



# 2018 State of Vermont Audit Town Hall Meeting

April 25-26, 2018

**We promise**  
*to know you and help you.*





CliftonLarsonAllen LLP (CLA) is a national certified public accounting and consulting firm that employs over 5,500 people dedicated to helping governments, businesses, nonprofits, and the individuals who lead them.

With 60 plus years of experiences in the state and local government industry, CLA has one of the largest governmental audit and consulting practices in the country. Our firm's Government Services Team serves more than **2,100 governmental entities nationwide**, including numerous states and state agencies, cities, counties, and municipalities.



# CliftonLarsonAllen LLP

- Call us “CLA”
- Who is CLA:
  - Industry-lead firm aligning the best resources to serve the client
  - Industry specialized team serving **state and local governments**
    - ◇ State of New Jersey
    - ◇ Commonwealth of Pennsylvania
    - ◇ State of Delaware
    - ◇ State of South Carolina
    - ◇ State of Kansas
    - ◇ State of Mississippi
    - ◇ State of New Mexico





# Comprehensive Annual Financial Report (CAFR) Audit

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# Objective and Scope of the Audit

- CliftonLarsonAllen LLP (CLA) has been engaged by the Office of the Vermont State Auditor to audit the Comprehensive Annual Financial Report (CAFR) of the State of Vermont
- We perform our audit procedures on the underlying accounting records that are used to create the CAFR. These underlying records are obtained from both the Department of Finance and Management and the various agencies and departments of the State.
- Requests for audit support for the accounting records should mostly come from the CLA team members during the course of the audit.



# Objective and Scope of the Audit

- In addition to testing the “numbers,” we test the design and operational effectiveness of the State’s internal controls over financial reporting.
- Internal controls are tested in a variety of manner, depending on the control
  - Inquiry
  - Walk-through/re-performance
  - Examination of documentation of control performance
- Our Information Technology team will review the internal control environment around the State’s information systems and test key controls



# Objective and Scope of the Audit

- All State agencies and departments are subject to audit procedures related to the CAFR.
- Financial information and agency/department selection is subject to selection for the following reasons:
  - Known areas of concern or errors reported in the current year or prior year
  - Materiality of the balances
  - Random selection/sampling
- The same agency/department, balance, or transaction area may or may not necessarily be selected every year.



# Timing of CAFR Audit Procedures

- Issuance of the 2018 CAFR is planned for issuance in mid-December 2018
- Our audit procedures are a year-round process
- Planning – January through May
- Transaction Testing – May through September
- Year End Balance Testing – September through November
- CAFR Review and Testing – November through December
- At any point during those phases of the audit, State agencies and departments may be contacted for documents and meeting requests





# Timing of CAFR Audit Procedures

- Our audit procedures are designed to be performed as soon as the audit areas are provided to us as ready for audit by the Department of Finance and Management.
- We have also designed our procedures in conjunction with the Single Audit engagement team to minimize occurrence of testing a transaction in both engagements.
- For most agencies and departments, there will be multiple times throughout the audit where a request, contact or on-site visit is made.
- We are asking that agencies and departments provide support and/or make arrangements for a CLA auditor to come on site for testing within 7 days of the support request.



# Timing of CAFR Audit Procedures

- REMINDER: Once the initial request is provided, it does not mean we are done with our procedures. We typically will have follow up questions, clarification, or additional requests as a result of the work we perform.



# Audit Documentation Requests

- Agencies and departments have two methods to provide the information to our auditors:
  - On-site visit
  - Electronically
- We will request that some items be provided electronically, while others we will request to come on site to review the audit documentation.
- CLA will use secure e-mail system in communicating requests in order to secure sensitive information that may be included in the requests.
  - LeapFILE is CLA's secure system and SharePoint
- Note: If there are concerns with the format or quantity of support to be provided, contact us to discuss



# What Do We Mean By “Support”

- The support that we request will be defined in most cases, but in general, the purpose of the “support” we request will be to provide audit documentation that serves two purposes:
- Transaction and balance support - Support that the transaction/balance occurred and was recorded properly
- Internal control support - Support that indicates the transaction was subject to the State or agency’s internal control processes and policies and that the control was performed



# Transaction and Balance Support

- Items that support the accounting behind the transaction balance.
- The appropriate support will vary by audit area, but as a rule of thumb, “sufficient support” should be considered:
  - Documentation to provide auditors with enough evidence to understand the transaction, including extent, nature, timing and necessary accounting treatment

Sufficient Support	Insufficient Support
Reconciliations	System detail/list
Invoices	Print out of JE without backup
Aging detail	Unverifiable oral or written statements
Cash remittance or receipt	
Purchase order	



# Internal Control Support

- Internal Control - a process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.
- In testing financial data, we test the controls in addition to the numbers to ensure that controls are designed and operating effectively to provide assurance that the State's control environment:
  - Deters and detects errors, fraud and theft
  - Ensures accuracy and completeness of the accounting data
  - Produce reliable and timely financial and management information
  - Ensure employee adherence to the State's policies and plans



# Internal Control Support



- Internal control frameworks:
  - COSO
  - GAO Green Book

# Internal Control Support

- Policies and procedures are established at the State and agency level to ensure internal controls are in place over financial data.
- In order to complete our audit procedures, we must be able to test the establishment and performance of the internal controls.





# Communication Throughout Audit

- Communication with agencies and departments will be continual throughout all stages of fieldwork to ensure the 2018 audit proceeds smoothly.
- Open item lists will be regularly communicated with agencies throughout the audit as requests are made.
- The lists will serve as an inventory of outstanding requests, questions, and issues, as well as indicate which items have been received and closed.





# Single Audit

*Uniform Guidance*

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# Objectives

- Engagement team leadership
- *Single Audit* approach
- 2018 program selections (preliminary)
- Communications
- 2018 regulatory updates
- Comments, questions and open discussions



# Engagement Team Leadership

Name	Title	Role	Phone	Email
Sean Walker	Principal	Overall Single Audit Engagement Principal	410-308-8081	Sean.Walker@claconnect.com
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# Scope and Objective of the Single Audit

- Audit and opine on the State's *Schedule of Expenditures of Federal Awards* (SEFA)
  - In accordance with *Government Auditing Standards*
- Audit and opine on the State's compliance with Federal awards expended during the fiscal year.
  - *Uniform Guidance*
  - For major programs and their direct and material compliance requirement –
    - ◇ Evaluate and test internal controls over compliance
    - ◇ Evaluate and test compliance



# CLA Single Audit Approach

- Planning and strategy phase
  - Identification of major programs
  - Determination of direct and material compliance requirements for each major program
- Testing phase
  - Understanding of control environment surrounding direct and material compliance requirements
  - Testing key controls and compliance requirement
  - Reporting of results on a timely basis
- Reporting phase
  - Consolidation of statewide SEFA testwork and completeness procedures
  - Compilation of statewide findings and issuance of single audit report



# Program Selection - Preliminary

- Used 2017 Schedule of Expenditure of Federal Awards
- 285 programs
  - 31 Type A (16 High Risk, 15 Low Risk)
  - 32 Type B (must select 4)
- 20 programs selected
- Over 75% coverage



# AHS - Major Programs

Programs	CFDA #	Type
Child and Adult Care Food Program	10.558	A
Supplemental Nutrition Assistance Program (SNAP) Cluster	10.551, 10.561	A
Race to the Top -- Early Learning Challenge	84.412	A
Medicaid Cluster	93.775, 93.777, 93.778	A
Aging Cluster	93.044, 93.045, 93.053	B
Temporary Assistance for Needy Families (TANF) Cluster	93.558, 93.714	A
Child Support Enforcement	93.563	A
Foster Care Title IV-E	93.658	A
Social Services Block Grant	93.667	A
Money Follows the Person Rebalancing Demonstration	93.791	B
Child Care and Development Block Grant	93.575, 93.596	A





# Non-AHS - Major Programs

Programs	CFDA #	Type
<b><u>Agency of Commerce and Community Development</u></b>		
Community Development Block Grants	14.228	A
<b><u>Agency of Education</u></b>		
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	A
Title I Grants to Local Educational Agencies	84.010	A
Supporting Effective Instruction State Grants	84.367	A
<b><u>Agency of Natural Resources</u></b>		
Drinking Water State Revolving Fund Cluster	66.468, 66.483	A
<b><u>Agency of Transportation</u></b>		
Highway Planning and Construction Cluster	20.205, 20.219, 20.224, 23.003 20.600, 20.601, 20.602, 20.609,	A
Highway Safety Cluster	20.610, 20.611, 20.612, 20.613, 20.616	A
<b><u>Department of Public Safety</u></b>		
Disaster Grants - Public Assistance	97.036	B
Homeland Security Grant	97.067	B
<b><u>Vermont National Guard</u></b>		
National Guard Military O&M Projects	12.401	A



# Timing

- All fieldwork will be completed by **Friday, February 15, 2019.**
- The report is required to be submitted to the Federal Government by **Monday, April 1, 2019.**
- Prepared by client listing (PBC list) will be provided electronically to the Agency liaison prior to fieldwork.



# Timing (cont.)

Agency/Department	Start	Complete
Agency of Human Services	6/25/2018	11/23/2018
Agency of Commerce and Community Development	6/25/2018	TBD
Agency of Education	6/25/2018	TBD
Vermont National Guard	6/25/2018	TBD
Agency of Transportation	10/8/2018	TBD
Department of Public Safety	10/8/2018	TBD
Agency of Natural Resources	10/8/2018	TBD
Cost Allocation Plan	6/25/2018	6/29/2018
Cash Management (CMIA)	10/15/2018	10/26/2018



# Audit Liaison and Key Responsibilities

Single agency contact dedicated to coordinating single audit efforts, including –

- **Scheduling meetings** between auditor and agency personnel
- **Facilitating receipt** of auditor documentation requests
- Key contact for communicating **pending items and findings**
- Organizing **space and technology needs** for onsite auditors
- Coordinate providing **corrective action plans** to OMB and auditors
- Coordinate Agency's signatures on the **management representation letter** and return to auditors



# Agency Personnel and Key Responsibilities

- Update **internal control documentation**
- Identify **changes** in laws and regulations, personnel, and information systems
- Provide the results and responses to internal audit and other external audit **reports**
- Provide **populations** for sampling
- Provide requested items on **PBC listing**
- Provide **supporting documentation** for items selected



# Communications

- Communication is most important aspect of a successful engagement:
  - Entrance meetings
  - Status meetings for each program or group of programs – discussion on who to involve
    - ◇ Discuss progress, questions, concerns
    - ◇ PBC list status and any issue areas
  - Informal communications
    - ◇ Email (24-48 hours)
    - ◇ Calls or texts (fastest method)
    - ◇ One on one conversations
  - Exit meeting for each program or group of programs



# 2018 Regulatory Update

- 2018 compliance supplement
  - “Skinny” supplement
  - 2017 compliance supplement is the baseline
  - Unsure of timing as of 4-25-2018



# Findings and Corrective Action Plans

- A listing of findings and open items will be provided to agency liaison at the end of fieldwork, we ask –
  - Take **5 days** to evaluate the findings and provide any additional evidence.
  - Findings will be drafted after confirming with the agency liaison, the agency does not have further evidence to clear a finding.
  - A draft of the finding will be provided to the agency liaison, **5 days** will be provided to dispute, clear or negotiate language in the finding.
- It is critical, agency liaison understands and notified the appropriate parties interested in the findings.





# Feedback and Listening Session

- What has worked well in the past?
- What could be improved this year?





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