. In addition we have 3 parallel backups that run on Monday, Wednesday, and Friday nights. We also have running what is called 'protection logging'. All modifications to the database are logged in a separate file. This combination allows us to restore our databases back to any given point in time for the last week and to any backup time for a number of months in the</li></ul> |



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|                                     | <p>past. This restore capability is routinely used and tested in our test environments. The mainframe application also has a disaster site where the mainframe disc files are mirrored on a real time basis. In the event of a disaster at our main facility, we can immediately move to the disaster site where a complete and usable copy of our mainframe system is maintained. We also keep another copy of most of our data that is copied to a SQL database on a real time basis. This SQL database is used to feed a number of satellite applications such as data warehouses, voice response units, and web applications. This will be documented and monitored, per a Service Level Agreement with DII.</p> <p>h. A tool is currently being researched (potentially JIRA) and will be set up to track issues and resolutions. This will be in place by December 2013.</p> <p>i. Because the ACCESS application is not capable of providing the level of complexity required for passwords by our own policy, we will add to the existing AHS policy that the ACCESS application is exempt from this requirement. As efforts are underway to eventually move all programs off the ACCESS application in the next 5-10 years, requirements for password complexity will be considered on any new platforms the Agency may use.</p> |

***Management Response***

Responses are embedded in the above table.

**FS2012-04 – Succession Planning**

***Background***

Goal 8.4.1 of the Vermont Statewide Strategic Plan 2012, Version 4, December 2012, states “Develop and implement a comprehensive approach to workforce recruitment, hiring, retention, and planning resulting in a diverse, effective and efficient workforce to meet the present and future needs of Vermont State Government.”

The State is a multi-billion dollar enterprise that has many diverse and complex business functions and decentralized operations. The State also operates in a dynamic environment and is exposed to many different risks and challenges. The average age of the State’s workforce, like many other governments in the Country, continues to age and move towards retirement.

***Finding***

The issue of the pending retirement of the baby boomer generation has come to the forefront for businesses, including state government, as the first of the “boomers” have reached retirement age. Over the next decade, as more state employees reach retirement age, the State will be faced with a tremendous loss of institutional knowledge and possibly significant deficiencies in highly specialized areas and functions. The effects of this are already starting to be seen as evidenced by the types of financial statement

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and compliance findings noted for the current audit. The lack of critical resources highlights the need to immediately implement an appropriate personnel succession plan throughout the State.

In order to ensure continuity of service and minimize the loss of institutional knowledge, it is essential that the State develop and execute a succession plan that will address this inevitable challenge.

#### ***Recommendation***

We recommend that the Department of Human Resources continue to work with individual agencies and departments to ensure that formal succession plans are developed for all key functional areas; that the plans are current; and that the plans are appropriately communicated and acted upon.

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

DHR will conduct training in calendar year 2013 for members of the Governor's extended cabinet that will highlight the need for succession planning, given the pending retirement of the baby boom generation. At this training, DHR will provide tools and guidance to senior leaders to help them prepare formal succession plans for their Agencies and Departments. In addition, the Secretary of Administration will also review the need for and efforts made to date on succession planning, as part of the annual reporting process on each Agency and Department's strategic plan.

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

**Finding 12-01**

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**

|              |      |
|--------------|------|
| 2012CL160344 | 2012 |
| 2012IN109044 | 2012 |
| 2012IN109844 | 2012 |
| 2012IN202044 | 2012 |
| 2012IM253344 | 2012 |
| 2012IN109744 | 2012 |
| 2012IN254554 | 2012 |

***Criteria***

A pass-through entity is responsible for:

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

***Condition Found***

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

- A. School food authorities are required to submit an annual application to be eligible to operate as a school food authority. During our review over the application process, we found that:
  - For 1 out of 25 applications reviewed, the school food authority had answered eligibility questions incorrectly and there was no follow up performed by the Department as part of its approval process.

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- 22 out of 25 applications were modified by Department personnel but there was no corresponding documentation to show that the school food authority had approved any of the changes to its application.
- B. For all 25 school food authorities tested, the grant agreements did not contain all the CFDA numbers awarded to the school food authorities. The only CFDA number listed in the agreement was the National School Lunch Program, CFDA #10.555.
- C. 8 out of 25 programmatic monitoring visits contained missing documentation that was required as part of the Department's programmatic monitoring procedures.

#### *Cause*

The cause of the condition found is due to a lack of documentation to support programmatic monitoring procedures performed by the Department.

#### *Effect*

The effect of the condition found is that the Department may be unable to follow up on matters identified through its programmatic monitoring process 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 the Department review its existing programmatic monitoring procedures and develop controls to ensure that all programmatic monitoring procedures performed are properly documented as it relates to awarding grants to school food authorities as well as its programmatic monitoring visits. The procedures should ensure that all required documentation is compiled and maintained to support each programmatic visit performed. A supervisory review should be conducted to ensure each file is complete prior to closure. In addition, the Department should review its existing policy for establishing grant agreements with the school food authorities to ensure that all award information is communicated properly.

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

- A. The Program monitoring files are reviewed periodically through the monitoring process and at the end of the monitoring year. A second individual reviews the file to ensure that the review is closed and the documentation is complete. We can implement stricter review standards and have the reviewer sign off on the completed review file.
- B. The online application and claiming system may be revised to include the appropriate CFDA Number for each of the appropriate programs, Lunch, Breakfast, Special Milk, Summer Food Service Program, and the Fresh Fruit and Vegetable Program. We will investigate the cost of this activity and develop a timeline for the corrections to the online and paper applications.

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- C. A thorough review of applications will be required of Program staff to ensure questions are complete and correct.

Child Nutrition Programs will work to develop written procedures for reviewing program applications, grant applications, and programmatic reviews.

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

December 19, 2013

***Contact for Corrective Action Plan***

Deb Quackenbush, Division Director, 802-828-5877

Laurie Colgan, Child Nutrition Programs, 802-828-5133

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**Finding 12-02**

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**

|              |      |
|--------------|------|
| 2012CL160344 | 2012 |
| 2012IN109044 | 2012 |
| 2012IN109844 | 2012 |
| 2012IN202044 | 2012 |
| 2012IM253344 | 2012 |
| 2012IN109744 | 2012 |
| 2012IN254554 | 2012 |

**Criteria**

A pass-through entity is responsible for:

- *During-the-Award Monitoring* – Monitoring the subrecipients use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipients fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipients audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipients audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

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#### *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 testwork over the Department's fiscal monitoring process, we noted the following:

- A. The Department performs fiscal monitoring visits over its grantees. During our review over the Department's fiscal monitoring visits we found that:
- For 3 out of 25 fiscal monitoring visits reviewed, the Department obtained a Corrective Action plan, however there was no indication that the corrective action plan had been accepted and there was no closure letter sent to the subrecipient.
  - The Department did not perform a fiscal monitoring visit for 6 out of 25 subrecipients selected for testwork.
  - For 1 out of 25 fiscal monitoring visits reviewed, the Department had obtained a corrective action plan based on the results of the visit. Per review of correspondence within the monitoring file, the Department would perform a follow up visit so that the fiscal monitoring visit could be closed. There was no evidence in the monitoring file that the follow up visit had occurred or that the fiscal monitoring visit had been closed.
- B. During our review over the Department's monitoring of subrecipient A-133 audit reports, we found that:
- For 3 out of 25 school food authorities reviewed, the Department did not issue a management decision letter documenting its review of the A-133 audit report and had exceeded the 6 month time frame allotted to issue a management decision letter.
  - For 9 out of 25 school food authorities reviewed, the school food authority was delinquent in submitting its A-133 audit report to the Department. We were unable to obtain documentation to support that the Department had followed up with the school food authorities concerning the delinquent reports.
  - For 3 out of 25 school food authorities reviewed, the Department did not have any current information as to whether or not the school food authority was required to have an A-133 audit and there was no documentation to support that procedures had been performed to determine if an audit had been performed.

#### *Cause*

The cause of the condition found is due to a lack of documentation to support the fiscal monitoring procedures performed by the Department.

#### *Effect*

The effect of the condition found is that the Department may be unable to follow up on matters identified through its fiscal monitoring process on a timely basis.

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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 the Department review its existing fiscal monitoring procedures and develop controls to ensure that all fiscal monitoring procedures performed are properly documented for both fiscal monitoring reviews and its review over school food authorities A-133 audit reports. The procedures should ensure that all required documentation is compiled and maintained to support each visit performed. A supervisory review should be conducted to ensure each file is complete prior to closure.

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

##### **Fiscal Monitoring**

Condition A, Bullet 1: The AoE's fiscal monitoring staff acknowledges a need to provide better documentation of our monitoring work, acceptance of corrective action plans, and closeout. Beginning with the current year subrecipient fiscal monitoring work, the fiscal monitoring staff has developed a spreadsheet for tracking the status of each monitoring review, including the issuance of a report, receipt and acceptance of a corrective action plan, and the issuance of a closeout letter.

Condition A, Bullet 2: The current fiscal monitoring staff was not aware until a few months ago that our monitoring list was not complete and that, consequently, we had not scheduled monitoring visits for some AoE subrecipients. A complete list of grant subrecipients will be generated by the accounting staff and made available to the fiscal monitors.

Condition A, Bullet 3: The reason for this condition and the response is the same reason as Bullet #1.

##### **A-133 Reviews**

The Education Finance Manager who is assigned audit review responsibilities will review and update the Audit Unit Policy last revised in April of 2006. This policy will reflect updated procedures that comply with current State and Federal requirements.

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

##### **Fiscal Monitoring**

Condition A, Bullet 1: This action has already been completed.

Condition A, Bullet 2: This action will be completed by June 30, 2013.

Condition A, Bullet 3: This action has already been completed.

##### **A-133 Reviews**

June 30, 2013



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*Contact for Corrective Action Plan*

**Fiscal Monitoring**

Cathy Hilgendorf, Assistant Division Director, 802-828-5402

**A-133 Reviews**

Aaron Brodeur, School Finance Manager, 802-828-0289

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**Finding 12-03**

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**

|              |      |
|--------------|------|
| 2012CL160344 | 2012 |
| 2012IN109044 | 2012 |
| 2012IN109844 | 2012 |
| 2012IN202044 | 2012 |
| 2012IM253344 | 2012 |
| 2012IN109744 | 2012 |
| 2012IN254554 | 2012 |

***Criteria***

For grants and cooperative agreements, effective after October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with a new Federal Assistance Identification Number (FAIN) on or after that date, grantees are required to file a report under the Federal Funding Accountability and Transparency Act related to subawards made that exceed \$25,000 at the time the obligation is entered into.

***Condition Found***

During our testwork over federal reporting, we noted that the State Department of Education (the Department) had entered into agreements that were subjected to reporting under the Federal Funding Accountability and Transparency Act (FFATA) however no reports were filed or attempts to file the reports were made as of June 30, 2012.

***Cause***

The cause of the condition found is that the Department enters into operating agreements with school food authorities whereby the school food authorities operate a food service program under the Child Nutrition Cluster. As the program is an entitlement program, it was unclear to the Department whether or not these agreements represented reportable agreements for FFATA reporting.

***Effect***

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

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

***Questioned Costs***

None.

***Recommendation***

We recommend that the Department review its existing policy for reporting items under the Federal Funding Accountability and Transparency Act to ensure that they are capturing and reporting subawards timely as required by the Act. Discussions with the awarding agency to discuss whether or not the existing funding arrangement currently used by the Department would qualify as a reportable subaward may be beneficial.

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

Because these are entitlement programs where monies are reimbursed after meal counts are reported, it is difficult to capture those that need to be entered. This will require us to look at cumulative activity by CFDA by entity and begin reporting once an entity has exceeded the \$25,000 mark. To do that will require us to enter a "new grant" each month in FFATA for every reimbursement sent to an entity who has met the criteria. This is cumbersome at best. We are working to create a system that will most efficiently allow us to meet this requirement.

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

We will be reporting child nutrition reimbursements in FFATA during SFY13.

***Contact for Corrective Action Plan***

Kathy Flanagan, Financial Director, 802-828-0482

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**Finding 12-04**

U.S. Department of Interior

**Program Name and CFDA Number**

Fish and Wildlife Cluster:

Sport Fish Restoration Program (CFDA #15.605)

Wildlife Restoration and Basic Hunter Education (CFDA #15.611)

**Program Award Number and Year**

F-19-E-23

7/1/11 – 6/30/12

***Criteria***

The SF-425, *Financial Status Report*, is required to be filed annually for each grant award. As part of the reporting processes, entities are required to establish controls to provide reasonable assurance that reports of federal awards submitted to the federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

***Condition Found***

During our testwork over the SF-425 reports submitted for the period ending June 30, 2012, we noted that submitted reports are not consistently reviewed prior to submission. Additionally we noted that inaccurate amounts were reported on 1 of the 11 reports selected for testwork reviewed. Specifically, the SF-425 reported for federal grant number F-19-E-23 inaccurately reported the indirect expense in boxes 11d, 11e, and 11f. The federal agency had also identified the above noted errors and requested that the State Department of Fish and Wildlife (the Department) make the necessary changes and file amended reports.

***Cause***

The cause of the condition found is that the Department does not have adequate controls over the review and approval of the SF-425 reports before they are submitted.

***Effect***

The effect of the condition found is that the federal reports may be filed with inaccurate data.

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

***Questioned Costs***

None noted.

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#### ***Recommendation***

We recommend that the Department review its existing federal reporting process and implement controls to ensure federal reports are prepared accurately.

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

The auditor states that "The SF-425 report for federal grant number F-19-E-23 inaccurately reported the indirect expenses reported in boxes 11d, 11e, and 11f." The Department acknowledges this finding but disputes that this is a systematic in nature or that it is a significant deficiency in internal controls. The error identified represents 1 of the 11 reports reviewed by the auditor and had no impact on the amount of Federal funds that were drawn. This error was caused by entering the indirect information from the wrong grant onto the F-19-E-23 SF-425. During the time period that this report was filed the business office was going through a transition and was operating without its financial manager. This coupled with two new Federal aid coordinators created a unique situation, that is not systematic in nature but one of extenuating circumstances. The Department will institute a corrective action that all SF-425s will be reviewed prior to submission. The Financial Administrator will prepare all of the SF-425s and then submit them to either the Fish & Wildlife Grants Administrator or Financial Manager for review. The review will cover a reconciliation of all information entered on the form as well as the summary back-up information. The reviewer will initial and date a cover page once review is complete. The Department will resubmit a corrected SF-25 to the U.S. Fish & Wildlife Service. The Department will also work closely with U.S. Fish and Wildlife to remedy issues before submission of the SF-425s.

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

July 1, 2013

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

Steven Gomez, Fish & Wildlife Grants Administrator, 802-828-1294

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**Finding 12-05**

U.S. Department of Interior

**Program Name and CFDA Number**

Fish and Wildlife Cluster:

Sport Fish Restoration Program (CFDA #15.605)

Wildlife Restoration and Basic Hunter Education (CFDA #15.611)

**Program Award Number and Year**

January 1 – December 31, 2010

***Criteria***

The Director of each state fish and wildlife agency must certify annually the number of paid hunting and fishing license holders in the State using *Form 3-154A and 3-154B, Paid Hunting and Fishing License Certification*.

As part of the reporting processes, entities are required to establish controls to provide reasonable assurance that reports of federal awards submitted to the federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

***Condition Found***

During our testwork related to *Form 3-154A and 3-154B, Paid Hunting and Fishing License Certification*, we noted that submitted reports are not consistently reviewed prior to submission. Additionally, we noted the following discrepancies in the information reported:

- A. Nonresidential combination licenses were missing from the total fishing licenses reported.
- B. Duplicate licenses were added rather than subtracted in the State Department of Fish and Wildlife's (the Department) calculation. As such, fishing licenses reported were over stated by 1,162 licenses.

***Cause***

The cause of the condition found is that the Department does not have adequate controls over the review and approval of the *Form 3-154A and 3-154B, Paid Hunting and Fishing License Certification* before it is submitted.

***Effect***

The effect of the condition found is that the federal reports are filed inaccurately.

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

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***Questioned Costs***

None.

***Recommendation***

We recommend that the Department review its existing federal reporting process and implement controls to ensure federal reports are prepared accurately.

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

- A. The auditor states "Nonresidential Combination Licenses were missing from the total Fishing Licenses reported." The Department acknowledges this finding but disputes it is systematic in nature or a significant deficiency in internal controls. The error was the result of Nonresident Youth Combination licenses, a total of 61, not being included in the Fishing Licenses reported. The number of certified hunting and fishing licenses sold in the State result in the amount of Federal funding a State can receive through the Wildlife and Sport Fish Restoration grant programs. By not reporting these combination licenses the State underreported the number of certified fishing licenses sold which in theory reduces the amount of Federal funds available to the State. The Department will develop an internal review process for the license certification forms. The responsibility of preparing the license certification forms will be held by the F&W grants administrator and then be reviewed by the Financial Manager before submission. After the review is complete the Financial Manager will initial and date the cover page of the certifications.
  
- B. The auditor states that "Duplicate licenses were added rather than subtracted in the Department's calculation. As such, Fishing Licenses reported were over stated by 1,162 licenses." The Department acknowledges this finding but disputes it is systematic in nature or a significant deficiency in internal controls. This error was the result of the duplicate license row being added instead of subtracted from the total reported. While the Department over stated the number of licenses reported this will have no impact on the amount of Federal funds available. The State of Vermont is a "minimum" state which means it receives the minimum amount of Federal funds apportioned through the Sport Fish and Wildlife Restoration programs. The Department will develop an internal review process for the license certification forms. The responsibility of preparing the license certification forms will be held by the F&W grants administrator and then be reviewed by the Financial Manager before submission. After the review is complete the Financial Manager will initial and date the cover page of the certifications.

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

July 1, 2013

***Contact for Corrective Action Plan***

Steven Gomez, Fish & Wildlife Grants Administrator, 802-828-1294

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**Finding 12-06**

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)
- WIA Dislocated Worker Formula Grants (CFDA #17.278)

**Program Award Number and Award Year**

|                     |                  |
|---------------------|------------------|
| AA-21428-11-55-A-50 | 4/1/11 – 6/30/14 |
| AA-20226-10-55-A-50 | 4/1/10 – 6/30/13 |
| AA-18774-09-55-A-50 | 4/1/09 – 6/30/12 |

**Criteria**

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

**Condition Found**

During our testwork over the State Department of Labor’s (the Department) eligibility determination and benefit payment processes for the WIA cluster, we noted the following:

- A. 2 of 25 participants lacked sufficient documentation to support that they were eligible to receive adult program services.
- B. 2 of 25 participants were determined to be eligible to receive services by passing the low-income eligibility test. For 1 of 2 participants, there was no documentation to support that the participant met this requirement. For the other participant, documentation within the file indicated that the participant earned more income than allowed in order to be eligible under this criteria.
- C. 4 of 25 participants did not have a signed employment development plan within their case file.
- D. 1 of 25 participants was required to submit a transcript or grade report from the college providing services under the program to show progress in meeting their employment development plan. Per review of the participants case file, it did not appear that the documentation was obtained from the participant.



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- E. 2 of 25 participants lacked documentation to support that they were eligible to receive youth activities services.
- F. 5 of 25 participants received occupational skills training, which included tuition assistance. During our review of their case files, we noted that the Department did not seek alternative funding, such as student financial aid, to assist in paying for the occupational skills training in order to maximize the use of federal funds provided under this program.

#### *Cause*

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

#### *Effect*

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

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

#### *Questioned Costs*

\$11,235

#### *Recommendation*

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

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

##### *Action 1*

Recently, the Vermont Department of Labor Workforce Development Division has created and implemented the use of a new form, WIA-7. This form (attached) requires the Manager or Grant Manager (depending on the amount requested) to review the case file. The case justification is reviewed along with leveraged and non-leveraged training allocations. In order for the WIA-7 to be approved the case and its critical components must be verified in the system and file.

##### *Action 2*

Federal WIA regulations require the Division to conduct case "validations" on a regular basis. Those validations are conducted by trained staff who review files in funding streams and regions they do not work in. The information gathered through the validation process is then shared with management in order to correct short comings, or offer trainings to minimize or resolve issues in their entirety.

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*Action 3*

We have hired an employee whose primary responsibility will focus on the division's performance levels inclusive of case file justifications and results. Based on information gathered from regular office reviews, validation, and changes in procedures that employee will assist in correcting errors and developing training tools for our staff.

We feel that the above three measures will support thorough reviews of case files prior to authorization and approval of expenditures. Also, we have put into place a framework of reviews that support quality case file management and provides a structure of checks and balances to our training system.

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

Corrective action is completed.

***Contact for Corrective Action Plan***

Chad Wawrzyniak, Department of Labor, 802-828-4000

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**Finding 12-07**

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)
- WIA Dislocated Worker Formula Grants (CFDA #17.278)

**Program Award Number and Award Year**

|                     |                  |
|---------------------|------------------|
| AA-21428-11-55-A-50 | 4/1/11 – 6/30/14 |
| AA-20226-10-55-A-50 | 4/1/10 – 6/30/13 |
| AA-18774-09-55-A-50 | 4/1/09 – 6/30/12 |

**Criteria**

A-102 Common Rule and OMB Circular A-110 (2 CFR par 215) require that nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. This includes establishing controls to provide reasonable assurance that federal awards are expended only for allowable activities and the costs of goods and services charged to federal award are allowable in accordance with the applicable cost principles.

**Condition Found**

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

- A. 1 of 40 transactions tested represented rental expense that was allocated to the program. The rental expense was composed of 6 invoices, of which 2 invoices were missing. As a result, we were unable to recalculate that the rental expense allocated to the program was reasonable.
- B. 1 of 40 transactions tested represented a transfer of administrative costs incurred on behalf of another federal program (the Work Opportunity Tax Credit or WOTC) that was transferred into the WIA Cluster. The transfer was made as a result of excess costs incurred under the WOTC program and as the WIA Cluster had not yet met its 5% administrative allocation. It is unclear as to whether or not these costs were allowable under the WIA Cluster.
- C. 11 of 40 transactions were composed of journal entries. During our review over the journal entries, we noted that each journal entry was prepared and approved by the same individual and there was no supervisory review to ensure that the journal entry was appropriate.

**Cause**

The cause of the condition found is due to a lack of supervisory review to ensure all costs are allowable and properly documented at the time they are processed for payment.

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***Effect***

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

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

***Questioned Costs***

\$67,772

***Recommendation***

We recommend that the State Department of Labor review its existing procedures and implement controls to ensure that adequate documentation exists to support all payments incurred under the program and that all transactions are properly reviewed and approved prior to payment.

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

- A. The Fiscal Division has looked in all of our files and we cannot relocate the 2 missing invoices. We have contacted State of VT BGS (the issuer of the invoices) and they have informed us that do not keep records of the invoices.
- B. The transfer of administrative costs from the WOTC to the WIA admin 5% funding stream was done on recommendation and suggestion from the US DOL Boston office. In accordance with CFR 20 Chapter 5 part 667.210 these charges are appropriate and allowable.  
[http://www.dol.gov/dol/cfr/Title\\_20/](http://www.dol.gov/dol/cfr/Title_20/)
- C. As with all of our transactions, all journal entries are now processed and approved by separate individuals. The approver of all journal entries is the immediate supervisor or higher in the chain of command of the preparer.

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

Corrective action is completed.

***Contact for Corrective Action Plan***

Chad Wawrzyniak, Department of Labor, 802-828-4000

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**Finding 12-08**

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)

WIA Dislocated Worker Formula Grants (CFDA #17.278)

**Program Award Number and Award Year**

AA-21428-11-55-A-50

4/1/11 – 6/30/14

***Criteria***

For grants and cooperative agreements, effective after October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with new Federal Assistance Identification Number (FAIN) on or after that date, grantees are required to file a report under the Federal Funding Accountability and Transparency Act related to subawards made that exceed \$25,000 at the time the obligation is entered into.

***Condition Found***

During our testwork over federal reporting, we noted that the State Department of Labor (the Department) had not reported or attempted to file a report under the Federal Funding Accountability and Transparency Act (FFATA) for 1 out of 5 grants selected for testwork.

***Cause***

The cause of the condition found is that the Department does not have sufficient procedures in place to ensure all FFATA reports are filed and filed timely.

***Effect***

The effect of the condition found is that the FFATA report was not filed.

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 Department develop procedures to ensure FFATA reports are filed for all transactions subject to FFATA reporting requirements.

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

This finding is due to a turnover of key staff personnel and the information, policies and procedures not being relayed to the replacement now responsible for the filing of these reports. We do have copies and printouts of some FFATA reports having been filed in the audited year FY '12; however we are not yet confident that all awards and grants that meet the threshold and requirements of the act have been filed.

VDOL is currently in the process of researching and establishing policies and procedures in regards to FFATA reporting. We are in contact with US DOL Boston for guidance on this reporting requirement and researching which grants and awards, past and present, are subject to FFATA reporting since its effective date of Oct 2010. Once all of these awards and grants are identified we will begin the process of filing and reporting all delinquent FFATA reports as well as staying current with any awards over the \$25,000 threshold.

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

March 31, 2013.

***Contact for Corrective Action Plan***

Chad Wawrzyniak, Department of Labor, 802-828-4000

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### Finding 12-09

U.S. Department of Transportation

#### Program Name and CFDA Number

ARRA – High-Speed Rail Corridors and Intercity Passenger Rail Service – Capital Assistance Grants (CFDA #20.319)

#### Program Award Number and Award Year

FR-HSR-0013-10-01-01                      9/30/10 – 9/30/12

#### Criteria

The SF-425 report is filed on a quarterly basis, no later than 30 days after the month following the quarter end. As part of the reporting process, entities are required to establish controls to provide reasonable assurance that reports of federal awards submitted to the federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

Program income is gross income received that is directly generated by the federally funded project during the grant period. If authorized by Federal regulations or the grant agreement, costs incident to the generation of program income may be deducted from gross income to determine program income. Program income includes, but is not limited to, income from fees for services performed, the use or rental of real or personal property acquired with grant funds, the sale of commodities or items fabricated under a grant agreement, and payments of principal and interest on loans made with grant funds.

#### Condition Found

During our review over the reporting process, we noted the amounts reported for the SF-425 reports for the quarters ending March 31, 2012 and June 30, 2012 were not accurate. Specifically we noted the following:

- A. Per review of the SF-425 reports filed for the quarter ending March 31, 2012, the amount reported for program income during the month was \$1,465,990. Per review of the supporting documentation used to prepare the report, the amount of program income that should have been reported was \$7,547,067, a difference of \$6,081,077.
- B. During our testwork over program income we noted that when the State Agency of Transportation (the Agency) incorrectly recorded within its accounting system, the STARS system, the salvage value associated with income generated by this program. The salvage amount (program income) per the invoice was \$2,461,726 however the Agency incorrectly reported this amount within the STARS as the state match. The correct state match amount of \$569,532 was recorded as salvage. Therefore program income was understated by \$1,892,194 and the state match was overstated by \$1,892,194 on the SF-425 for the quarters ending March 30, 2012 and June 30, 2012.

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***Cause***

The cause of the condition found is due to insufficient controls surrounding the review and approval of federal reports before the reports are issued as well as the review and approval of journal entries before they are data entered into the accounting system.

***Effect***

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

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

***Questioned Costs***

Not determinable.

***Recommendation***

We recommend that the Agency review its existing policies and control procedures for reviewing and approving journal entries and federal reports to ensure that they are consistently followed in order to prevent inaccuracies within its federal reports.

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

AOT believes adequate procedures and controls are in place. We have reemphasized the importance of following these procedures and will periodically monitor compliance. Additionally FRA now requires this form to be submitted electronically. It is anticipated that this will facilitate FRA review and timely feedback on our reports.

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

June 30, 2013

***Contact for Corrective Action Plan***

Terry Call, AOT Audit Supervisor, 802-828-2406



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**Finding 12-10**

U.S. Department of Transportation

**Program Name and CFDA Number**

Highway Safety Cluster:

- State and Community Highway Safety (CFDA #20.600)
- Alcohol Impaired Driving Countermeasures Incentive Grants I (CFDA #20.601)
- Occupant Protection Incentive Grants (CFDA #20.602)
- State Safety Belt Performance Measures (CFDA #20.609)
- State Traffic Safety Information System Improvement Grants (CFDA #20.610)
- Incentive Grant Program to Prohibit Racial Profiling (CFDA #20.611)
- Incentive Grant Program to Increase Motorcyclist Safety (CFDA #20.612)
- Child Safety and Child Booster Seat Incentive Grants (CFDA #20.613)

**Program Award Number and Year**

|                  |      |
|------------------|------|
| K6-2012-00-00-00 | 2012 |
| K6-2011-00-00-00 | 2011 |
| K8-2012-00-00-00 | 2012 |
| K8-2011-00-00-00 | 2011 |
| K2-2012-00-00-00 | 2012 |
| K2-2011-00-00-00 | 2011 |
| K9-2012-00-00-00 | 2012 |
| K9-2011-00-00-00 | 2011 |
| K3-2012-00-00-00 | 2012 |
| K3-2011-00-00-00 | 2011 |

**Criteria**

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

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

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

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

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

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

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

#### ***Cause***

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

#### ***Effect***

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

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

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

Not determinable.

#### ***Recommendation***

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

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

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

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

We are currently seeking guidance from our Federal Program Manager on best practices for monitoring MOE. We hope to have corrective action on this requirement by the close of the current federal fiscal year, 9/30/13.

***Contact for Corrective Action Plan***

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

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

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**Finding 12-11**

U.S. Department of Education

**Program Name and CFDA Number**

Title I, Part A Cluster:

Title 1 Grants to Local Education Agencies (CFDA #84.010)

ARRA – Title I Grants to Local Educational Agencies, Recovery Act (CFDA #84.389)

**Program Award Number and Year**

|                     |                   |
|---------------------|-------------------|
| S010A110045-11B     | 7/1/11 – 9/30/12  |
| S010A100045A        | 7/1/10 – 9/30/11  |
| S389A090045A (ARRA) | 2/17/09 – 9/30/10 |

**Criteria**

A pass-through entity is responsible for:

- *During-the-Award Monitoring* – Monitoring the subrecipients use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipients fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipients audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipients audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

**Condition Found**

The State Department of Education (the Department) grants funds to subrecipients or local educational agencies to carry out the objectives of the program. During our testwork over the Department’s fiscal monitoring process, we noted the following:

- A. The Department performs fiscal monitoring visits over its subrecipients. During our review over the Department’s fiscal monitoring visits, we found that:
  - For 4 out of 15 fiscal monitoring visits reviewed, the Department obtained a corrective action plan, however there was no indication that the corrective action plan had been accepted and there was no closure letter sent to the subrecipient.
  - For 11 out of 15 fiscal monitoring visits reviewed, the Department reviewed a sample of expenditures made by the subrecipient under each federal grant. However, it was unclear

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based on the documentation maintained in the file what procedures were performed by the Department during its review of the expenditures selected.

- For 1 out of 15 fiscal monitoring visits reviewed, the Department had accepted a corrective action plan with one exception that required further documentation from the subrecipient. There was no documentation within the file to support that the Department had followed up on the open item.
- For 3 out of 15 fiscal monitoring visits reviewed, the Department had obtained a corrective action plan however it was not signed by the appropriate personnel.
- For 1 out of 15 fiscal monitoring visits reviewed, the monitoring file did not include a closure letter or any documentation indicating that the subrecipient had responded to the findings noted during the fiscal monitoring visit.

B. During our review over the Department's monitoring of subrecipient A-133 audit reports, we found that:

- For 1 out of 15 subrecipients reviewed, the Department did not issue a management decision letter documenting its review of the A-133 audit report and had exceeded the 6 month time frame allotted to issue a management decision letter.
- For 1 out of 15 subrecipients reviewed, the Department had incorrectly determined that the subrecipient did not need to have an A-133 audit and as a result did not obtain and review the subrecipients A-133 audit report.
- For 8 out of 15 subrecipients reviewed, the subrecipient was delinquent in submitting its A-133 audit report to the Department. We were unable to obtain documentation to support that the Department had followed up with the subrecipients concerning the delinquent reports.
- For 1 out of 15 subrecipients reviewed, the Department followed up on a finding noted during the A-133 audit report and requested a corrective action plan. There was no documentation within the file to support that the corrective action related to the finding had taken place and no further follow up was made by the Department.

#### *Cause*

The cause of the condition found is due to a lack of documentation to support the Departments overall fiscal monitoring procedures.

#### *Effect*

The effect of the condition found is that the Department may be unable to follow up on matters identified through the fiscal monitoring process on a timely basis.

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

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#### *Questioned Costs*

None.

#### *Recommendation*

We recommend the Department review its existing fiscal monitoring procedures and develop controls to ensure that all fiscal monitoring procedures performed are properly documented for both fiscal monitoring reviews and its review over subrecipient A-133 audit reports. The procedures should ensure that all required documentation is compiled and maintained to support each fiscal monitoring visit performed. A supervisory review should be conducted to ensure each file is complete prior to closure.

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

##### **Fiscal Monitoring**

Condition A, Bullet 1: The AoE's fiscal monitoring staff acknowledges a need to provide better documentation of our monitoring work, acceptance of corrective action plans, and closeout. Beginning with the current year subrecipient fiscal monitoring work, the fiscal monitoring staff has developed a spreadsheet for tracking the status of each monitoring review, including the issuance of a report, receipt and acceptance of a corrective action plan, and the issuance of a closeout letter.

Condition A, Bullet 2: An expenditure review checklist has been developed and is being used to document what procedures are performed during fiscal monitoring expenditure review.

Condition A, Bullet 3: The reason for this condition and the response is the same reason as Bullet #1.

##### **A-133 Reviews**

The Education Finance Manager who is assigned audit review responsibilities will review and update the Audit Unit Policy last revised in April of 2006. This policy will reflect updated procedures that comply with current State and Federal requirements.

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

##### **Fiscal Monitoring**

Condition A, Bullet 1: This action has already been completed.

Condition A, Bullet 2: This action has already been completed.

Condition A, Bullet 3: This action has already been completed.

##### **A-133 Reviews**

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#### *Contact for Corrective Action Plan*

##### **Fiscal Monitoring**

Cathy Hilgendorf, Assistant Division Director, 802-828-5402

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**A-133 Reviews**

Aaron Brodeur, School Finance Manager, 802-828-0289

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**Finding 12-12**

U.S. Department of Education

**Program Name and CFDA Number**

Special Education Cluster:

- Special Education – Grants to States (CFDA #84.027)
- Special Education – Preschool Grants (CFDA #84.173)
- ARRA – Special Education – Grants to States, Recovery Act (CFDA #84.391)
- ARRA – Special Education – Preschool Grants, Recovery Act (CFDA #84.392)

**Program Award Number and Year**

|                     |                   |
|---------------------|-------------------|
| H027A110098-11A     | 7/1/01 – 9/30/12  |
| H173A110106         | 7/1/01 – 9/30/12  |
| H027A100098A        | 7/1/10 – 9/30/11  |
| H173A100106         | 7/1/10 – 9/30/11  |
| H39209001056 (ARRA) | 2/17/09 – 9/30/10 |
| H391A090098A (ARRA) | 2/17/09 – 9/30/10 |

**Criteria**

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

**Condition Found**

The State Department of Education (the Department) grants funds to subrecipients or local educational agencies to carry out the objectives of the program. During our testwork over the Department’s fiscal monitoring of subrecipient A-133 reports, we noted the following:

- A. For 4 out of 13 subrecipients reviewed, the subrecipient was delinquent in submitting its A-133 audit report to the Department. We were unable to obtain documentation to support that the Department had followed up with the subrecipients concerning the delinquent reports.
- B. For 1 out of 13 subrecipients reviewed, the Department did not issue a management decision letter documenting its review of the A-133 audit report and has exceeded the time frame allotted to issue a management decision letter.



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***Cause***

The cause of the condition found is due to a lack of documentation to support its overall fiscal monitoring procedures.

***Effect***

The effect of the condition found is that the Department may be unable to follow up on matters identified through the fiscal monitoring process 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 the Department review its existing fiscal monitoring procedures and develop controls to ensure that all fiscal monitoring procedures performed are properly documented related to its review over subrecipient A-133 audit reports.

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

The Education Finance Manager who is assigned audit review responsibilities will review and update the Audit Unit Policy last revised in April of 2006. This policy will reflect updated procedures that comply with current State and Federal requirements.

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

June 30, 2013

***Contact for Corrective Action Plan***

Aaron Brodeur, School Finance Manager, 802-828-0289

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**Finding 12-13**

U.S. Department of Education

**Program Name and CFDA Number**

Special Education Cluster:

- Special Education – Grants to States (CFDA #84.027)
- Special Education – Preschool Grants (CFDA #84.173)
- ARRA – Special Education – Grants to States, Recovery Act (CFDA #84.391)
- ARRA – Special Education – Preschool Grants, Recovery Act (CFDA #84.392)

**Program Award Number and Year**

|                     |                   |
|---------------------|-------------------|
| H027A110098-11A     | 7/01/01 – 9/30/12 |
| H173A110106         | 7/01/01 – 9/30/12 |
| H027A100098A        | 7/01/10 – 9/30/11 |
| H173A100106         | 7/01/10 – 9/30/11 |
| H39209001056 (ARRA) | 2/17/09 – 9/30/10 |
| H391A090098A (ARRA) | 2/17/09 – 9/30/10 |

**Criteria**

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

**Condition Found**

The State Department of Education (the Department) grants funds to subrecipients or local educational agencies to carry out the objectives of the program. During our testwork over the Department’s programmatic monitoring process, we noted the following:

- A. For 2 out of 13 subrecipients selected for testwork that received discretionary funding, the Department did not perform any programmatic monitoring procedures.
- B. For 1 out of 3 programmatic monitoring visits reviewed, the Department did not send a closure letter to the subrecipient indicating the results of the visit and the dates by which to resolve any outstanding issues.

**Cause**

The cause of the condition found is that programmatic reviews are not performed for discretionary funded grants as well as a lack of documentation to support the Departments overall programmatic monitoring procedures.

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***Effect***

The effect of the condition found is that the Department would not be able to identify timely instances of noncompliance for discretionary funded grants or follow up timely on matters identified through the programmatic monitoring process.

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 the Department review its existing monitoring procedures and develop controls to ensure that all programmatic monitoring procedures are performed for discretionary funded grants. In addition, we recommend the Department review its existing programmatic monitoring procedures and develop controls to ensure that all programmatic monitoring procedures performed are properly documented. The procedures should ensure that all required documentation is compiled and maintained to support each visit performed. A supervisory review should be conducted to ensure each file is complete prior to closure.

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

The Condition and Cause refer to programmatic monitoring, but that may be a typo. During her work, Marlene Bryant confirmed with Margaret and I that fiscal monitoring of so-called "IDEA discretionary" grants was not being done. Margaret thought I was doing it and I haven't monitored anything that falls under IDEA. It is the CFO's determination that AoE should not be granting these funds, so this condition should vanish.

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

June 30, 2013

***Contact for Corrective Action Plan***

Cathy Hilgendorf, Assistant Division Director, 802-828-5402

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**Finding 2012-14**

U.S. Department of Education

**Program Name and CFDA Number**

IDEA, Part C Cluster:

Special Education – Grants for Infants and Families (CFDA #84.181)

ARRA – Special Education – Grants for Infants and Families, Recovery Act (CFDA #84.393)

**Program Award Number and Year**

H393A090031A (ARRA)

2/17/09 – 9/30/2010

H181A110031

7/1/11 – 9/30/12

***Criteria***

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

Under the State of Vermont Agency of Administration Bulletin No. 5, Single Audit Policy for Subgrants (Bulletin 5), when several state agencies grant funds to the same subrecipient, the State Department of Finance and Management shall assign one pass-through entity as the primary pass-through entity responsible for receiving and reviewing the subrecipients annual A-133 audit. Bulletin 5 further indicates that any pass-through entity is entitled to request a copy of the single audit from its subrecipients and they should review the audit and communicate their comments to the primary pass-through entity to ensure they are properly recorded in the tracking system.

***Condition Found***

During our testwork over subrecipient monitoring, we noted that the State Agency of Human Services (the Agency) does not obtain and review subrecipient annual A-133 audit reports for those entities in which the Agency is not the designated primary pass-through entity, nor did they review the grant tracking system to review the results of the review conducted by the designated primary pass-through entity. Per review of the grant tracking system, we noted that for 1 out of 2 subrecipients tested that the Agency was not the designated primary pass-through entity. The entity that had been designated did not review the subrecipients A-133 and therefore no results were data entered into the grants tracking database. As the Agency does not perform its own independent review, this error was not detected.

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***Cause***

The cause of the condition found is that the Agency does not have a procedure in place to review subrecipient annual A-133 audit reports in which they have not been designated the primary pass-through entity.

***Effect***

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

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

***Questioned Costs***

None.

***Recommendation***

We recommend that the Agency implement procedures to ensure it obtains and reviews all of its subrecipients annual A-133 audit reports. Once the A-133 audit reports are obtained, they should be reviewed to determine whether or not there are any material compliance findings or internal control deficiencies related to programs funded by the Agency and seek corrective actions from the subrecipient as necessary.

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

AHS concurs with the finding and recommendation.

The AHS Internal Audit Group (IAG) has developed a procedure to identify sub-recipient audit reports for which the agency and its departments are not the primary pass-through but are still required to review in accordance with its grantor to grantee relationship. Specifically, the IAG will review quarterly VISION accounting queries by department that identify payments having a class code of 0001 (subrecipient). The recipients of these payments will be compared to the IAG A-133 sub recipient audit listing used to review reports. Any recipient not on the sub recipient audit listing will be added to it and reviewed according to standard AIG procedures.

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

June 30, 2013

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief, Agency of Human Services, 802-871-3006

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**Finding 12-15**

U.S. Department of Education

**Program Name and CFDA Number**

IDEA, Part C Cluster:

Special Education – Grants for Infants and Families (CFDA #84.181)

ARRA – Special Education – Grants for Infant and Families, Recovery Act (CFDA #84.393)

**Program Award Number and Year**

H181A110031

7/1/11 – 9/30/12

***Criteria***

The total amount of State and local funds budgeted for expenditure in the current fiscal year for early intervention services for children eligible under Part C and their families must be at least equal to the total amount of State and local funds actually expended for early intervention services for these children and their families in the most recent preceding fiscal year for which the information is available. Allowances may be made for: (a) decreases in the number of children who are eligible to receive Part C early intervention services and (b) unusually large amounts of funds expended for such long-term purposes such as the acquisition of equipment and the construction of facilities (20 USC 1437(b)(5); 34 CFR section 303.225(b)).

***Condition Found***

During our testwork over the level of effort requirement, we noted that the State Department for Children and Families (the Department) does not track the funds budgeted for expenditure in the current fiscal year for early intervention services to ensure that the funds at least equal the total amount of state and local funds actually expended for early intervention services for these children and their families in the most recent preceding fiscal years.

***Cause***

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

***Effect***

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

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

***Questioned Costs***

Not determinable.

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***Recommendation***

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

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

The Department concurs with the finding and recommendation.

Prior year actual state and local revenues for grantees providing Early Intervention Services will be obtained and analyzed each year. Current year budgets for these grantees will be tracked and monitored by the Part C administrator to compare prior year actual State and Local revenues to ensure meeting the level of effort requirements in aggregate. Insufficient State and Local revenues budgeted to meet the Federal requirement, in aggregate, except when allowed by regulation, will be rectified with required submission of revised budgets. In summary, the department will take the following steps:

- Grantee's will submit a proposed budget with the fiscal year for review by the Part C administrator
- Grantee's will submit a final budget with actual expenditures by July 20th of the next fiscal year for review by the Part C administrator and submission to the business office
- This information will be included in the analysis of the statewide of Part C MOE federal requirements.

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

June 30, 2013

***Contact for Corrective Action Plan***

Rob Roberts, Audit Chief, Agency of Human Services, 802-871-3006

**STATE OF VERMONT**

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**Finding 12-16**

U.S. Department of Education

**Program Name and CFDA Number**

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

**Program Award Number and Year**

S287C110046

7/1/11 – 9/30/12

**Criteria**

A pass-through entity is responsible for:

- *During-the-Award Monitoring* – Monitoring the subrecipients use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipients fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipients audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipients audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

**Condition Found**

The State Department of Education (the Department) grants funds to subrecipients or local educational agencies to carry out the objectives of the program. During our testwork over the Department’s fiscal monitoring process, we noted the following:

- A. The Department performs fiscal monitoring visits over its subrecipients. During our review over the Department’s fiscal monitoring visits we noted that:
- For 1 out of 10 fiscal monitoring visits reviewed, the Department sent a draft follow up letter after completing the fiscal monitoring visit. There was no final letter or correspondence with the subrecipient after the initial letter was mailed. We further noted that the Department has a policy which states subrecipients expending more than \$50,000 per year must be monitored within a 4 year time period and the subrecipient has not been monitored since 2006 and has expended more than the maximum amount to not have a monitoring visit.
  - For 1 out of 10 subrecipients reviewed, the Department has never performed a fiscal monitoring visit even though required under the Department’s policy.



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- For 1 out of 10 fiscal monitoring visits reviewed, we noted that the Departments last review took place in 2007, and is out of compliance with the Department's policy to monitoring subrecipients that expend more than \$50,000 per year is monitored within a 4 year time period.
- B. We noted that 5 out of 10 subrecipients were delinquent in submitting their A-133 reports to the Department. We were unable to obtain documentation to support that the Department had followed up with the subrecipients concerning the delinquent reports.

#### *Cause*

The cause of the condition found is due to a lack of documentation to support its overall fiscal monitoring procedures.

#### *Effect*

The effect of the condition found is that the Department may be unable to follow up on matters identified through the fiscal monitoring process.

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 the Department review its existing fiscal monitoring procedures and develop controls to ensure that all fiscal monitoring procedures performed are properly documented for both fiscal monitoring reviews and its review over subrecipient A-133 audit reports. The procedures should ensure that all required documentation is compiled and maintained to support each fiscal monitoring visit performed and A-133 audit reports are reviewed. A supervisory review should be conducted to ensure each file is complete prior to closure.

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

##### **Fiscal Monitoring**

The AoE fell behind in monitoring grant subrecipients, not adhering to our policy of monitoring each subrecipient that expends more than \$50,000 per year be monitored at least once every four years. Some grant subrecipients have not been monitored in a long time. This year, AoE has scheduled more than a third more monitoring visits than in previous years, attempting to catch up. It is beyond our capacity at this time to complete a monitoring review of every grant subrecipient once in every four years.

##### **A-133 Reviews**

The Education Finance Manager who is assigned audit review responsibilities will review and update the Audit Unit Policy last revised in April of 2006. This policy will reflect updated procedures that comply with current State and Federal requirements.

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*Scheduled Completion Date of Corrective Action Plan*

**Fiscal Monitoring**

By June 30, 2013, AoE will identify all subrecipients and have a complete list (see #12-02, Bullet #2 above). AoE will review its risk assessment matrix and its fiscal monitoring policy to determine if the policy needs to be updated and to determine the best approach to subrecipient monitoring frequency.

**A-133 Reviews**

June 30, 2013

*Contact for Corrective Action Plan*

**Fiscal Monitoring**

Cathy Hilgendorf, Assistant Division Director, 802-828-5402

**A-133 Reviews**

Aaron Brodeur, School Finance Manager, 802-828-0289

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**Finding 12-17**

U.S. Department of Education

**Program Name and CFDA Number**

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

**Program Award Number and Year**

S287C110046

7/1/11 – 9/30/12

***Criteria***

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

***Condition Found***

The State Department of Education (the Department) grants funds to subrecipients or local educational agencies to carry out the objectives of the program. During our testwork over the Department's programmatic monitoring process, we noted the following:

- A. During our review over the Department's review of subrecipient grant applications, we noted that:
  - 1 out of 10 applications was not signed by the subrecipient and there was no follow up made by the Department to obtain the required signed certifications.
  - For 2 out of 10 applications there was no acceptance letter from the Department indicating that the application had been accepted.
  
- B. During our review over the Departments programmatic monitoring visits, we noted the that:
  - For 2 out of 10 programmatic monitoring visits reviewed, the Department noted on their tracking log that a follow up to the review was still in progress. We noted that these reviews were conducted in 2009 and 2010 and it is unclear as to why the reviews were not finalized.
  - For 2 out of 10 programmatic monitoring visits reviewed, the Department had included the monitoring visits on their tracking log; however the tracking log was incomplete and contained no information as to whether or not the Department had accepted the subrecipients corrective action plans.
  - For 1 out of 10 programmatic monitoring visits reviewed, the review was not included on the Department's tracking log to ensure any matters were followed up on.
  - For 1 out of 10 programmatic monitoring visits reviewed, the Department had received additional information as part of the review from the subrecipient; however there was no indication that this information had been accepted by the Department.

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- For 1 out of 10 programmatic monitoring visits reviewed, the Department noted a draft report had been issued, but we were unable to verify whether or not a final report had been issued.

#### *Cause*

The cause of the condition found is due to a lack of documentation to support its overall programmatic monitoring procedures.

#### *Effect*

The effect of the condition found is that the Department may be unable to follow up on matters identified through the programmatic monitoring process 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 the Department review its existing programmatic monitoring procedures and develop controls to ensure that all programmatic monitoring procedures performed are properly documented for awarding grants to subrecipients and its programmatic monitoring visits. The procedures should ensure that all required documentation is compiled and maintained to support each programmatic monitoring visit performed. A supervisory review should be conducted to ensure each file is complete prior to closure.

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

- A. The recommendation above will be instituted to tighten procedures and documentation. The monitoring tracking sheets will be revised to reflect more clarity when monitoring findings are complete and when the entire process is complete for each grantee (new columns have been added in the tracking spreadsheet). When drafts and final monitoring reports are the same document, more diligence will be paid to ensuring that final is accepted and that that is reflected in the documentation spreadsheet (new columns have been added).
- B. The finding is a result of the 21c office going to an electronic system for all documents. Procedures have been implemented as a result of this process whereby only one electronic application with all signatures will be accepted. In the past, electronic applications were accepted, and applicants were allowed to send signatures under separate cover. Signatures will also be tracked in the application process spreadsheet. This is new. The issue of missing two letters is also a result of going to all electronic process. Separate folders will hold each letter to ensure 100% compliance with this item in coming competitions.

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

Corrective Action has already been put into place.

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*Contact for Corrective Action Plan*

Emanuel Betz, Education Consultant, 802-828-0557

Karin Edwards, Director of Integrated Support for Learning, PreK-Middle, 802-828-1622

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#### **Finding 12-18**

U.S. Department of Education

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

Improving Teacher Quality State Grants (CFDA #84.367)

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

S367A110043-11B

7/1/11 – 9/30/12

#### ***Criteria***

A pass-through entity is responsible for:

- *During-the-Award Monitoring* – Monitoring the subrecipients use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipients fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipients audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipients audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

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

The State Department of Education (the Department) grants funds to subrecipients or local educational agencies to carry out the objectives of the program. During our testwork over the Department's fiscal monitoring process, we noted the following:

- A. The Department performs a fiscal monitoring review over its subrecipients. During our review over the Department's fiscal monitoring visits we found that:
- For 1 out of 15 fiscal monitoring visits reviewed, the Department obtained a corrective action plan, however there was no indication that the corrective action plan had been accepted and there was no closure letter sent to the subrecipient.
  - For 2 out of 15 fiscal monitoring visits reviewed, the Department had received and accepted a corrective action plans via e-mail. The Department requested and performed a standard follow up visit in the fall and requested further documentation from the subrecipient. However, after the summary of the follow-up visit, there was no indication that the subrecipient had provided the requested documentation and no closure letter was issued by the Department.

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- B. During our review over the Department's monitoring over subrecipient A-133 audit reports, we noted that:
- For 3 out of 15 subrecipients reviewed, the Department did not issue a management decision letter documenting its review of the A-133 audit report and has exceeded the 6 month time frame allotted to issue a management decision letter.
  - For 1 out of 15 subrecipients reviewed, the Department issued a management decision letter that it had reviewed the A-133 audit report and that there were no findings reported within the audit. During our review of the A-133 audit report, we found that this was incorrect and the A-133 audit report did include audit findings.
  - For 10 out of 15 subrecipients reviewed, the subrecipient was delinquent in submitting their A-133 audit reports to the Department. We were unable to obtain documentation to support that the Department had followed up with the subrecipients concerning the delinquent reports.
  - For 1 out of 15 subrecipients reviewed, the Department followed up on a finding noted during the A-133 audit report over the telephone and there was no documentation within the file to support that the corrective action related to the finding had taken place.

#### *Cause*

The cause of the condition found is due to a lack of documentation to support its overall fiscal monitoring procedures.

#### *Effect*

The effect of the condition found is that the Department may be unable to follow up on matters identified through the fiscal monitoring process 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 the Department review its existing fiscal monitoring procedures and develop controls to ensure that all fiscal monitoring procedures performed are properly documented for both fiscal monitoring reviews and its review over subrecipient A-133 audit reports. The procedures should ensure that all required documentation is compiled and maintained to support each fiscal monitoring visit performed. A supervisory review should be conducted to ensure each file is complete prior to closure.

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

##### **Fiscal Monitoring**

Condition A, Bullet 1: The AoE's fiscal monitoring staff acknowledges a need to provide better documentation of our monitoring work, acceptance of corrective action plans, and closeout. Beginning

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with the current year subrecipient fiscal monitoring work, the fiscal monitoring staff has developed a spreadsheet for tracking the status of each monitoring review, including the issuance of a report, receipt and acceptance of a corrective action plan, and the issuance of a closeout letter.

Condition A, Bullet 2: Although the fiscal monitoring staff had satisfactorily followed up on the monitoring visit and report, AoE staff did not issue a closure letter to indicate that conditions were satisfied. Beginning with the current year, the fiscal monitoring staff has developed a tracking spreadsheet which includes the issuance of a closeout letter.

**A-133 Reviews**

The Education Finance Manager who is assigned audit review responsibilities will review and update the Audit Unit Policy last revised in April of 2006. This policy will reflect updated procedures that comply with current State and Federal requirements.

*Scheduled Completion Date of Corrective Action Plan*

**Fiscal Monitoring**

Condition A, Bullet 1: This action has already been completed.

Condition A, Bullet 2: This action has already been completed. AoE fiscal monitoring staff expects that greater emphasis on organization and followup will result in ongoing correction of this condition.

**A-133 Reviews**

June 30, 2013

*Contact for Corrective Action Plan*

**Fiscal Monitoring**

Cathy Hilgendorf, Assistant Division Director, 802-828-5402

**A-133 Reviews**

Aaron Brodeur, School Finance Manager, 802-828-0289



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**Finding 12-19**

U.S. Department of Education

**Program Name and CFDA Number**

SFSF Cluster:

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

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

**Program Award Number and Year**

539A090046A

7/6/09 – 9/30/10

***Criteria***

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

***Condition Found***

During our testwork over subrecipient monitoring, we noted that the Vermont Department of Education (the Department) did not perform any during the award monitoring procedures to ensure that grantees used funds awarded under this program for allowable purposes. While the Department did obtain a summary report from each school district to show the types of costs incurred and support that the funds awarded under this program are tracked in a separate expense account as part of the request for reimbursement submitted by each grantee, there was no supporting documentation obtained and reviewed by the Department to ensure that the grantee had used the funds for allowable purposes and that the amount submitted by the grantee was accurate.

***Cause***

The cause of the condition found is that the Department focuses its monitoring efforts at the supervisory union level for this program and not at the individual school district, which is how the funds are disbursed.

***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 procedures 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***

None.

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#### ***Recommendation***

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

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

We believe the Condition Statement to be incorrect. The summary report data from the districts' accounting system as provided to DOE (now AOE) not only showed these SFSF funds as being tracked in separate accounts as required but also what the funds were used for. Payments to districts of these funds were on a reimbursement basis. Funds were not released until appropriate and acceptable documentation was provided. The same statements hold true for Education Jobs Funds. This method of monitoring for phase II SFSF funds was set up through discussion with US ED during their desk monitoring of Vermont's phase I SFSF funds. Our process as approved by the federal folks is akin to desk monitoring.

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

No corrective action plan is considered necessary.

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

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

#### ***Rejoinder***

As noted above under the condition found, we acknowledged that the Department does obtain a summary report with each request for reimbursement submitted by the grantee that does identify the types of costs incurred. However, no documentation is obtained or reviewed by the Department to ensure that the information submitted by the grantee is accurate, such as reviewing the documentation to support the transactions incurred by the grantee. There was no evidence provided by the Department to support that any during the award monitoring had been performed by the Department beyond approving the request for reimbursement for payment.

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**Finding 12-20**

U.S. Department of Education

**Program Name and CFDA Number**

Education Jobs Fund (CFDA #84.410)

**Program Award Number and Year**

S410A100046-10A

08/1010 – 9/30/11

**Criteria**

A pass-through entity is responsible for:

- *During-the-Award Monitoring* – Monitoring the subrecipients use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in federal awards during the subrecipients fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipients audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipients audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.

**Condition Found**

The State Department of Education (the Department) grants funds to subrecipients or local educational agencies to carry out the objectives of the program. During our testwork over the Department's subrecipient monitoring process, we noted the following:

- A. The Department did not perform any during the award monitoring procedures to ensure that grantees used funds awarded under this program for allowable purposes. While the Department did obtain a summary report from each school district to show the types of costs incurred and to support that the funds awarded under this program are tracked in a separate expense account as part of the request for reimbursement submitted by each grantee, there was no supporting documentation obtained and reviewed by the Department to ensure that the grantee had used the funds for allowable purposes and that the amount submitted by the grantee was accurate.

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- B. During our testwork over the Department's monitoring of subrecipient A-133 audit reports, we noted the following:
- A. 4 out of 23 A-133 audit reports reviewed, the subrecipient was delinquent in submitting its A-133 audit report to the Department. We were unable to obtain documentation to support that the Department had followed up with the subrecipients concerning the delinquent reports.
  - B. 3 out of 23 A-133 audit reports reviewed, the Department did not issue a report documenting the results of its review and therefore did not issue a closure letter within the 6 month time period allowed.
  - C. 1 out of 23 A-133 audit reports reviewed, the Department noted that the A-133 audit report had been received but it could not be located and there was no indication that the report had been reviewed.

#### *Cause*

The cause of the condition found is due to a lack of documentation to support its overall subrecipient monitoring procedures.

#### *Effect*

The effect of the condition found is that the Department may be unable to follow up timely on matters identified through the subrecipient monitoring process.

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 the Department review its existing monitoring procedures and develop controls to ensure that all monitoring procedures performed are properly documented for both fiscal monitoring reviews and its review over subrecipient A-133 audit reports. The procedures should ensure that all required documentation is compiled and maintained to support each visit performed and that a Departmental supervisory review is conducted to ensure each file is complete prior to closure.

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

- A. We believe the underlined statement is incorrect. The summary report data from the districts' accounting system as provided to DOE (now AOE) not only showed these EJF funds as being tracked in separate accounts as required but also what the funds were used for. Payments to districts of these funds were on a reimbursement basis. Funds were not released until appropriate and acceptable documentation was provided. This method of monitoring for phase II SFSF funds was set up through discussion with US ED during their desk monitoring of Vermont's phase I SFSF funds. Our process as approved by the federal folks is akin to desk monitoring.

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- B. The Education Finance Manager assigned audit review responsibilities will review and update the Audit Unit Policy last revised in April of 2006. This policy will reflect updated procedures that comply with current State and Federal requirements.

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

June 30, 2013.

***Contact for Corrective Action Plan***

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

Aaron Brodeur, School Finance Manager, 802-828-0289

***Rejoinder***

As noted above under the condition found, we acknowledged that the Department does obtain a summary report with each request for reimbursement submitted by the grantee that does identify the types of costs incurred. However, no documentation is obtained or reviewed by the Department to ensure that the information submitted by the grantee is accurate, such as reviewing the documentation to support the transactions incurred by the grantee. There was no evidence provided by the Department to support that any during the award monitoring had been performed by the Department beyond approving the request for reimbursement for payment.

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**Finding 12-21**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

TANF Cluster:

Temporary Assistance for Needy Families (CFDA #93.558)

ARRA- Emergency Contingency Fund for Temporary Assistance for Needy Families State Programs (CFDA #93.714)

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

**Program Award Number and Year**

|            |                   |
|------------|-------------------|
| 1202VTTANF | 10/1/11 – 9/30/12 |
| 1102VTTANF | 10/1/10 – 9/30/11 |

**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.

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

**Condition Found**

The State Department for Children and Families (the Department) uses the ACCESS system to store information concerning eligibility determination and benefit amounts paid under the TANF program. In order to ensure that the data maintained by the ACCESS system is accurate and that eligibility was determined in accordance with the State plan, 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. During our testwork, we noted the following:

- A. 4 out of 40 cases selected for testwork lacked documentation to support the amount of shelter expense that was used in the eligibility process and to calculate the participants eligible benefit payment.
- B. 1 out of 40 cases selected for testwork had inaccurate documentation to support the shelter allowance used to calculate the participant’s allowable benefit, resulting in an underpayment of benefits for the month selected of \$42.

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- C. 3 out of 40 cases selected for testwork did not include a signed “Child and Medical Support Authorization and Application for Services from the Office of Child Support” which is a form filed by participants who have an absent parent that owes child support for children that reside in their household. This form authorizes the state to offset the grant amount by child support received. As a result, we were unable to conclude that the benefit amount paid for these participants was accurate.
- D. 1 out of 40 cases selected for testwork did not include a signed application and as a result we were unable to conclude that the calculation of the participant’s benefit payment was accurate. The amount paid during the claim month selected was \$334.
- E. 1 out of 40 cases selected for testwork did not include documentation to support that a Family Development Plan was in place and that the participant was in compliance with the terms of the Plan. As a result we were unable to conclude that the calculation of the participant’s benefit payment was accurate. The amount paid during the claim month was \$1,204.

#### *Cause*

The cause of the condition found is due to a large increase in the caseload being reviewed by the State 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 may not be accurate and in accordance with federal regulations.

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

#### *Questioned Costs*

Not determinable.

#### *Recommendation*

We recommend that the Department review its existing procedures and controls for reviewing and approving eligibility determinations to ensure that the information used to support the monthly calculations is accurate and consistent to ensure that benefit amounts paid are in compliance with federal regulations.

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

AHS concurs with the finding and recommendation.

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. More specifically, we will take certain actions as follows.

- 1. A reminder to all staff that we must verify shelter expenses for TANF will be issued in February 2013 and discussed with Supervisors and Managers at our February 8th meeting and Team

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Leaders at the team leaders meeting on February, 18th. The department also now allows documented collateral contacts to verify shelter.

2. The lack of “Child and Medical Support Authorization” forms (137’s) will be addressed by joint procedures being written by the Office of Child Support and Economic Services. These procedures outlining when child support forms must be obtained and how they should be kept for documentation will be completed by May 2013.
3. Lack of applicant signature on the application (202). A reminder to all staff will be issued in February 2013 that an applicant must sign the application (202) for it to be a valid application.
4. Lack of family development plan. A reminder to Case Managers and Team Leaders will be issued in February 2013 stating that every case must have a current family development plan with signature. Team leaders are currently conducting case reviews and look for this and Central Office Assistant Operations staff will also be looking to ensure that all cases they review also have current family development plans.

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

May 31, 2013

***Contact for Corrective Action Plan***

Rob Roberts, AHS Audit Chief, Agency of Human Services, 802-871-3006



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Schedule of Findings and Questioned Costs

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**Finding 12-22**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Low Income Home Energy Assistance Program (CFDA #93.568)

**Program Award Number and Year**

|            |                   |
|------------|-------------------|
| 12B1VTLIEA | 10/1/11 – 9/30/13 |
| 11B1VTLIEA | 10/1/10 – 9/30/12 |

**Criteria**

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

**Condition Found**

As part of the eligibility process, the State Economic Services Division (ESD) data enters participants eligibility information into the ACCESS system, the State of Vermont’s benefit eligibility maintenance system. After the information is data entered, ESD relies on the ACCESS system to determine whether or not the participant is eligible to receive assistance under the Low Income Home Energy Assistance Program (LIHEAP) and to calculate the benefit amount that the participant is eligible to receive. During our testwork over eligibility determination, we noted the following:

- A. 1 out of 40 cases selected for testwork, the household size was incorrectly entered into the ACCESS system and as a result, the benefit amount paid to the participant was less than what it should have been.
- B. 1 out of 40 cases selected for testwork did not include sufficient documentation to support that the participant met the required income level in order to be eligible for benefits. As a result, we were unable to determine whether or not the participant was eligible to receive benefits.

We also noted that there is no supervisor review or approval of the eligibility determination to ensure that the determination and payment amount is accurate.

**Cause**

The cause of the condition found is due to human error and the lack of controls to establish a quality control review system to ensure that benefits are properly determined, that benefits are calculated correctly and the required documentation to support the determination is maintained.

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#### ***Effect***

The effect of the condition found is that benefit determinations and benefit payment calculations are inaccurate.

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

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

\$280 – the benefit amount paid in item B above.

#### ***Recommendation***

We recommend that the ESD review its procedures over obtaining and validating documentation reported by applicants that is used to determine program eligibility. This process of review would ensure that all information is accurate and complete. In addition ESD should implement controls to ensure that a quality control review is performed over the determinations made by the ACCESS system that is relied upon by OEO to ensure that the determination is accurate and the benefit payment amount is appropriate.

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

The ESD concurs with the finding and recommendation.

ESD considers that the 2 case errors out of 40 cases reviewed to be training issues. The fuel (LIHEAP) program training already includes household composition and verification, but since these are error prone areas we will make sure that the training places more emphasis on these two areas of eligibility.

Since our 3SquaresVT and Fuel (LIHEAP) program rules and caseloads are so closely related, these two program teams are working together to incorporate a LIHEAP “guest appearance” at the new worker 3SquaresVT program training. The Fuel Program will spend an hour at the training specifically addressing the key differences between the two programs, including household composition. Discussions are also taking place about scheduling new worker LIHEAP training one week after the 3SquaresVT training.

The Fuel Program team is also working on Fuel Household Composition desk aid that will be posted on the ESD Intranet for staff to access, and will also be incorporated into the Fuel (LIHEAP) new worker training.

These findings will also be brought to the attention of the Regional Managers and eligibility Supervisors at the February District Leadership Team meeting with the expectation that they review these areas in their eligibility team meetings.

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

June 30, 2013

#### ***Contact***

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

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**Finding 12-23**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Low Income Home Energy Assistance Program (CFDA #93.568)

**Program Award Number and Year**

|            |                   |
|------------|-------------------|
| 12B1VTLIEA | 10/1/11 – 9/30/13 |
| 11B1VTLIEA | 10/1/10 – 9/30/12 |

**Criteria**

A-102 Common Rule and OMB Circular A-110 (2 CFR par 215) require that nonfederal entities receiving federal awards establish and maintain internal control designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. This includes establishing controls to provide reasonable assurance that federal awards are expended only for allowable activities and the costs of goods and services charged to federal award are allowable in accordance with the applicable cost principles.

**Condition Found**

As part of the benefit payment process related to fuel assistance, the State Economic Services Division (ESD) will make payments directly to fuel vendors for the purchase of fuel (i.e., oil, propane) on behalf of eligible participants. At the end of the fuel season, a report is obtained from the fuel vendor to ensure that the amount provided on behalf of each participant was fully utilized. If the fuel vendor did not provide fuel at an amount equal to the benefit payment received, a refund is requested from the fuel vendor. To obtain the information, the fuel dealer is sent a report that shows by participant the amount of benefits paid. The fuel dealer will then write on the report the dollar value of the fuel received. During our review over the payment process, we noted that the ESD does not verify that the information provided by the fuel dealer is accurate by request documentation to support the amount of fuel delivered to the participant.

**Cause**

The cause of the condition found is that the ESD does not have procedures in place to review delivery documentation to ensure that the information reported by the fuel dealer is accurate.

**Effect**

The effect of the condition found is that excess fuel benefit payments could be charged to the federal program and ESD would not have procedures in place to identify the error.

This finding is considered 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 the ESD review its procedures over obtaining and validating the information provided by the fuel dealers to ensure it is accurate.

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

ESD agrees with the finding and recommendation. Beginning with the June 2013 fuel dealer reports, ESD's Office of Home Heating Fuel Assistance will begin a random selection of 5% of oil, propane and kerosene dealers (10 dealers out of 195+/-). From those dealers the Fuel Office will randomly select 3 to 5 clients (depending on each dealer's fuel client base) but never less than 40 clients. The Fuel Office will undertake a review of dealer delivery documents in comparison to selected dealers' reports. Should anomalies, errors or questionable invoices be identified, the Fuel Office will consult with ESD "Quality Control and Fraud" unit for best practices to advance a more detailed investigation.

At the direction of the Administration, DCF is investigating the feasibility, cost and timing needed to implement a "fuel dealer online web portal" to make benefit payments to certified fuel suppliers after a delivery is made and date, cost and quantity date from the delivery "ticket" is submitted in the web portal. Delivery tickets are an industry standard and contain a unique tracking or identification number. A web portal after delivery payment system would eliminate the need for an end of season report and refunds (where necessary) and provide easily searchable data regarding dealer cost and client consumption.

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

Completed annually by October 1 for the review dealer documentation on random client cases.

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

Rob Roberts, AHS Audit Chief, Agency of Human Services, 802-871-3006

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**Finding 12-24**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

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

**Program Award Number and Year**

|            |                   |
|------------|-------------------|
| 1201VT1401 | 10/1/11 – 9/30/12 |
| 11-1VT1401 | 10/1/10 – 9/30/11 |

**Criteria**

Foster care maintenance payments can be made only if all compliance requirements are met and the child is placed in a licensed foster home or child-care institution (45 CFR 1355.20(a)(2), 45 CFR 1356.30(f) and 45 CFR 1356.71(d)(1)(iv)).

**Condition Found**

During our testwork over eligibility related to foster care subsidy maintenance payments, we noted the following:

- A. 6 out of 40 foster care providers selected for testwork did not have a current license on file. Each of the 6 providers had submitted a renewal application but the State Department for Children and Families (the Department) and not completed its review of the application or relicensed each provider. For these providers, the licenses expiration dates ranged from 3 to 15 months as of June 30, 2012.
- B. 4 out of 40 foster care providers selected for testwork lacked documentation to support that background checks of staff or safety assessments of the living arrangements had been made for out-of-state facilities.
- C. 1 out of 40 foster care providers selected for testwork lacked documentation to support that a recent background check had been completed for an in-state provider.

**Cause**

The cause of the condition found is that the Department considers the provider to be in good standing even if the Department has not acted upon the renewal of the license as long as a renewal application has been submitted. In addition, the Department only receives license certifications from out of state providers and no documentation to support that the required background checks or safety assessments have been made is obtained. The Department assumes that if the license has been issued that the required checks have been made.

**Effect**

The effect of the condition found is children could be placed with foster care providers that no longer meet the eligible criteria to serve as a provider if renewal applications are not reviewed and followed up on a

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timely basis. A similar finding was noted during a Department of Health and Human Services Office of Inspector General Review conducted the week of June 6, 2011.

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

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

Not determinable.

#### ***Recommendation***

We recommend that the Department review its controls and procedures to ensure that all renewal applications submitted by foster care providers are reviewed and licenses are reissued in a timely basis to ensure compliance with the above stated requirement. In addition documentation should be obtained to support that required background checks and safety assessments are performed for all providers, including out-of-state providers. Such documentation could include but is not limited to official material as a checklist or monitoring report completed by the licensing authority, a letter or report signed by appropriate title IV-E agency staff or licensing staff that details the background check results as outlined in the Office of Inspector General review.

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

*The Department disagrees with the effect described concerning the compliance issue in Condition A above and cites the following ACYF Title IV-E guide and Vermont Statute.*

Issue A: Timely renewal of licenses

**Excerpt** from the Title IV-E Foster Care Eligibility Review Guide, issued by ACYF in December 2012 (page 49)

“The title IV-E agency’s policy regarding when and how licenses expire is applied when considering whether a foster care placement is fully licensed during the period that falls between the license end date and license renewal date. If the policy of the applicable licensing agency is that a foster family home or childcare institution is fully licensed (i.e., the license is not provisionally issued, suspended, revoked, or otherwise invalidated), even when the licensing renewal process is not completed timely, then the home is considered fully licensed for purposes of title IV-E eligibility.”

#### **3 V.S.A. § 814 (b)**

(b) When a licensee has made timely and sufficient application for the renewal of a license or a new license with reference to any activity of a continuing nature, the existing license does not expire until the application has been finally determined by the agency, and, in case the application is denied or the terms of the new license limited, until the last day for seeking review of the agency order or a later date fixed by order of the reviewing court. Per Vermont statute, as long as timely application is made the license is not “lapsed.” It is still in full effect.

Region 1 is aware of this statute and regularly has found us in compliance in regards to these situations. Therefore, we dispute this finding, as it relates to IV-E claims.

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*The Department concurs with Conditions B and C and will address them in the following manner:*

**Issue B: Documentation of Background Checks for Out of State Providers**

We are addressing this finding as part of our Title IV-E Program Improvement Plan, which will be completed in October 2013.

**Issue C: Documentation of Background Checks for In State Providers**

DCF acknowledges that there was a four month delay in running the background checks on a foster care reapplication. It is anticipated that this finding will be corrected by June 30, 2013. We are also including this issue as part of our Title IV-E Program Improvement Plan which will be completed in October 2013.

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

October 30, 2013

***Contact***

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

***Rejoinder***

We acknowledge the statute cited above related to license renewal and agree that all 6 providers identified in item A above had completed an application. It is unclear however why the Department had not reviewed and approved the license renewal application on a timely basis as the license expiration dates ranged from 3 to 15 months as of June 30, 2012.

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**Finding 12-25**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

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

**Program Award Number and Year**

|            |                   |
|------------|-------------------|
| 1201VT1401 | 10/1/11 – 9/30/12 |
| 11-1VT1401 | 10/1/10 – 9/30/11 |

**Criteria**

Costs of social services provided to a child that provides counseling or treatment to ameliorate or remedy personal problems or behaviors are unallowable (45 CFR section 1356.60(c)(3)).

**Condition Found**

During our testwork over foster care subsidy maintenance payments, we noted that 5 out of 40 payments were made to residential treatment facilities that provided counseling and other treatment services. Per review of the residential treatment facility contracts, the State Department for Children and Families (the Department) agreed to pay a daily rate to the facility that was to reimburse the facility for costs associated with room and board as well as treatment services. The costs associated with treatment services that was charged to the foster care program is unallowable per federal regulations.

**Cause**

The cause of the condition found is that the Department utilized one daily rate to pay for services rendered by the residential treatment facility that covered both treatment and room and board costs.

**Effect**

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

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

**Questioned Costs**

Not determinable.

**Recommendation**

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



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

The Department concurs with the finding and recommendation.

The division will work with the AHS division of rate setting to determine how to break out room and board from treatment costs for programs that are not rate set. We will determine an appropriate methodology by April 1, 2013. We will work with providers to apply this methodology and ensure that treatment costs are not allocated to Title IV-E but reimbursed with the appropriate funding source. This may require revision of contract language for specification and will require changes in our computer applications.

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

July 1, 2013

***Contact***

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

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Schedule of Findings and Questioned Costs

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**Finding 12-26**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

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

**Program Award Number and Year**

|            |                   |
|------------|-------------------|
| 1201VT1401 | 10/1/11 – 9/30/12 |
| 11-1VT1401 | 10/1/10 – 9/30/11 |

***Criteria***

Judicial permanency plans are required to be completed timely within a 12 month timeframe (45 CFR 1356.21(b)(2)).

***Condition Found***

During our testwork over eligibility we found that 3 of 40 participants selected for testwork had a judicial permanency plan that exceeded the 12 month timeframe allowed under federal regulations. In these cases, the time period between the custody date and judicial permanency date was ranged from 14 to 15 months.

***Cause***

The cause of the condition found is due to a lack of resources to ensure that the Court meets the required 12 month time period.

***Effect***

The effect of the condition found is that if a judicial permanency plan is not made timely, the child becomes ineligible from the beginning of the first month after it is due and remains ineligible until the judicial determination is made. A similar finding was noted during a Department of Health and Human Services Office of Inspector General Review conducted the week of June 6, 2011.

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

***Questioned Costs***

Not determinable.

***Recommendation***

We recommend that the State Department for Children and Families review its controls and procedures to ensure that all judicial permanency reviews are completed within a 12 month time period. If such reviews are not completed timely, procedures should be implemented to ensure that maintenance payments are not charged to the foster care program until the judicial permanency plan is made.

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

We concur with the finding and the recommendation.

It should be noted that the department is not in total control of these timelines. The part we control is the submission of the necessary paperwork to the courts and not court timeliness. Therefore, we are currently working with the courts to provide feedback to them to inform their systems improvements. The department's data system also excludes claims in cases in which the permanency reasonable efforts finding has not been made timely.

Some problems with claiming may be also due to late data entry. We are addressing this as part of our IV-E program improvement. In addition, we have requested refresher training by the Region I office on IV-E eligibility issues. That training will occur on January 29, 2013. All staff who are involved in IV-E eligibility are required to attend.

It should be noted that, under federal rules, if a child is eligible for IV-E payments for part of the month, he or she is eligible for the whole month. This means that children whose finding is made during the 13<sup>th</sup> month do not lose their eligibility.

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

June 30, 2013

***Contact***

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

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Schedule of Findings and Questioned Costs

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**Finding 12-27**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Adoption Assistance (CFDA #93.659)

**Program Award Number and Year**

|            |                   |
|------------|-------------------|
| 1201VT1407 | 10/1/11 – 9/30/12 |
| 1101VT1407 | 10/1/10 – 9/30/11 |

**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 testwork over eligibility and allowability over adoption subsidy payments we noted the following:

- A. 1 of 40 participants selected for testwork was over the age of 18 and still receiving subsidy payments on a monthly basis. Per review of the documentation within the participants file, although the participant was over the age of 18, due to a lifelong disability the participants benefit payments were going to be extended until the participant turned 21. Upon further review of the amendment however, we noted that the amendment was not signed by the State Department for Children and Families (the Department) until approximately 1 year after the extension to the benefits had been applied instead of when the participant became ineligible to receive benefits.
- B. 1 of 40 participants selected for testwork was over the age of 18 and still receiving subsidy payments on a monthly basis. Per review of the participants adoption assistance agreement, the Department manually handwrote on the original agreement that the subsidy payments were going to be extended until the participant turned 21 and no formal amendment was issued or signed by the Deputy Commissioner as required by the Department.

**Cause**

The cause of the condition found is due to a lack of procedures to timely review participants file to ensure that any required amendments are done timely to document modifications to original adoption subsidy agreements.

**Effect**

The effect of the condition found is that unallowable benefits could be paid to participants that are not eligible to receive subsidy payments as they have exceeded the required age restrictions.

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

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***Questioned Costs***

Not determinable.

***Recommendation***

We recommend that the Department review its controls and procedures to ensure that cases are reviewed 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. As determinations are made that original adoption assistance subsidy agreements should be modified, formal amendments should be created and approved as outlined by the Departments policies and procedures.

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

Management does not question the accuracy of the findings and agrees with the recommendation.

It is noted that new controls were put in place during the year to address the issue. Due to the impact of extraordinary disaster events on state offices, the two cases noted did occur. Adoption Assistance is confident that all cases are now in compliance and that controls will prevent further errors. All amendments and modified agreements will be formal and timely signed as outlined by Department policy and procedure. The department will continue to be vigilant, to ensure timely and accurate attention in adhering to department policies and procedures. No further corrective action considered necessary.

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

June 30, 2012

***Contact***

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

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#### **Finding 12-28**

U.S. Department of Health and Human Services

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

Children's Health Insurance Program (CFDA #93.767)

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

05-0705VT5021 July 1, 2011 to June 30, 2012

#### ***Criteria***

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

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

We noted that for 1 out of 40 payments selected for testwork the participant was incorrectly coded to be eligible to receive benefits under the Children's Health Insurance Program (CHIP). The participant should have been coded as eligible to the Medicaid/Dr. Dynasaur program (Non-CHIP) based on their federal poverty level percentage, which had declined in August of 2011 after the participants initial eligibility determination had been made for the CHIP program. When the participants income level changed, the benefit eligibility specialist was prompted by the ACCESS system, the States benefit eligibility management system, to alter the participants approved eligibility code, however this prompt was overlooked and ACCESS was not updated to reflect the correct coverage. The State Department for Children and Families (the Department) discovered the error in February 2012 and was subsequently corrected. However, it is unclear as to whether or not the State reimbursed the CHIP program for benefits that were incorrectly charged to the program during the 7 month time period in which the participant was incorrectly coded as eligible for CHIP benefits.

#### ***Cause***

The condition found above was an oversight by the benefit eligibility specialist by not responding to the change in eligibility status. In addition, there appears to a lack of procedures for ensuring that errors noted in eligibility are reviewed timely to determine if unallowable costs are charged to the program and ensure that those costs are refunded to the program on a timely basis.

#### ***Effect***

The effect of the condition found is that unallowable benefits were charged to the program. As part of our discussion with the State as to whether or not the unallowable costs had been refunded to the CHIP

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program, it was noted that other errors had been identified by the State and payments had not been refunded to the CHIP program or the request to refund the benefits was not initiated timely.

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 procedures for reviewing eligibility determinations to ensure that they are accurate. In addition, procedures and internal controls should be developed to ensure that as errors are identified, the Department reviews whether or not any medical benefits were paid on behalf of the ineligible participant and that those costs identified are refunded to the federal program on a timely basis.

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

The Department concurs with finding and the recommendation. Steps to correct the case in error were taken in the current year.

The Department will bring this issue to the attention of supervisors so they can discuss it with eligibility workers. Procedures will be reviewed and accuracy of eligibility will be verified. Program trainers will also emphasize this issue in upcoming trainings to help ensure this error is avoided in the future. The Department expects to replace our 30+ year old Legacy System with a new Integrated Eligibility System (IES) in the near future. The new IES is being developed for the new Health Insurance Exchange and federal health care reform. The IES is expected to be incrementally developed and implemented from October 2013 through the end of 2014. Once the fully developed IES is functional, the enhanced eligibility system is expected to catch prevent this type of worker error.

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

June 30, 2013

***Contact for Corrective Action Plan***

Rob Roberts, Audit Chief, Agency of Human Services, 802-871-3006

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**Finding 12-29**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

- Medical Assistance Program (CFDA #93.778)
- ARRA – Medical Assistance Program (CFDA #93.778)
- State Medicaid Fraud Control Units (CFDA #93.775)
- State Survey and Certification of Healthcare Providers and Suppliers (CFDA #93.777)

**Program Award Number and Year**

|              |                    |
|--------------|--------------------|
| 11-W00194/1  | 1/1/11 – 12/21/13  |
| 11-W-00191/1 | 10/1/10 – 09/30/15 |
| 75X0512      | 9/30/09 – 6/30/12  |

**Criteria**

As required by the 1115 Demonstration Waiver, Global Commitment to Health (the Waiver), once the Managed Care Organization’s (MCO) contractual obligation to the population covered under the Waiver is met, any excess revenue from 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 health care to uninsured, underinsured and Medicaid beneficiaries, (3) provide public health approaches to improve the health outcomes and the quality of life for the uninsured, underinsured and Medicaid beneficiaries; and (4) encourage the formation and maintenance of public-private partnerships in health care. This revenue is referred to as MCO investments.

**Condition Found**

During our testwork over the allowability of MCO Investment payments, we selected approximately \$77.2 million of the total MCO investments of \$89.9 million MCO Investment payments made for the year ended June 30, 2012 and noted the following:

- A. MCO Investments totaling \$1,897,997 were paid to the Vermont Department of Banking, Insurance, Securities and Health Care Administration (BISHCA) to fund various health care related activities. The funds paid were to have met the MCO Investment category of 2 as defined above. Per review of the expenditure detail, we noted that approximately \$435,000 of this MCO Investment was used to pay for salary expenses incurred at BISHCA. During our review over payroll transactions charged to the MCO investment, we noted that 47% of the gross salary cost was charged to the MCO Investment. The 47% allocation rate was utilized by BISCHA as 47% of total contract expenses incurred by BISCHA 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 \$1,410,956 were paid to the Vermont Veterans Home, which is a skilled nursing facility that serves veterans, spouses, and Gold Star parents (parents of soldiers killed in action). This program is directly appropriated money by the Vermont State Legislature as part of the



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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 \$4,006,156 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 \$2,563,226 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 \$2,242,871 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 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.
- F. MCO Investments totaling \$1,425,017 were paid to help fund the Vermont Information Technology administered by the Department of Vermont Health Access. The funds paid under this program were to have met MCO Investment category 2, as defined above. The payroll total costs incurred under this program were allocated to the MCO Investment using a rate of approximately 60.9%, which is an estimate of the Vermont population that is Medicaid eligible, 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

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appeared to be health care related, we were unable to determine whether or not the 60.9% allocation rate is reasonable to appropriately allocate the costs to meet the MCO Investment definition.

- G. MCO Investments totaling \$1,841,690 were paid to help fund the Vermont Blue Print for Health administered by the Department of Vermont Health Access. The funds paid under this program were to have met MCO Investment category 2, as defined above. The payroll total costs incurred under this program were allocated to the MCO Investment using a rate of approximately 60.9%, which is an estimate of the Vermont population that is Medicaid eligible, 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 60.9% allocation rate is reasonable to appropriately allocate the costs to meet the MCO Investment definition.
- H. MCO Investments totaling \$775,278 were paid to help fund the Essential Persons Program administered by the Department for Children and Families. Costs incurred under this program relate to payments made to individual to assist the individual in obtain health care or to pay for premiums for current health insurance. During our testwork there was no documentation to substantiate that the participants actually used the money to pay for health care related costs. Accordingly, we are unable to determine if the funds were spent on appropriately to meet the MCO Investment definition. Due to a lack of documentation to support that these payments were used for health care related purposes, it is unclear as to whether or not this is an allowable MCO investment.

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

#### *Cause*

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

#### *Effect*

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

This 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 AHS implement 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. 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***

Rob Roberts, Audit Chief, Agency of Human Services, 802-871-3006.

#### ***Rejoinder***

During our testwork over MCO investments, we requested documentation to support that CMS had reviewed the MCO investment expenditures as part of the waiver renewal process, however no documentation could be provided that the review had taken place or that CMS was satisfied with the documentation presented. In addition, we were unable to obtain any evidence to support that the results of the 2010 Vermont Household Health Insurance Survey was relevant and reasonable to use to support costs allocated to the Medicaid program for the year ended June 30, 2012.

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**Finding 12-30**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

- Medical Assistance Program (CFDA #93.778)
- ARRA – Medical Assistance Program (CFDA #93.778)
- State Medicaid Fraud Control Units (CFDA #93.775)
- State Survey and Certification of Healthcare Providers and Suppliers (CFDA #93.777)

**Program Award Number and Year**

|              |                  |
|--------------|------------------|
| 11-W00194/1  | 1/1/11-12/21/13  |
| 11-W-00191/1 | 10/1/10-09/30/15 |
| 75X0512      | 9/30/09-6/30/12  |

**Criteria**

Each State shall 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 eligibility testwork over the IEVS system and citizenship verification, KPMG noted the following:

- A. For 1 out of 65 cases, the Medicaid participant did not have a citizenship code within ACCESS, the States benefit eligibility management system, and as a result we were unable to determine whether or not the individual met the eligibility requirements for this program. On further investigation, it was discovered that the individual had in fact gone through the citizenship verification process. It was after this discussion that the citizenship code was properly entered into ACCESS.
- B. For 5 out of 65 cases, the participant did not have a citizenship code within ACCESS and as a result, we were unable to determine whether or not these individuals met the eligibility requirements for this program.

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#### *Cause*

The cause of the condition noted above can be attributed to human error. It does not appear that there are adequate controls in place to ensure that the proper information is obtained to support an applicant's eligibility for Medicaid.

#### *Effect*

The effect of the condition found is that the Department for Children and Families maintains inaccurate or inconsistent information within its case files. This incorrect information is then used to erroneously support an applicant's eligibility for Medicaid. If benefits were provided to ineligible applicants, it would incur unallowable costs.

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

#### *Questioned Costs*

Not determinable.

#### *Recommendation*

We recommend that the Department review its procedures over obtaining and validating documentation reported by applicants, as it is used to determine Medicaid eligibility. This process of review would ensure that all information is correct, thus supporting an applicant's eligibility. The collection and verification of accurate information would make certain that the State is in compliance with all federal regulations.

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

The Department concurs with the finding and recommendation.

The Department will review its procedures and continue to verify C&I information via an interface with Vermont's vital statistics database.

In preparation for the launch of the New Vermont Health Insurance Exchange, department policy analysts and systems development staff are currently working with contractors to develop a new Integrated Eligibility System (IES) which will have numerous federal and state interfaces. One of the interfaces will be with SSA and will satisfy the CMS C&I verification requirements. Because the SSA interface is a core component of the new IES, it is expected to be operational in the second half of calendar year 2013.

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

December 31, 2013

#### *Contact for Corrective Action Plan*

Rob Roberts, Audit Chief, Agency of Human Services, 802-871-3006

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Schedule of Findings and Questioned Costs

June 30, 2012

**Finding 12-31**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

- Medical Assistance Program (CFDA #93.778)
- ARRA – Medical Assistance Program (CFDA #93.778)
- State Medicaid Fraud Control Units (CFDA #93.775)
- State Survey and Certification of Healthcare Providers and Suppliers (CFDA #93.777)

**Program Award Number and Year**

|              |                    |
|--------------|--------------------|
| 11-W00194/1  | 1/1/11 – 12/21/13  |
| 11-W-00191/1 | 10/1/10 – 09/30/15 |
| 75X0512      | 9/30/09 – 6/30/12  |

**Criteria**

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

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

**Condition Found**

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

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determine the state matching expenditures. The estimated percentage used in the calculation has been developed, in part, from data contained in the 2010 Vermont Household Health Insurance Survey.

During our testwork, we noted that for the period ending June 30, 2012 AHS utilized approximately \$2.8 million in expenditures related to school nurse services to secure federal matching funds of approximately \$6.7 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 \$2.8 million, 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 are not audited or reviewed for accuracy 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 \$2.8 million of school nurse expenditures used to support the state match were allowable or whether the related federal matching funds of approximately \$6.7 million should have been drawn down.

#### *Cause*

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

#### *Effect*

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

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

#### *Questioned Costs*

Not Determinable.

#### *Recommendation*

We recommend that AHS implement policies and procedures for documenting how it has provided the required state match for the Medicaid program and that the source of the match is allowable and accurate. 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

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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.

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

No further corrective action considered necessary.

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

Rob Roberts, Audit Chief, Agency of Human Services, 802-871-3006.

#### ***Rejoinder***

We acknowledge above within the condition found that the State Department of Education compiles the school nurse expenditure data based upon a survey completed by each school. We were unable to find any evidence that either the Department of Education or the Agency of Human Services performed procedures to ensure the data collected by each school is complete and accurate. In addition, we were unable to obtain any evidence to support that the results of the 2010 Vermont Household Health Insurance Survey was relevant and reasonable to use to support costs allocated to the Medicaid program for the year ended June 30, 2012.



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**Finding 12-32**

U.S. Department of Health and Human Services

**Program Name and CFDA Number**

Medicaid Cluster:

- Medical Assistance Program (CFDA #93.778)
- ARRA – Medical Assistance Program (CFDA #93.778)
- State Medicaid Fraud Control Unites (CFDA #93.775)
- State Survey and Certification of Healthcare Providers and Suppliers (CFDA #93.777)

**Program Award Number and Year**

11-W00194/1

1/1/11 – 12/21/13

***Criteria***

For grants and cooperative agreements, effective after October 1, 2010 for all discretionary and mandatory awards equal to or exceeding \$25,000 made with new Federal Assistance Identification Number (FAIN) on or after that date, grantees are required to file a report under the Federal Funding Accountability and Transparency Act related to subawards made that exceed \$25,000 at the time the obligation is entered into.

***Condition Found***

During our test work over federal reporting, we noted that the State Department of Health (the Department) had entered into grant agreements that would have been subjected to reporting under the Federal Funding Accountability and Transparency Act (FFATA) however no reports were filed or attempts to file the reports were made as of June 30, 2012 for all 3 grants selected for testwork.

***Cause***

The cause of the condition found is due to error as the Department had incorrectly believed that another Department within the Vermont Agency of Human Services was going to complete the required reporting.

***Effect***

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

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 the federal FFATA reporting requirements and its existing procurement policy to ensure that all grant agreements entered into by the Department are properly reported as required under FFATA.

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

The Vermont Department of Health (VDH) concurs with the finding and recommendation.

The VDH Grants and Contract Administration Unit will review all grants in a timely manner to ascertain whether they are required to be reported in the FSRS system. Procedures are in place to ensure that all sub-recipient grants will then be entered as required under FFATA.

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

July 1, 2013

***Contact for Corrective Action Plan***

Rob Roberts, Audit Chief, Agency of Human Services, 802-871-3006

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**Finding 2012-33**

U.S. Department of Homeland Security

**Program Name and CFDA Number**

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

**Program Award Number and Year**

|                 |                  |
|-----------------|------------------|
| FEMA-1951-DR-VT | December 1, 2010 |
| FEMA-1995-DR-VT | June 1, 2011     |
| FEMA-4001-DR-VT | July 8, 2011     |
| FEMA-4043-DR-VT | November 8, 2011 |

***Criteria***

In accordance with the Federal Emergency Management Administration (FEMA) – State Agreement, the grantee shall submit Federal Financial Reports, SF-425, on a quarterly basis, no later than 30 days after the end of each quarter.

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

***Condition Found***

During our testwork over the Agency of Transportation’s (the Agency) reporting process, we noted discrepancies between the amounts reported on the SF-425 reports and the amounts recorded in the accounting system. Specifically:

- A. During our testwork on the September 30, 2011 and June 30, 2012 SF-425 reports for the FEMA-1951-DR-VT grant we noted that the Agency reported an unobligated balance on line 10h of \$187.84 when the grant had actually been overspent and the full authorized amount could be reported as Federal expenditures.
- B. During our testwork on the September 30, 2011 SF-425 report for the FEMA-1995-DR-VT grant we noted that the Agency had not reported any Federal expenditures even though \$46,003 had been incurred.
- C. During our testwork on the September 30, 2011 SF-425 report for the FEMA-4001-DR-VT grant we noted that the Agency had not reported any Federal expenditures even though \$16,097 had been incurred.

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- D. During our testwork on the June 30, 2012 SF-425 report for the FEMA-4043-DR-VT grant we noted that the Agency reported and drew down \$3,571 of administrative costs within the amount reported for Federal share of expenditures; however administrative costs had not been obligated for this grant and are therefore unallowable. We further noted that as of the reporting period the Agency had cost overruns of \$4,636 resulting in a new unallowed draw of \$1,065.
- E. We further noted that the Agency was not reporting any information on the "Recipient Share" lines of the reports. The recipient share lines are to include all matching and cost sharing provided by recipients and third party providers to meet the level required by the Federal agency. The federal agency had also identified this error and requested that the Agency begin reporting these amounts with the December 2012 quarter.

#### ***Cause***

The cause of the condition found appears to be a result of the Agency's control procedures and documentation supporting the submitted reports.

#### ***Effect***

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

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

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

\$1,065

#### ***Recommendation***

We recommend that the Agency review its procedures for preparing Federal reports to ensure that accurate and timely information is reported as required under Federal regulations.

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

AOT will review procedures for the data capture and report preparation. Timely communication between department units will be emphasized and results will be monitored.

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

These actions will be implemented by June 30, 2013.

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

Terry Call, AOT Audit Supervisor, 802-828-2406