



**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**

Management
State of Vermont Agency of Natural Resources and Affiliates
Montpelier, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the State of Vermont Special Environmental Revolving Fund (the Fund), a special revenue fund of the State of Vermont, as of and for the year ended June 30, 2024, and the related notes to the financial statements, and have issued our report thereon dated December 10, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2024-001, which we consider to be a material weakness.

Report on Compliance and Other Matters

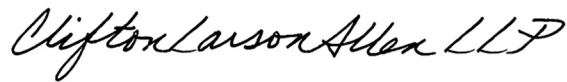
As part of obtaining reasonable assurance about whether the Fund’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

The Fund’s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Fund’s response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Fund’s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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



CliftonLarsonAllen LLP

Andover, Massachusetts
December 10, 2024

**STATE OF VERMONT SERF
SPECIAL ENVIRONMENTAL REVOLVING FUND
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2024**

2024-001 *Accounting and Recordkeeping*

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition: The State of Vermont's Agency of Natural Resources' Department of Environmental Conservation (DEC) did not implement internal controls to ensure the books and records of the State of Vermont Special Environmental Revolving Fund were maintained in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Criteria or specific requirement: The Memorandum of Agreement between DEC and the Vermont Bond Bank (VBB) requires DEC to maintain and organize its accounting and recordkeeping of State Revolving Loan Funds, which encompass the State of Vermont Special Environmental Revolving Fund, in accordance with U.S. GAAP.

Context: The audit trial balance used to prepare the financial statements of the State of Vermont Special Environmental Revolving Fund was obtained from the VBB. This trial balance was not maintained or updated by DEC in accordance with the Memorandum of Agreement. Furthermore, DEC did not perform or review periodic reconciliations over significant account balances reported by the VBB to source records during the fiscal year.

Effect: Several audit adjustments were required to convert the audit trial balance to the U.S. GAAP basis financial statements and to correct loan receivable balances reported at fiscal year-end.

Cause: Procedures are not in place to ensure the books and records of the State of Vermont Special Environmental Revolving Fund are maintained in a manner consistent with U.S. GAAP.

Repeat Finding: Yes, 2023-001

Recommendation: We recommend procedures, including the timely reconciliation of significant account balances, be implemented to maintain the books and records in accordance with U.S. GAAP.

Views of Responsible Officials and Planned Corrective Actions: The State of Vermont Department of Environmental Conservation has been engaging in an implementation of a new database that will include recordkeeping and accounting functions necessary to comply with U.S. GAAP. This project has taken longer than originally expected and has run into fundamental issues that are impeding that implementation. We are in the process of pursuing other alternative databases and expect that to continue over this next year before we have a more solid system inside of DEC. We will be working with VBB on performing a quarterly reconciliation of the trial balance from their system for the unforeseen future.