

STATE OF VERMONT
MANAGEMENT LETTER
JUNE 30, 2018



CliftonLarsonAllen

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To Management
State of Vermont

In planning and performing our audit of the financial statements of the State of Vermont (the State) as of and for the year ended June 30, 2018, 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, we considered the State's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

However, during our audit we became aware of deficiencies in internal control (other than significant deficiencies and material weaknesses) that are opportunities to strengthen your internal control and improve the efficiency of your operations. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. We previously provided a written communication dated December 21, 2018, on the State's internal control. This letter does not affect our report on the financial statements of the State dated December 21, 2018, nor our internal control communication dated December 21, 2018.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with State personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management and others within the State, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lexington, Massachusetts
December 21, 2018

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Subsequent Events Procedures

Comment

Management has not implemented formal documented policies and procedures for identifying and disclosing subsequent events during preparation of the financial statements. The lack of such formal policies and procedures presents the risk that subsequent events that are required to be disclosed may not be identified.

Recommendation

We recommend the Department of Finance and Management implement policies and procedures inquiries regarding the presence of subsequent events after the financial statement date. Such inquiries include inquiries of the State's significant agencies and departments, as well as inquiries with management of State's blended and discretely presented component units. Documentation of such inquiries should be maintained.

Bank Reconciliations – Department of Liquor Control

Comment

During our audit we noted that although receipts and disbursements from the Department of Liquor Control's Sales Agent bank account were reconciled to VISION on a monthly basis, the Department of Liquor control did not perform bank-to-VISION reconciliations for month end balances. The lack of reconciliations resulted in a passed adjustment of approximately \$175,000 which represented an understatement of the Department of Liquor Control's balance of cash in VISION.

Recommendation

We recommend the Department of Liquor Control implement formal bank-to-VISION reconciliations of month-end balances for their Sales Agent bank account. Such reconciliations should be prepared and reviewed no more than thirty days after month-end, and any variances should be promptly reconciled.

Form I-9 Employment Eligibility Verifications – Agency of Natural Resources

Comment

Our testing of internal controls surrounding the State's hiring process identified that completed I-9 forms could not be located for 2 (two) out of forty-six employees hired in fiscal year 2018. The missing I-9 forms related to new hires of the Agency of Natural Resources. The State's Personnel Policy and Procedure Manual requires all agencies and departments to have a completed I-9 form on file for all new hires in order to verify such new hires are eligible to work in the United States.

Recommendation

We recommend the Agency of Natural Resources strengthen procedures as part of the hiring process to ensure the required I-9 forms are timely obtained, completed and filed in a secure location at the Agency.

Accounts Receivable and Allowance for Doubtful Accounts - Department of Environmental Conservation

Comment

The Department of Finance and management requires individual departments to prepare and submit a CAFR-1 form which includes the full accrual, modified accrual, an estimate of the uncollectible accounts receivable and a detailed listing of accounts receivable. Along with the CAFR-1 submission, departments must submit a copy of the procedures used for estimating the allowances of uncollectible accounts receivables.

The audit procedures performed over the accounts receivable balances noted an understatement of the allowance for doubtful accounts balance of \$30,050 due to the Department applying an incorrect allowance percentage to the outstanding accounts receivable balance. Additionally, the procedures noted an overstatement of \$127,859 of accounts receivable as the accounts receivable balance was not adjusted subsequent to the collection of cash prior to year-end.

Recommendation

We recommend that policies and procedures be improved and implemented to ensure that internal controls over the financial reporting process include procedures over accounts receivable and allowance for doubtful accounts to ensure that all reported receivables are valid and collectible.

Information Technology

Comment – Password Management

The network password configuration for the State Domain was inconsistent with the Agency of Digital Services Password policy. The Department of Labor applications, VABS and CATS, password configurations were inconsistent with the Department of Labor Password Policy and the State ADS Password Policy.

Recommendation

We recommend that password settings be configured to align with the ADS Password Policy, which states that best practice is to have a minimum length of 14 characters and complexity enabled.

Comment – Segregation of Duties

Two (2) of the twelve (12) PeopleSoft Administrators (VISION) also have access and perform finance/accounting functions within the application. One (1) user in the VTHR application has been assigned the PeopleSoft Delivered Role who is a Business Application Support Specialist and also has access to Compensation Adjustments.

Recommendation

Administrator level of access in the system should be restricted to individuals that have limited or no responsibility to perform business functions within the system (typically IT individuals).

Comment – Change Management

One (1) of the four (4) samples selected for testing changes made to the Department of Labor applications, VABS and CATS, documentation of the change request, testing, and approval was not maintained.

Recommendation

We recommend retaining documentation for all changes made to the applications including details of the change requests, testing, and approvals for implementation.

Comment – Terminated Users

One (1) of the individuals tested from all the terminations within the HR department during the period was still included on the VTHR Active User List and still has access to roles for Classification Division and Deptview.

Recommendation

We recommend that all accounts for terminated individuals be timely deactivated and any access to computer systems, applications, or data be removed from their account.