

STATE OF VERMONT
UNIFORM GUIDANCE
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2019

**STATE OF VERMONT
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**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**

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate,
and the Governor of the State of 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 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, 2019, and the related notes to the financial statements, which collectively comprise the State’s basic financial statements and have issued our report thereon dated December 19, 2019March 30, 2020. Our report includes a reference to other auditors who audited the financial statements of certain funds and component units of the State, which represent the indicated percent of total assets and total revenues as described in our report on the State’s financial statements and as presented in the following table. Additionally, 100% of the information disclosed in Note V-E was also audited by other auditors. 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 other auditors.

	Percentage Audited by Other Auditors	
	Assets	Revenues
Governmental Activities	8%	1%
Business-type Activities	7%	52%
Aggregate Discretely Presented Component Units	100%	100%
Special Fund	1%	2%
Federal Revenue Fund	72%	6%
State Lottery Fund	100%	100%

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 have not been identified. However, as described in the accompanying schedule of findings and

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responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State'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 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*.

State of Vermont's Response to Findings

The State's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The State's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 State'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 State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Boston, Massachusetts
December 19, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND
REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate,
and the Governor of the State of Vermont

Report on Compliance for Each Major Federal Program

We have audited the State of Vermont's (the State) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2019. The State's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The State's basic financial statements include the operations of the Vermont Student Assistance Corporation, University of Vermont and State Agricultural College, Vermont State College System, Vermont Veterans' Home, Vermont Economic Development Authority, Vermont Municipal Bond Bank, Vermont Educational and Health Buildings Financing Authority, Vermont Transportation Authority, Vermont Housing Finance Agency and Vermont Housing Conservation Board, which received federal awards, and which are not included in the State's schedule of expenditures of federal awards for the year ended June 30, 2019. Our audit, described below, did not include the operations of the Vermont Student Assistance Corporation, University of Vermont and State Agricultural College, Vermont State College System, Vermont Veterans' Home, Vermont Economic Development Authority, Vermont Municipal Bond Bank, Vermont Educational and Health Buildings Financing Agency, Vermont Transportation Authority, Vermont Housing Finance Agency and Vermont Housing Conservation Board because other auditors were engaged to perform audits in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit

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Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinions on Certain Major Federal Programs

As described in the accompanying schedule of findings and questioned costs, the State did not comply with requirements regarding the Highway Safety Cluster (CFDA #20.600, #20.601, #20.610, #20.611, #20.616), as described in finding number 2018-007 for Level of Effort. Compliance with such requirements is necessary, in our opinion, for the State to comply with requirements applicable to those programs.

Qualified Opinions on Major Federal Programs

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Highway Safety Cluster (CFDA #20.600, 20.601, #20.610, #20.611, #20.616) for the year ended June 30, 2019.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2019-003, 2019-004, 2019-005, 2019-006, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012. Our opinion on each major federal program is not modified with respect to these matters.

The State's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The Speaker of the House of Representatives,
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Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 weakness 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-007 to be a material weakness.

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 2019-003, 2019-004, 2019-005, 2019-006, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012 to be significant deficiencies.

The State's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate,
and the Governor of the State of Vermont

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 19, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 basic 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
March 30, 2020

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
Direct grants:				
U.S. Department of Agriculture:				
10.025	Plant and Animal Disease, Pest Control, and Animal Care		\$ 328,048	\$ 64,153
10.153	Market News		29,104	-
10.156	Federal-State Marketing Improvement Program		27,567	25,000
10.163	USDA, AMS, Country of Origin Labeling		7,200	-
10.170	Specialty Crop Block Grant Program - Farm Bill		262,305	172,233
10.171	Organic Certification Cost Share Programs		478,651	-
10.174	Acer Access Development Program		1,738	-
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection		746,762	-
10.537	Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants		3,051	-
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children		10,624,584	-
10.558	Child and Adult Care Food Program		6,383,990	6,291,078
10.560	State Administrative Expenses for Child Nutrition		455,176	-
10.572	WIC Farmers' Market Nutrition Program (FMNP)		57,959	-
10.576	Senior Farmers Market Nutrition Program		80,478	55,500
10.579	Child Nutrition - Equipment		26,994	24,404
10.582	Fresh Fruit and Vegetable Program		1,468,569	1,389,586
10.596	Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP		1,580,221	-
10.652	Forestry Research		20,560	-
10.664	Cooperative Forestry Assistance		1,109,465	482,860
10.674	Wood Utilization Assistance		57,634	(11,250)
10.676	Forest Legacy Program		1,158,080	-
10.680	Forest Health Protection		24,577	2,400
10.691	Good Neighbor Authority		33,261	-
10.699	Partnership Agreements		9,300	9,300
10.912	Environmental Quality Incentives Program		326,380	-
10.932	Regional Conservation Partnership Program		224,359	82,456
<i>SNAP Cluster</i>				
10.551	Supplemental Nutrition Assistance Program		101,930,749	-
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		9,639,790	856,789
Total SNAP Cluster			111,570,539	856,789
<i>Child Nutrition Cluster</i>				
10.553	School Breakfast Program		6,348,664	6,348,063
10.555	National School Lunch Program		17,781,069	15,405,970
10.556	Special Milk Program for Children		30,829	30,829
10.559	Summer Food Service Program for Children		1,396,278	1,331,156
Total Child Nutrition Cluster			25,556,840	23,116,018
<i>Food Distribution Cluster</i>				
10.565	Commodity Supplemental Food Program		728,321	180,111
10.568	Emergency Food Assistance Program (Administrative Costs)		218,132	218,132
10.569	Emergency Food Assistance Program (Food Commodities)		1,691,568	-
Total Food Distribution Cluster			2,638,021	398,243

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
U.S. Department of Agriculture (continued):				
	<i>Forest Service Schools and Roads Cluster</i>			
10.665	Schools and Roads - Grants to States		\$ 270,889	\$ 270,889
	Total Forest Service Schools and Roads Cluster		<u>270,889</u>	<u>270,889</u>
	Total U.S. Department of Agriculture		<u>165,562,302</u>	<u>33,229,659</u>
U.S. Department of Commerce:				
11.549	State and Local Implementation Grant Program		122,447	-
	Total U.S. Department of Commerce		<u>122,447</u>	<u>-</u>
U.S. Department of Defense:				
12.002	Procurement Technical Assistance For Business Firms		423,336	-
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		21,026	-
12.401	National Guard Military Operations and Maintenance (O&M) Projects		20,240,471	-
12.404	National Guard ChalleNGe Program		622,082	-
12.617	Economic Adjustment Assistance for State Governments		121,930	6,790
	Total U.S. Department of Defense		<u>21,428,845</u>	<u>6,790</u>
U.S. Department of Housing and Urban Development:				
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		7,627,077	7,347,283
14.231	Emergency Solutions Grant Program		617,694	570,545
14.239	Home Investment Partnerships Program		3,010,775	2,963,016
14.267	Continuum of Care Program		261,490	238,408
14.999	Office of Fair Housing-Assistance Grant		26,613	-
	<i>CDBG-Disaster Recovery Grants-Pub. L. No. 113-2 Cluster</i>			
14.269	Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)		1,781,330	1,757,632
	Total CDBG-Disaster Recovery Grants-Pub. L. No. 113-2 Cluster		<u>1,781,330</u>	<u>1,757,632</u>
	Total Department of Housing and Urban Development		<u>13,324,979</u>	<u>12,876,884</u>
U.S. Department of the Interior:				
15.608	Fish and Wildlife Management Assistance		42,549	-
15.615	Cooperative Endangered Species Conservation Fund		34,300	-
15.616	Clean Vessel Act		35,772	30,599
15.622	Sportfishing and Boating Safety Act		330,352	315,585
15.631	Partners for Fish and Wildlife		23,739	-
15.634	State Wildlife Grants		742,895	320,851
15.657	Endangered Species Conservation - Recovery Implementation Funds		25,883	-
15.810	National Cooperative Geologic Mapping		78,485	38,355
15.904	Historic Preservation Fund Grants-In-Aid		625,656	65,467
15.916	Outdoor Recreation Acquisition, Development and Planning		1,379,658	770,804
15.926	American Battlefield Protection		1,752	-
15.981	Water Use and Data Research		70,727	-
	<i>Fish and Wildlife Cluster</i>			
15.605	Sport Fish Restoration		3,618,965	-
15.611	Wildlife Restoration and Basic Hunter Education		4,118,018	108,290
15.626	Enhanced Hunter Education and Safety		86,944	43,391
	Total Fish and Wildlife Cluster		<u>7,823,927</u>	<u>151,681</u>
	Total U.S. Department of the Interior		<u>11,215,695</u>	<u>1,693,342</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
U.S. Department of Justice:				
16.017	Sexual Assault Services Formula Program		\$ 373,131	\$ 342,605
16.320	Development of Human Trafficking Task Forces		1,445	
16.540	Juvenile Justice and Delinquency Prevention		280,921	241,171
16.543	Missing Children's Assistance		163,518	9,523
16.550	State Justice Statistics Program for Statistical Analysis Centers		80,474	
16.554	National Criminal History Improvement Program (NCHIP)		51,495	18,000
16.575	Crime Victim Assistance		4,232,883	2,526,917
16.576	Crime Victim Compensation		99,146	-
16.582	Crime Victim Assistance/Discretionary Grants		19,449	-
16.588	Violence Against Women Formula Grants		763,694	338,712
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program		232,715	179,864
16.593	Residential Substance Abuse Treatment for State Prisoners		64,044	64,044
16.710	Public Safety Partnership and Community Policing Grants		521,688	
16.738	Edward Byrne Memorial Justice Assistance Grant Program		455,763	115,963
16.741	DNA Backlog Reduction Program		197,984	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		134,125	
16.754	Harold Rogers Prescription Drug Monitoring Program		18,437	-
16.812	Second Chance Act Reentry Initiative		532,875	-
16.839	STOP School Violence		3,007	
16.922	Equitable Sharing Program		96,675	1,642
16.999	Drug Enforcement Administration - DEA		7,245	-
16.999	FBI-VTOC/Cyber/Intelligence		23,432	-
16.999	US Marshall's District Fugitive Task Force		2,774	-
16.999	ICE/SLOT		320	-
16.999	Evidence (Asset Seizure) Forfeiture Funds (Justice & Treasury)		4,601	-
	Subtotal CFDA #16.999		<u>38,372</u>	<u>-</u>
	Total U.S. Department of Justice		<u>8,361,841</u>	<u>3,838,441</u>
U.S. Department of Labor:				
17.002	Labor Force Statistics		763,274	-
17.005	Compensation and Working Conditions		37,803	-
17.225	Unemployment Insurance		75,994,942	-
17.235	Senior Community Service Employment Program		466,102	446,913
17.245	Trade Adjustment Assistance		406,918	-
17.268	H-1B Job Training Grants		652,325	622,769
17.271	Work Opportunity Tax Credit Program (WOTC)		51,750	-
17.273	Temporary Labor Certification for Foreign Workers		111,978	-
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants		415,615	300,842
17.285	Apprenticeship USA Grants		520,013	388,882
17.503	Occupational Safety and Health State Program		755,028	-
17.504	Consultation Agreements		421,214	-
17.600	Mine Health and Safety Grants		182,370	177,286
17.720	DOL Veterans E&T		532	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
U.S. Department of Labor (continued):				
<i>Employment Service Cluster</i>				
17.207	Employment Service/Wagner-Peyser Funded Activities		\$ 2,402,974	\$ -
17.801	Disabled Veterans' Outreach Program (DVOP)		454,939	-
	Total Employment Service Cluster		<u>2,857,913</u>	<u>-</u>
<i>WIOA Cluster</i>				
17.258	WIOA Adult Program		1,667,355	-
17.259	WIOA Youth Activities		2,684,311	186,031
17.278	WIOA Dislocated Worker Formula Grants		805,685	-
	Total WIOA Cluster		<u>5,157,351</u>	<u>186,031</u>
	Total U.S. Department of Labor		<u>88,795,128</u>	<u>2,122,723</u>
U.S. Department of Transportation:				
20.106	Airport Improvement Program		6,971,345	-
20.200	Highway Research and Development Program		701,290	170,748
20.215	Highway Training and Education		143,234	-
20.218	Motor Carrier Safety Assistance		1,002,558	-
20.231	Performance and Registration Information Systems Management		40,232	-
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements		176,203	-
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		502,740	483,435
20.509	Formula Grants for Rural Areas		16,598,070	14,894,009
20.530	Public Transportation Innovation		34,096	-
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		1,043,882	593,308
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements		12,741	-
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		88,374	34,676
20.721	PHMSA Pipeline Safety Program One Call Grant		231,476	-
20.933	National Infrastructure Investments		1,713,678	-
<i>Highway Planning and Construction Cluster</i>				
20.205	Highway Planning and Construction		225,501,866	25,846,164
20.219	Recreational Trails Program		949,638	619,214
	Total Highway Planning and Construction Cluster		<u>226,451,504</u>	<u>26,465,378</u>
<i>Federal Transit Cluster</i>				
20.500	Federal Transit Capital Investment Grants		443,650	435,913
20.526	Bus and Bus Facilities Formula Program		2,930,849	2,930,849
	Total Federal Transit Cluster		<u>3,374,499</u>	<u>3,366,762</u>
<i>Transit Services Programs Cluster</i>				
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities		260,573	244,293
	Total Transit Services Programs Cluster		<u>260,573</u>	<u>244,293</u>
<i>Highway Safety Cluster</i>				
20.600	State and Community Highway Safety		2,234,057	1,119,914
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants		79,962	-
20.610	State Traffic Safety Information system Improvement Grants		13,900	-
20.611	Incentive Grant Program to Prohibit Racial Profiling		6,510	6,510
20.616	National Priority Safety Programs		2,486,510	451,033
	Total Highway Safety Cluster		<u>4,820,939</u>	<u>1,577,457</u>
	Total U.S. Department of Transportation		<u>264,167,434</u>	<u>47,830,066</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
U.S. Department of the Treasury:				
21.016	Equitable Sharing		\$ 52,982	\$ 179
	Total U.S. Department of the Treasury		52,982	179
U.S. General Services Administration:				
39.003	Donation of Federal Surplus Personal Property		369,784	-
	Total U.S. General Services Administration		369,784	-
U.S. Institute of Museum and Library Service:				
45.310	Grants to States		941,053	82,729
	Total U.S. Institute of Museum and Library Service		941,053	82,729
U.S. Small Business Administration:				
59.061	State Trade Expansion		315,937	165,182
	Total U.S. Small Business Administration		315,937	165,182
U.S. Department of Veterans Affairs:				
64.028	Post-9/11 Veterans Educational Assistance		92,003	-
	Total U.S. Department of Veterans Affairs		92,003	-
U.S. Environmental Protection Agency:				
66.032	State Indoor Radon Grants		120,000	-
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		266,135	-
66.040	State Clean Diesel Grant Program		238,292	197,898
66.042	Temporally Integrated Monitoring of Ecosystems (TIME) and Long-Term Monitoring (LTM) Program		109,284	-
66.454	Water Quality Management Planning		113,783	40,000
66.461	Regional Wetland Program Development Grants		264,052	-
66.481	Lake Champlain Basin Program		787,311	92,438
66.605	Performance Partnership Grants		4,890,874	-
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		35,069	-
66.700	Consolidated Pesticide Enforcement Cooperative Agreements		283,885	-
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements		31,823	-
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals		281,831	-
66.708	Pollution Prevention Grants Program		38,606	-
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		377,445	-
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		259,672	-
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		599,645	-
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		24,331	-
66.817	State and Tribal Response Program Grants		752,256	-
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		287,793	285,326
<i>Clean Water State Revolving Fund Cluster</i>				
66.458	Capitalization Grants for Clean Water State Revolving Funds		14,367,427	13,875,560
	Total Clean Water State Revolving Fund Cluster		14,367,427	13,875,560

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
U.S. Environmental Protection Agency (continued):				
<i>Drinking Water State Revolving Fund Cluster</i>				
66.468	Capitalization Grants for Drinking Water State Revolving Funds		\$ 7,011,148	\$ 3,389,777
	Total Drinking Water State Revolving Fund Cluster		<u>7,011,148</u>	<u>3,389,777</u>
	Total U.S. Environmental Protection Agency		<u>31,140,662</u>	<u>17,880,999</u>
U.S. Department of Energy:				
81.041	State Energy Program		428,236	71,153
81.042	Weatherization Assistance for Low-Income Persons		1,505,473	1,431,336
81.119	State Energy Program Special Projects		242,448	239,725
81.138	State Heating Oil and Propane Program		5,000	-
	Total U.S. Department of Energy		<u>2,181,157</u>	<u>1,742,214</u>
U.S. Department of Education:				
84.002	Adult Education - Basic Grants to States		886,785	761,263
84.010	Title I Grants to Local Educational Agencies		24,228,849	23,655,562
84.011	Migrant Education State Grant Program		482,590	401,012
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		29,711	29,016
84.048	Career and Technical Education -- Basic Grants to States		3,707,114	3,250,209
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States		10,344,000	-
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind		206,250	206,250
84.181	Special Education-Grants for Infants and Families		2,301,533	116,336
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		263,103	-
84.196	Education for Homeless Children and Youth		124,226	68,082
84.287	Twenty-First Century Community Learning Centers		4,811,093	4,523,656
84.358	Rural Education		12,680	12,680
84.365	English Language Acquisition State Grants		301,719	164,991
84.366	Mathematics and Science Partnerships		263,451	263,255
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)		7,039,658	6,721,312
84.369	Grants for State Assessments and Related Activities		3,915,942	-
84.372	Statewide Longitudinal Data Systems		829,607	-
84.377	School Improvement Grants		241,659	207,704
84.412	Race to the Top - Early Learning Challenge		8,910,563	3,995,455
84.419	Preschool Development Grants		3,997,636	3,701,546
84.421	Disability Innovation Fund (DIF)		1,867,107	-
84.424	Student Support and Academic Enrichment Program		2,125,046	2,092,430
<i>Special Education Cluster (IDEA)</i>				
84.027	Special Education Grants to States		22,733,089	20,039,537
84.173	Special Education Preschool Grants		528,941	301,879
	Total Special Education Cluster (IDEA)		<u>23,262,030</u>	<u>20,341,416</u>
	Total U.S. Department of Education		<u>100,152,352</u>	<u>70,512,175</u>
National Archives and Records Administration				
89.003	Vermont Historical Records Program		44,569	-
	Total National Archives and Records Administration		<u>44,569</u>	<u>-</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
U.S. Election Assistance Commission:				
90.401	Help America Vote Act Requirements Payments		\$ 1,031,719	\$ -
	Total U.S. Election Assistance Commission		1,031,719	-
U.S. Northern Border Regional Commission				
90.601	Northern Border Regional Development		421,397	408,791
	Total U.S. Northern Border Regional Commission		421,397	408,791
U.S. Department of Health and Human Services:				
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation		23,710	23,710
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals		73,166	73,166
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services		134,957	134,957
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects		295,267	290,368
93.052	National Family Caregiver Support, Title III, Part E		934,395	514,997
93.070	Environmental Public Health and Emergency Response		1,404,520	62,983
93.071	Medicare Enrollment Assistance Program		88,262	88,262
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance		18,999	
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		5,964,872	400,655
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		103,501	
93.090	Guardianship Assistance		148,326	
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program		247,580	142,565
93.094	Well-Integrated Screening and Evaluation for Women Across the Nation		122,292	30,843
93.103	Food and Drug Administration Research		1,339,291	227,796
93.110	Maternal and Child Health Federal Consolidated Programs		184,875	31,464
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		160,544	-
93.127	Emergency Medical Services for Children		118,350	-
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		149,123	20,100
93.136	Injury Prevention and Control Research and State and Community Based Programs		2,127,481	508,660
93.150	Projects for Assistance in Transition from Homelessness (PATH)		301,857	294,436
93.165	Grants to States for Loan Repayment Program		82,500	82,500
93.184	Disabilities Prevention		146,192	-
93.197	Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children		377,895	-
93.217	Family Planning Services		721,231	695,387
93.234	Traumatic Brain Injury State Demonstration Grant Program		51,042	24,680
93.236	Grants to States to Support Oral Health Workforce Activities		187,838	154,059
93.241	State Rural Hospital Flexibility Program		350,839	133,614
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance		5,155,010	2,563,860
93.251	Universal Newborn Hearing Screening		246,364	241,855
93.268	Immunization Cooperative Agreements		8,754,473	-
93.270	Viral Hepatitis Prevention and Control		53,310	-
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance		56,699	-

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
U.S. Department of Health and Human Services (continued):				
93.301	Small Rural Hospital Improvement Grant Program		\$ 148,800	\$ 148,800
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)		886,894	23,611
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program		142,068	73,172
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ECL)		1,279,352	2,500
93.324	State Health Insurance Assistance Program		226,810	218,150
93.336	Behavioral Risk Factor Surveillance System		299,820	-
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response		1,738,130	26,445
93.366	State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes		246,458	-
93.367	Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs		145,907	-
93.369	ACL Independent Living State Grants		264,692	132,887
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke-Financed in part by 2018 Prevention and Public Health Funds		939,208	174,754
93.436	Well-Integrated Screening and Evaluation for Women Across the Nation (Wisewoman)		252,680	-
93.464	ACL Assistive Technology		333,989	-
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review		127,486	-
93.556	Promoting Safe and Stable Families		530,728	476,191
93.563	Child Support Enforcement		8,778,099	-
93.564	Child Support Enforcement Research		66,780	-
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs		490,408	298,984
93.568	Low-Income Home Energy Assistance		19,989,092	5,895,199
93.569	Community Services Block Grant		3,861,541	3,612,136
93.576	Refugee and Entrant Assistance Discretionary Grants		236,278	234,785
93.584	Refugee and Entrant Assistance Targeted Assistance Grants		47,085	47,085
93.586	State Court Improvement Program		124,204	-
93.590	Community-Based Child Abuse Prevention Grants		178,956	175,046
93.597	Grants to States for Access and Visitation Programs		102,795	96,701
93.599	Chafee Education and Training Vouchers Program (ETV)		130,530	103,805
93.600	Head Start		120,347	6,000
93.630	Developmental Disabilities Basic Support and Advocacy Grants		567,771	113,520
93.643	Children's Justice Grants to States		69,470	-
93.645	Stephanie Tubbs Jones Child Welfare Services Program		582,440	39,487
93.658	Foster Care Title IV-E		12,200,457	-
93.659	Adoption Assistance		10,243,725	-
93.667	Social Services Block Grant		7,934,083	799,798
93.669	Child Abuse and Neglect State Grants		141,751	73,570
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		727,899	673,767

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
U.S. Department of Health and Human Services (continued):				
93.674	Chafee Foster Care Independence Program		\$ 500,000	\$ 500,000
93.735	State Public Health Approaches for Ensuring Quidline Capacity - Funded in Part by Prevention and Public Health Funds (PPHF)		44,841	-
93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program		32,125	-
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)		282,479	108,755
93.767	Children's Health Insurance Program		11,791,375	1,031
93.788	Opioid STR		2,237,390	1,018,025
93.791	Money Follows the Person Rebalancing Demonstration		1,264,421	-
93.796	State Survey Certification of Health Care Providers and Suppliers (Title XIX) Medicaid		853,221	-
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		79,351	79,280
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program		707,769	701,616
93.898	Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations		1,537,636	278,838
93.913	Grants to States for Operation of State Offices of Rural Health		174,963	18,750
93.917	HIV Care Formula Grants		1,099,007	759,633
93.940	HIV Prevention Activities Health Department Based		750,410	310,951
93.946	Assistance Programs for Chronic Disease Prevention and Control		210,747	-
93.958	Block Grants for Community Mental Health Services		1,051,065	916,603
93.959	Block Grants for Prevention and Treatment of Substance Abuse		4,806,786	3,375,569
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants		262,034	29,250
93.991	Preventive Health and Health Services Block Grant		380,762	43,809
93.994	Maternal and Child Health Services Block Grant to the States		1,506,373	366,974
<i>Aging Cluster</i>				
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		1,886,576	1,884,295
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services		3,586,537	3,584,600
93.053	Nutrition Services Incentive Program		729,085	729,085
	Total Aging Cluster		<u>6,202,198</u>	<u>6,197,980</u>
<i>TANF Cluster</i>				
93.558	Temporary Assistance for Needy Families		33,253,150	91,234
	Total TANF Cluster		<u>33,253,150</u>	<u>91,234</u>
<i>CCDF Cluster</i>				
93.575	Child Care and Development Block Grant		15,571,536	2,949,351
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		6,631,458	373,639
	Total CCDF Cluster		<u>22,202,994</u>	<u>3,322,990</u>
<i>Medicaid Cluster</i>				
93.775	State Medicaid Fraud Control Units		785,233	-
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		1,540,321	-
93.778	Medical Assistance Program		1,093,030,861	23,276,617
	Total Medicaid Cluster		<u>1,095,356,415</u>	<u>23,276,617</u>
	Total U.S. Department of Health and Human Services		<u>1,290,869,006</u>	<u>61,585,215</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
U.S. Corporation for National Community Service:				
94.003	State Commissions		\$ 258,019	\$ -
94.006	AmeriCorps		1,916,514	1,916,514
94.009	Training and Technical Assistance		103,181	-
94.013	Volunteers in Service to America		39,930	-
	Total U.S. Corporation for National Community Service		2,317,644	1,916,514
U.S. Executive Office of the President:				
95.001	High Intensity Drug Trafficking Areas Program		3,353	-
	Total U.S. Executive Office of the President		3,353	-
U.S. Social Security Administration:				
96.008	Social Security - Work Incentives Planning and Assistance Program		110,000	-
	<i>Disability Insurance/SSI Cluster</i>			
96.001	Social Security Disability Insurance		6,900,544	-
	Total Disability Insurance/SSI Cluster		6,900,544	-
	Total U.S. Social Security Administration		7,010,544	-
U.S. Department of Homeland Security:				
97.012	Boating Safety Financial Assistance		813,301	63,534
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		208,062	-
97.029	FMA		448	-
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)		13,603,520	12,114,498
97.039	Hazard Mitigation Grant		1,347,620	1,278,060
97.041	National Dam Safety Program		65,955	-
97.042	Emergency Management Performance Grants		2,858,703	522,287
97.043	State Fire Training Systems Grants		20,000	-
97.044	Assistance to Firefighters Grant		476,651	-
97.047	Pre-Disaster Mitigation		212,911	194,722
97.067	Homeland Security Grant Program		4,630,875	966,836
97.090	Law Enforcement Officer Reimbursement Agreement Program		42,755	42,755
	Total U.S. Department of Homeland Security		24,280,801	15,182,692
	Total direct grants		2,034,203,634	271,074,595
Indirect federal grants:				
Passed Through Vermont State Colleges				
17.268	H-1B Job Training Grants	HG-29545-16-60-A-50	77	-
	Total pass-through from Vermont State Colleges		77	-
	Total indirect federal grants		77	-
	Total federal financial aid expended		\$ 2,034,203,711	\$ 271,074,595

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**STATE OF VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the State of Vermont (the State) applied in the presentation of the schedule of expenditures of federal awards (the Schedule) are set forth below:

Single Audit Reporting Entity

For purposes of complying with Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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, 2019. The Schedule does 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, 2019. Each of these entities is subject to separate audits in compliance with audit requirements of the Uniform Guidance, if required.

The federal transactions of the following entities are not reflected in the Schedule:

Vermont Student Assistance Corporation	Vermont Municipal Bond Bank
University of Vermont and State Agricultural College	Vermont Educational and Health Buildings Financing Agency
Vermont State College System	Vermont Transportation Authority
Vermont Veterans' Home	Vermont Housing Finance Agency
Vermont Economic Development Authority	Vermont Housing Conservation Board

Basis of Presentation

The information in the accompanying Schedule is presented in accordance with the Uniform Guidance. Pursuant to the Uniform Guidance, federal financial assistance is 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 Schedule. Federal awards do not include direct federal cash payments to individuals. A copy of the schedule of expenditures of federal awards presented by State Department and Agency can be found on the State of Vermont Department of Finance and Management website.

STATE OF VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule was prepared on the modified basis of accounting.

Matching Costs

Matching costs, the nonfederal share of certain program costs, are not included in the accompanying Schedule.

NOTE 3 CATEGORIZATION OF EXPENDITURES

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

NOTE 4 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.

NOTE 5 INDIRECT COST RATE

Whereas the various agencies and departments of the State may negotiate individual cost recovery rates with their cognizant agencies, the State is precluded from, and does not utilize, the 10% de minimus cost rate under the conditions of 2 CFR 200.414(f).

NOTE 6 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. The OMB 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:

Federal	\$ 12,441,388
State	63,553,554
Total	<u>\$ 75,994,942</u>

**STATE OF VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 7 AIRPORT IMPROVEMENT PROGRAM (CFDA #20.106)

The State receives Federal Aviation Administration (FAA) funds from the U.S. Department of Transportation. The State excludes funds received on behalf of the City of Burlington, Vermont (the City) from the Schedule, 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. These FAA funds are included on the City's schedule of expenditures of federal awards.

NOTE 8 NONMONETARY FEDERAL FINANCIAL ASSISTANCE

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

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 Schedule for the National School Lunch Program represent the federal government's acquisition value of the food commodities provided to the State. A total of \$2,374,023, of food commodities was included in the Schedule.

Summer Food Service Program for Children (CFDA #10.559)

The Summer Food Service Program for Children assists states, through grant-in-aid and other means, to conduct nonprofit food service programs for children during the summer months and at other approved times, when school is not in session. Total federal expenditures included in the Schedule for the Summer Food Service Program for Children represent the federal government's acquisition value of food commodities provided to the State. A total of \$7,549 of food commodities was included in the Schedule.

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 Schedule for the Commodity Supplemental Food Program represent the federal government's acquisition value of the food commodities provided to the State. A total of \$548,210 of food commodities was included in the Schedule.

**STATE OF VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 8 NONMONETARY FEDERAL FINANCIAL ASSISTANCE (CONTINUED)

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

The Emergency Food Assistance Program helps supplement the diets of low-income Americans by providing them with food and nutritional assistance at no cost. Under this program, commodity foods are made available by the USDA to states. States provide the food to locally selected agencies, 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 Schedule for the Emergency Food Assistance Program represent the federal government's acquisition value of food commodities provided to the State. A total of \$1,691,568 of food commodities was included in the Schedule.

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 Schedule for Donation of Federal Surplus Personal Property represent the federal government's acquisition value of the federal property sold by the State. A total of \$369,784 in donation of federal surplus property was included in the Schedule.

Immunization Cooperative Agreements (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 Schedule for Immunization Cooperative Agreements represent the federal government's acquisition value of the vaccines provided to the State. A total of \$6,960,052 related to the acquisition value of vaccines was included in the Schedule.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? yes x none
3. Noncompliance material to financial statements noted? yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? x yes no
 - Significant deficiency(ies) identified? x yes none reported
2. Type of auditors’ report issued on compliance for major federal programs: See table below
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? x yes no

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

\$ 6,102,613

Auditee qualified as low-risk auditee?

 yes x no

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section I – Summary of Auditors’ Results (Continued)

Identification of Major Programs

Major Program	CFDA #	Opinion
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559	Unmodified
Child and Adult Care Food Program	10.558	Unmodified
Fish and Wildlife Cluster	15.605, 15.611, 15.626	Unmodified
Crime Victim Assistance	16.575	Unmodified
WIOA Cluster	17.258, 17.259, 17.278	Unmodified
Highway Safety Cluster	20.600, 20.601, 20.610, 20.611, 20.616	Qualified
Clean Water State Revolving Funds	66.458	Unmodified
Special Education	84.027, 84.173	Unmodified
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	Unmodified
Preschool Development Expansion Grants	84.419	Unmodified
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	93.074	Unmodified
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	Unmodified
Immunization Grants	93.268	Unmodified
State Children's Insurance Program	93.767	Unmodified
Medicaid Cluster	93.775, 93.777, 93.778	Unmodified

**STATE OF VERMONT
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Section II – Financial Statement Findings

Finding 2019-001 – Accounts Receivable – Department of Liquor Control

Material Weakness

Condition

The State did not have controls properly implemented to ensure that accounts receivable for the Department of Liquor Control were recorded accurately.

Criteria

The State's Internal Controls Best Practice Series memorandum over accounts receivable indicates that departmental best practices include the maintenance of an accurate record of receivables transactions. The use of automated systems (e.g. VISION) should be utilized, where practical, to facilitate processing and reconciliation.

Context

The audit procedures performed over accounts receivable balances noted an overstatement of accounts receivable of approximately \$3,513,000 due to a timing difference between the receipt of funds and adjustment of the accounts receivable. The audit procedures also identified the related allowance for uncollectible accounts was overstated by \$708,000 due to the improper inclusion of prior year credit card receipts accruals in the unadjusted allowance.

Effect

The State recorded adjustments to correct both the accounts receivable and allowance for uncollectible accounts.

Cause

The State's internal controls surrounding the recording of accounts receivable and allowance for uncollectible accounts did not detect the misstatements.

Recommendation

We recommend that policies and procedures be improved and implemented to ensure that internal controls over financial reporting include procedures over accounts receivable and the related allowance for uncollectible accounts receivable to ensure these balances are reported accurately.

Management Response

The Department agrees with the audit finding, and believes it to be a one-time instance due in large part to converting to a new, merged business unit. We will review our year-end processes and add in steps and training for special situations.

STATE OF VERMONT
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Section II – Financial Statement Findings (continued)

Finding 2019-002 – Cash Disbursements–Agency of Transportation

Significant Deficiency

Condition

The State did not have adequate controls implemented to ensure that procurement processes were conducted in accordance with established policies and procedures.

Criteria

The State's Internal Controls Best Practices Series memorandum over Purchasing indicates the purchasing of goods and services should be made by a competitive process to ensure a prudent and efficient use of State funds. The memorandum also reiterates the required compliance with Agency of Administration's Bulletin 3.5: Procurement and Contracting Procedures. The requirements of Bulletin 3.5 apply to the procurement of all goods and services by all agencies and departments and include specific requirements related to the competitive bidding and contracting of services.

Context

The audit procedures surrounding expenditures and cash disbursements identified a transaction in which an expenditure was incurred and cash was disbursed to a vendor prior to the performance of the competitive bid process for the service and execution of a contract with the vendor in accordance with Bulletin 3.5.

Effect

Expenditures were made to a vendor whom was not approved in accordance with Bulletin 3.5. The purchased services were subsequently shifted to a different vendor for whom a statewide contract was executed.

Cause

Controls surrounding purchasing did not identify the expenditures were made to an unapproved vendor.

Recommendation

We recommend that policies and procedures be implemented to ensure that internal controls over purchasing include proper consideration of the required competitive bidding and contracting processes prior to the execution of transactions with vendors.

Management Response

The Agency of Transportation (AOT) agrees with Finding 2019-002 of inadequate controls in the procurement process.

On September 20, 2019 AOT Accounts Payable implemented a process to flag invoices to vendors that are non-compliant with Bulletin 3.5. The Financial Specialist or Financial Administrator reviewing the payment will elevate an invoice from a vendor that does not have a relevant contract or is not covered by a BDA to the AP Financial Director. The Financial Director will then request the exempt AOT division director responsible, who is a State Appointing Authority, to approve payment prior to remittance. This is an acknowledgement from management that even though the service and/or product was procured improperly, it was in fact a necessary purchase and relevant to operations. The effort is also designed to put the Appointing Authority responsible on notice that there are services or products provided by

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Section II – Financial Statement Findings (continued)

vendors in his or her division that are not under contract. Lastly, it is a certification that Accounts Payable staff is not making the final decision to make a payment when it is non-compliant with Bulletin 3.5.

This process has helped us gain insight to the precise nature of the problem and the divisions who are most in need of remediation. While this practice has increased awareness of the deficiency in the divisions of the Agency that utilize centralized AP services, there remains divisions outside of the centralized AP process that need remedial education, such as the District Offices where the example finding occurred. Additionally, we recognize the need for corrective action to ensure compliance before goods and services are procured. In response, we have developed a corrective action plan proposed as follows:

AOT will increase education, training, and support to clarify State procurement policies and procedures. This will include developing a visual decision tree to assist employees through the procurement process.

The guidelines in Bulletin 3.5 sufficiently promote competitive bidding and stewardship of state funds. However, it isn't always clear to employees what action to take. A simple, clear decision tree will address that source of confusion. In addition, the Agency will promote the use of existing Statewide Contracts, Vendors who are approved to accept Purchasing Card payments, and Blanket Delegation of Authority. Awareness of available statewide contracts will limit instances of the example listed above - where purchased services had to be moved from a non-approved to an approved vendor. AOT Business Support Services will also take a more active role in assisting the divisions and districts that have been most frequently non-compliant.

Lastly, the Agency will issue guidance that re-states the necessary documentation required to make a payment for goods or services. AOT Accounts Payable will no longer remit payment to vendors for services that are lacking proper information and documentation, which is either evidence of an executed contract or the valid coverage of a BDA.

Our plan is to have this corrective action in place by February 29, 2020. We also welcome any additional recommendations to remedy this deficiency.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Section III – Findings and Questioned Costs – Major Federal Programs

Reference Number: 2019-003
Prior Year Finding: 2018-003
Federal Agency: U.S. Department of Agriculture
State Agency: Vermont Agency of Education
Federal Program: Child Nutrition Cluster
Special Education – Grants to States (IDEA, Part B)
CFDA Number: 10.553, 10.555, 10.556, 10.559, 84.027, 84.173
Award Number and Year: 201818N109944 (7/1/2017 - 9/30/2018)
201919N109944 (7/1/2018 - 9/30/2019)
H027A180098 (7/1/2018 - 9/30/2019)
H027A180098-18A (7/1/2018 - 9/30/2019)
Compliance Requirement: Cash Management
Type of Finding: Significant deficiency in internal control and noncompliance

Criteria or specific requirement

U.S. Department of the Treasury (Treasury) regulations at 31 CFR part 205 implement the Cash Management Improvement Act of 1990 (CMIA), as amended (Pub. L. No. 101-43; 31 USC 6501 et seq). Subpart A of those regulations requires State recipients to enter into Treasury-State Agreements that prescribe specific methods of drawing down Federal funds (funding techniques) for Federal programs listed in the Catalog of Federal Domestic Assistance that meet the funding threshold for a major Federal assistance program under the CMIA.

Condition

As outlined in the Cash Management Improvement Act Agreement between the State of Vermont and the United States Department of Treasury, the Agency of Education (the Agency) is required to drawdown Federal funds for the National School Lunch and IDEA, Part B programs bi-weekly based on actual expenditures incurred during the previous two-week period. During our testing over cash management, we noted the Agency performed a total of 16 cash draws for the year ended June 30, 2019 and did not comply with the draw down pattern established within the CMIA agreement.

Cause

The Agency does not have sufficient procedures in place to ensure that drawdowns are performed in accordance with the CMIA agreement.

Effect

The Agency is not in compliance with the funding techniques prescribed by the Treasury.

Questioned costs

None.

Recommendation

We recommend Agency management strengthen its current policies and procedures to ensure that drawdowns are performed as prescribed by the Treasury.

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I.

**STATE OF VERMONT
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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2019-004
Prior Year Finding: 2018-004
Federal Agency: U.S. Department of Agriculture
State Agency: Vermont Agency of Education
Federal Program: Child Nutrition Cluster
CFDA Number: 10.553, 10.555, 10.556, 10.559
Award Number and Year: 201818N109944 (7/1/2017 - 9/30/2018)
201817N109944 (7/1/2017 - 9/30/2018)
201919N109944 (7/1/2018 - 9/30/2019)
201918N109944 (7/1/2018 - 9/30/2019)
Compliance Requirement: Special Test - Accountability for USDA Donated Foods
Type of Finding: Significant deficiency in internal control and noncompliance

Criteria or specific requirement

Distributing and subdistributing agencies (as defined at 7 CFR section 250.3) must maintain accurate and complete records with respect to the receipt, distribution, and inventory of USDA-donated foods including end products processed from donated foods. Failure to maintain records required by 7 Resection 250.16 shall be considered prima facie evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay USDA the value of the food or replace it in kind (7 CFR sections 250.16(a)(6) and 250.15(c)).

Distributing and subdistributing agencies shall take a physical inventory of all storage facilities. Such inventory shall be reconciled annually with the storage facility's inventory records and maintained on file by the agency that contracted with or maintained the storage facility. Corrective action shall be taken immediately on all deficiencies and inventory discrepancies and the results of the corrective action forwarded to the distributing agency (7 CFR section 250.14(e)).

Condition

The Vermont Agency of Education (the Agency) acts as the State distributing agency for the USDA-donated foods. The commodities received by the Agency are ultimately distributed to participating School Food Authorities (SFA) throughout the State of Vermont.

On an annual basis, the Agency enters into a \$0 contract with a third party vendor to warehouse the brown box USDA foods once they are delivered to the State. The third party vendor utilizes an inventory system, TRACS, to maintain inventory of the commodities in the warehouse and to track the distribution of donated foods to the SFAs. While the quantity of items is maintained in TRACS, the system does not track the value of the commodity items. The value of commodities and the number of commodity items are tracked through the USDA's Web Based Supply Chain Management (WBSCM) system. Annually, the Agency notifies each SFA of the value of their commodities received.

On a quarterly basis for a sample of 15 SFAs, the Agency began preparing a reconciliation between the number of cases of commodities received by the SFA per TRACS as compared to WBSCM. The Agency would then perform research to identify the root cause of any variances. We noted the control was performed for the quarter ended 09/30/18 and partially completed for the quarter ended 12/31/18. As a result, there was no reconciliation performed for the period 11/1/18 to 06/30/19.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Additionally, as of January 2, 2020, we have also noted that the value of inventory credits identified in the June 2019 inventory were not sent to the third party vendor to process to the respective recipient accounts.

Cause

The Agency did not have adhere to its existing policies and procedures in place to reconcile the WBSCM to the TRACS system on a periodic basis.

Effect

The Agency may not be accurately reporting the value of commodities received to the SFAs. In addition, variances may exist between TRACS and WBSCM that may not be identified and counted in a timely manner.

Questioned costs

None.

Recommendation

We recommend Agency management adhere to its current procedures regarding the quarterly WBSCM to TRACS reconciliations. We also recommend Agency management perform an annual inventory reconciliation of all SFA's with the storage facility's inventory records.

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2019-005
Prior Year Finding: N/A
Federal Agency: U.S. Department of the Interior
State Agency: Vermont Department of Fish and Wildlife
Federal Program: Fish and Wildlife Cluster
CFDA Number: 15.605, 15.611, 15.626
Award Number and Year: F18AF00844 (7/1/2018 – 6/30/2019)
F18AF00872 (7/1/2018 – 6/30/2019)
F18AF00869 (7/1/2018 – 6/30/2019)
Compliance Requirement: Equipment/Real Property Management
Type of Finding: Significant deficiency in internal control and noncompliance

Criteria or specific requirement

2 CFR, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Subpart D, §200.303 requires that non-Federal entities receiving Federal awards establish and maintain effective internal controls over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

The Uniform Guidance also establishes requirements for the acquisition, management, and disposal of capital assets. Capital assets means tangible or intangible assets used in operations having a useful life of more than one year which are capitalized in accordance with GAAP. Capital assets include: (a) Land, buildings (facilities), equipment, and intellectual property (including software) whether acquired by purchase, construction, manufacture, lease-purchase, exchange, or through capital leases; and (b) Additions, improvements, modifications, replacements, rearrangements, reinstallations, renovations or alterations to capital assets that materially increase their value or useful life (not ordinary repairs and maintenance). (2 CFR 200, §200.12)

Equipment means tangible personal property (including information technology systems) having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes, or \$5,000. (2 CFR 200, §200.33) A state must use, manage and dispose of equipment acquired under a Federal award by the state in accordance with state laws and procedures. (2 CFR 200, §200.313(b))

Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the FAIN), who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. (2 CFR 200, §200.313(d)(1))

When original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency, except as otherwise provided in Federal statutes, regulations, or Federal awarding agency disposition instructions, the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the Federal award. (2 CFR 200, §200.313(e))

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Condition

The Department of Fish and Wildlife, who administers the Fish and Wildlife Cluster (FWC) program, is required to follow the State of Vermont Procurement Policies and Procedures as it relates to the management/disposition of equipment/real property. We noted the program did not follow the State's policies as it relates to the disposition of assets.

Per the Asset Management policy:

I. Disposing of an Asset (excluding IT items)

- a. BGS-Surplus Property must review all assets identified as no longer used/needed to determine the appropriate method for disposal.
 - i. Notification must be sent from the Property Manager or Fleet Manager to the Financial Technician via form found at: http://bgs.vermont.gov/business_services/surplus/forms
 - ii. The Financial Technician will forward the form to BGS for determination.
- b. BGS-Surplus property will give notice of proper disposition for each item.
 - i. Upon notice of disposal, the Financial Technician will complete requirements in the Vision Asset Management Module, to ensure accurate financial reporting.
 1. Retirements must be entered with a transaction date equal to the date of the disposal, and accounting date equal to the current date, and with the disposal code that most accurately describes the disposal process.
 2. The Financial Technician will document all details including how the asset was physically disposed of on the Comments Panel of the asset Basic Information tab in the Asset Management Module.
 - ii. Depending on determination from BGS-Surplus property, the Property Manager will:
 1. Arrange for assets to be physically transferred to the Waterbury warehouse.
 2. Arrange for assets to be disposed of via e-waste, metal recycling or trash.
 - a. Metal recycling or trash removal at a state-owned buildings should be coordinated with BGS District Facilities Manager.
 3. Coordinate an on-site auction/sale with BGS-Surplus Property.

The FWC program was not in compliance with the BGS policies regarding the disposals of assets. Specifically, we noted the following:

1. For three samples, the transaction date did not equal the date of disposal; and
2. For two samples, there were no details on how the asset was physically disposed of on the Comments Panel of the asset Basic Information tab in the Asset Management Module.

Cause

The Department of Fish and Wildlife did not adhere to the State's existing policies and procedures as it relates to the disposition of assets.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Effect

The Department of Fish and Wildlife is not in compliance with the Equipment/Real Property Management compliance requirement.

Questioned costs

None

Recommendation

We recommend the Department of Fish and Wildlife adhere to the State's existing policies and procedures as it relates to the disposition of assets.

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2019-006
Prior Year Finding: N/A
Federal Agency: U.S. Department of Justice
State Agency: Center for Crime Victims Services
Federal Program: Crime Victims Assistance
CFDA Number: 16.575
Award Number and Year: 2017-VA-GX-0042 (10/1/2016-9/30/2020)
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Significant deficiency in internal control and noncompliance

Criteria or specific requirement

Compliance:

Reporting: The Grantee agrees to submit a Subgrant Award Report (SAR) to the Office for Victims of Crime (OVC) for each subgrantee of the VOCA victim assistance funds, within ninety (90) days of awarding funds to subgrantees. States and territories are required to submit this information through the automated system.

Site visits: Per the Crime Victims Assistance Grant Plan, subrecipient site visits must be performed every 4 years.

Internal control: 200.303 The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

Reporting: We noted that one out of seven subrecipient SAR reports tested was not submitted in accordance with the 90-day program requirements and was submitted 6-months after the issuance of the subaward.

Site visit: We noted that one out of seven site tested was not performed in accordance with the program requirements. The 4-year site visit for one subreceptoint was not completed in accordance with the program’s requirement. For one subrecipient we identified that the last site visit was performed April 15, 2015; therefore, requiring a site visit to be performed on or before April 15, 2019. As of June 30, 2019, the site visit was not performed. The Agency attempted to perform the site review in September 2019, but was rescheduled until November 2019 due to inclement weather.

Questioned costs

None

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Cause

Reporting: The subrecipient was not expected to spend the grant until several months after issuance. The Agency decided to wait until the subrecipient began drawing funds to support program costs before submitting the SAR.

Site Visit: The Agency attempted to perform the site review in September 2019 but was rescheduled to November 2019 due to inclement weather. In addition, the late scheduling of the site visit was due to the availability of staff.

Effect

The Agency is not compliant with program requirements.

Recommendation

We recommend that the Agency review current procedures and enhance (as deemed necessary) to ensure that all requirements are consistently performed in a timely manner. The procedures should provide guidance related to documenting and notifying the grantor when there is a deviation from the program requirements.

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2019-007
Prior Year Finding: 2018-008
Federal Agency: U.S. Department of Transportation
State Agency: Vermont Agency of Transportation
Federal Program: Highway Safety Cluster
CFDA Number: 20.600, 20.601, 20.610, 20.611, 20.616

Award Number and Year:

NH17402 (10/1/2016 – 9/30/2017)	NH18405F (10/1/2017 – 9/30/2018)
NH17405B (10/1/2016 – 9/30/2017)	NH18408 (10/1/2017 – 9/30/2018)
NH17405C (10/1/2016 – 9/30/2017)	NH18410 (10/1/2017 – 9/30/2018)
NH17405D (10/1/2016 – 9/30/2017)	NH191906 (10/1/2018 – 9/30/2019)
NH18402 (10/1/2017 – 9/30/2018)	NH19402 (10/1/2018 – 9/30/2019)
NH18405B (10/1/2017 – 9/30/2018)	NH19405B (10/1/2018 – 9/30/2019)
NH18405C (10/1/2017 – 9/30/2018)	NH19405C (10/1/2018 – 9/30/2019)
NH18405D (10/1/2017 – 9/30/2018)	NH19405D (10/1/2018 – 9/30/2019)
NH18405E (10/1/2017 – 9/30/2018)	NH19405H (10/1/2018 - 9/30/2019)

Compliance Requirement: Level of Effort

Type of Finding: Material weakness in internal control and material noncompliance

Criteria or specific requirement

The Maintenance of Effort (MOE) Advisory was originally developed by the *Governors Highway Safety Association* (GHSA) in November 2014 to provide guidance to the State Highway Safety Offices (SHSOs) for compliance with the MOE requirements contained in the Moving Ahead for Progress in the 21st Century Act (MAP-21), (Public Law 112-141 of 2012) federal highway safety program reauthorization. Significant changes were made to the MOE requirement by the Fixing America's Surface Transportation Act, the FAST Act (Public Law No. 114-94), reauthorization which took effect in December 2015. On February 12, 2014, NHTSA's Office of Regional Operations and Program Delivery issued Guidance to assist States in calculating MOE and understanding the related certification, documentation and waiver requirements. This Guidance clarified that the only expenditures for "local" sources to be included in the MOE are the amount of State grant funds provided to and expended by local subdivisions. The 2-12-14 NHTSA document is the regulatory guidance. The GHSA Advisory is a secondary source of information.

Under MAP-21 in order to qualify for Section 405 grants for Occupant Protection (405b), State Traffic Safety Information System Improvement (405c) and Impaired Driving Countermeasure (405d) grants, the States were required to maintain aggregate expenditures from all State and local sources for programs described in the applicable section at or above the average level of such expenditures in fiscal years 2010 and 2011. Annually on March 31, States were required to submit to their NHTSA Region the MAP-21 MOE information outlined in this Advisory. NHTSA has determined that FY2017 is the last year of submitting MOE requirements using the MAP-21 process. NHTSA is satisfied that the MAP-21 MOE requirement is met when the initial calculation for a given year is submitted.

Under the FAST Act for the same three Section 405 grant programs, beginning with FY2018 the SHSO designates the lead State agency for each program and certifies in Appendix B of the annual Highway Safety Plan (HSP) that the lead State agency responsible for each of the three programs is maintaining

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

its aggregate expenditures for that program at or above the average level of such expenditures in fiscal years 2014 and 2015 (baseline years).

Condition

In June 2017, the Governor's Representative for the State of Vermont identified the Governor's Highway Safety Program (GHSP) at the Vermont Agency of Transportation the "lead state agency" and the designated *State Highway Safety Office* (SHSO) for the following Section 405 programs:

- Occupant Protection (405B)
- State Traffic Safety Information System Improvement (405C)
- Impaired Driving Countermeasures (405D)

Per discussion with management, "*the Vermont SHSO historically has used a calculation based on a "zero" aggregate spending for Federal Fiscal years. The SHSO is funded in part, to a small degree, by State funds. Thus, it is not disingenuous to say that the SHSO is funded primarily by Federal grant funds, and as such, it would not make any "aggregate expenditures" of State funds in the identified covered areas...*". As a result, it was determined that the GHSP did not expend the required State funding in fiscal year 2019 in operation of the Section 405 programs identified above.

However, "*Effective August 13, 2019, NHTSA issued revised NHTSA MOE Guidance which allows the SHSO to submit a change in lead state agency to their Regional Office based on the revisions to that Guidance but no later than October 1, 2019*". As result, as of September 2019, the State has identified the Vermont Agency of Transportation (VTrans) as the new lead state agency to monitor and ensure the required State aggregate expenditures are in compliance with the FAST ACT Maintenance of Effort Requirements. VTrans is currently awaiting approval from NHTSA for the change in lead state agency.

Cause

As a result of the prior year finding and due to the timing of the revised NHTSA MOE guidance, the Vermont Agency of Transportation did not fully identify and implement the necessary remediation efforts to ensure compliance with the FAST Act MOE requirements until subsequent to year-end.

Effect

VTrans was not in compliance with the FAST Act MOE compliance requirements.

Questioned costs

Undetermined.

Recommendation

Upon receiving NHTSA approval, the VTrans should implement and adhere to its policies and procedures for the monitoring and tracking of State expenditures to ensure the required FAST Act MOE compliance requirements are met and also ensure that the State submit their NHTSA Region MAP-21 MOE information annually on March 31.

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2019-008
Prior Year Finding: N/A
Federal Agency: U.S. Department of Education
State Agency: Agency of Human Services
Federal Program: Rehabilitation Services- Vocational Rehabilitation Grants to States
CFDA Number: 84.126
Award Number and Year: H126A180067 (10/1/2017 – 9/30/2019)
H126A190067 (10/1/2018 – 9/30/2019)
Compliance Requirement: Reporting
Type of Finding: Significant deficiency in internal control over compliance

Criteria or specific requirement

Internal control: 200.303 The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Condition

We noted errors on one of two quarterly SF-425 *Federal Financial Reports* (SF-425) and on the annual RSA-2 *Annual Vocational Rehabilitation Program/Cost Report* (RSA-2) that were not detected during the review process.

The Agency incorrectly reported the federal share of unliquidated obligations on the 3/31/2019 quarterly SF-425 report. The reported federal share of unliquidated obligations was \$1,241,521 instead of \$1,261,530, resulting in an under-reporting of \$20,003.

The Agency incorrectly reported the total SE program expenditures on the annual RSA-2 report. The reported SE program expenditures were \$210,014 instead of \$273,251, resulting in an under-reporting of \$63,237.

Questioned costs

None.

Cause

The errors were not detected during the review process.

Effect

The Agency reported incorrect information to the grantor which may affect the reliability of the submitted information.

**STATE OF VERMONT
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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Recommendation

We recommend that the Agency review current procedures and enhance (as deemed necessary) to ensure that the review process includes reconciling reported information to the related source documentation.

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I.

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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2019-009
Prior Year Finding: N/A
Federal Agency: U.S. Department of Health and Human Services
State Agency: Agency of Human Services
Federal Program: Children's Health Insurance Program
CFDA Number: 93.767
Award Number and Year: 1705VT5021 (10/1/2016 – 9/30/2018)
1705VT0301 (10/1/2016 – 9/30/2018)
1805VT5021 (10/1/2017 – 9/30/2019)
190VT5021 (10/1/2018 – 9/30/2020)
Compliance Requirement: Eligibility
Type of Finding: Significant deficiency in internal control and noncompliance

Criteria or specific requirement

Internal control: 200.303 The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework", issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: Eligibility for CHIP is based on the application of modified adjusted gross income and household definition, in addition to other permissible eligibility standards, for example standards relating to geographic area, age (up to, but not including age 19), and disability status.

Condition

We noted that the one out of forty participants continued to be eligible for benefits after reaching the age of 19.

Cause

The beneficiary should have been transferred to Medicaid as a new adult. However, the category code did not identify the beneficiary as ineligible for CHIP upon the beneficiary turning 19.

Effect

The Agency provided benefits to an ineligible beneficiary.

Questioned costs

None, the error was corrected within one to two months (ineligible time frame) after the beneficiary turned 19. There were no claims paid on behalf of the beneficiary during the ineligible time frame.

Recommendation

We recommend that the Agency review and enhance procedures (as deemed necessary) to ensure that benefits are discontinued in a timely manner to prevent unallowed program costs and/or activities.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2019-010
Prior Year Finding: N/A
Federal Agency: U.S. Health and Human Services
State Agency: Agency of Human Services
Federal Program: Medicaid Cluster
CFDA Number: 93.775, 93.777, 93.778
Award Number and Year: 1905VT5MAP (7/1/2018 – 6/30/2019)
Compliance Requirement: Special Tests and Provisions – Provider Health and Safety Standards
Type of Finding: Significant deficiency in internal control and noncompliance

Criteria or specific requirement

Internal control: 200.303 The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: Providers must meet the prescribed health and safety standards for hospital, nursing facilities, and ICF/IID (42 CFR part 442). The standards may be modified in the State Plan.

Condition

We noted that the Agency did not consistently maintain documentation to support provider compliance with the health and safety standards.

The Agency requires that providers complete a health and safety agreement in which the provider attests to being compliant with the Agency’s requirements. The provider health and safety requirement is administered by a 3rd-party. The 3rd party is required to determine and document the provider’s eligibility with the Agency’s requirements. The 3rd party provider did not consistently maintain the health and safety documentation.

We were unable to determine the provider’s compliance with the health and safety standards for two of sixty providers tested:

1. The health and safety agreement for one provider was not available for testing.
2. The health and safety agreement for one provider was incomplete.

Cause

The 3rd party provider did not consistently maintain the health and safety provider agreements.

Effect

The Agency is unable to support provider compliance with the health and safety standards.

Questioned costs

Undetermined due to the lack of documentation

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Recommendation

We recommend the Agency review and enhance procedures (as deemed necessary) to ensure that documentation is maintained in accordance with the federal grantor's requirements.

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2019-011
Prior Year Finding: N/A
Federal Agency: U.S. Health and Human Services
State Agency: Agency of Human Services
Federal Program: Medicaid Cluster, Children’s Health Insurance Program
CFDA Number: 93.775, 93.777, 93.778, 93.767
Award Number and Year: 1905VT5MAP (7/1/2018 – 6/30/2019)
1705VT5021 (10/1/2016 – 9/30/2018)
1705VT0301 (10/1/2016 – 9/30/2018)
1805VT5021 (10/1/2017 – 9/30/2019)
190VT5021 (10/1/2018 – 9/30/2020)
Compliance Requirement: Special Tests and Provisions – Provider Eligibility
Type of Finding: Significant deficiencies in internal control and noncompliance

Criteria or specific requirement

Internal control: 200.303 The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: In order to receive Medicaid payments, providers must: (1) be licensed in accordance with Federal, State, and local laws and regulations to participate in the Medicaid program (42 CFR sections 431.107 and 447.10; and Section 1902(a)(9) of the Social Security Act (42 USC 396a(a)(9)); (2) screened and enrolled in accordance with 42 CFR Part 455, Subpart E (sections 455.400 through 455.470); and make certain disclosures to the State (42 CFR part 455, subpart B, sections 455.100 through 455.106). Medicaid managed care network providers are subject to the same disclosure, screening, enrollment, and termination requirements that apply to Medicaid fee-for-service providers in accordance with 42 CFR Part 438, Subpart H.

Condition

We noted that the Agency did not maintain documentation to support the provider’s eligibility to participate in the Medicaid and CHIP program.

The provider eligibility requirement is administered by a 3rd-party. The 3rd party is required to determine and document the provider’s eligibility with the Agency’s requirements. The 3rd party provider did not consistently maintain the eligibility documentation.

We were unable to determine the provider’s compliance with eligibility for three Medicaid and one CHIP provider.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Medicaid

1. The eligibility documentation for one provider was not available for testing.
2. The provider license was not valid for the entire fiscal year. The provider license expired 1/31/2019, documentation to support renewal was not available.
3. The eligibility documentation for one provider was incomplete.

CHIP

1. The eligibility documentation for one provider was not available for testing.

Three out of sixty Medicaid providers and one out of forty CHIP providers were not compliant with the federal compliance requirement.

Cause

The 3rd party provider did not consistently maintain documentation to support the provider's eligibility status.

Effect

The Agency is unable to support that the provider was eligible to participate in the Medicaid and CHIP program.

Questioned costs

Undetermined due to the lack of documentation

Recommendation

We recommend the Agency review and enhance procedures (as deemed necessary) to ensure that documentation is maintained in accordance with the federal grantor's requirements.

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2019-012
Prior Year Finding: 2018-012
Federal Agency: U.S. Health and Human Services
State Agency: Agency of Human Services
Federal Program: Medicaid Cluster
CFDA Number: 93.775, 93.777, 93.778
Award Number and Year: 1905VT5MAP (7/1/2018 – 6/30/2019)
Compliance Requirement: Special Tests and Provisions – ADP Risk Analysis and System Security Review
Type of Finding: Significant deficiency in internal control and noncompliance

Criteria or specific requirement

Internal control: 200.303 The non-Federal entity must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Compliance: State agencies must establish and maintain a program for conducting periodic risk analyses to ensure that appropriate, cost effective safeguards are incorporated into new and existing systems. State agencies must perform risk analyses whenever significant system changes occur. State agencies shall review the ADP system security installations involved in the administration of HHS programs on a biennial basis. At a minimum, the reviews shall include an evaluation of physical and data security operating procedures, and personnel practices. The State agency shall maintain reports on its biennial ADP system security reviews, together with pertinent supporting documentation, for HHS on-site reviews (45 CFR section 95.621).

Condition

During the audit we noted that AHS did not complete the bi-annual risk analysis and security review of the ADP system by June 30, 2019.

Cause

The assessment was completed after fiscal year 2019.

Effect

AHS is not compliant with bi-annual risk analysis and security review of the ADP system.

Questioned costs

None. The compliance requirement does not affect the allowability of program costs or activities.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Recommendation

We recommend management design and implement an internal control to conduct and document an ADP system security review as least biennially. Additionally, management should continue to assess information security risks and develop action plans to address the identified control deficiencies and vulnerabilities.

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I.

State of Vermont
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Agency of Administration

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APPENDIX I

Corrective Action Plan

June 30, 2019

Findings Relating to the Financial Statements Reported in Accordance with Government Auditing Standards

Finding 2019-001 – Accounts Receivable

Department of Liquor Control

Recommendation

We recommend that policies and procedures be improved and implemented to ensure that internal controls over financial reporting include procedures over accounts receivable and the related allowance for uncollectible accounts receivable to ensure these balances are reported accurately.

Corrective Action Plan

This finding was the result of a key entry error while re-entering prior-year liabilities during a one-time change in departmental ID due to the consolidation of the Lottery commission and the department of liquor control into a single department. The situation is very unlikely to ever happen again, but if it does, the DLL will add a 3rd person to the review process for the entries.

Scheduled Completion Date of Corrective Action Plan

Completed January 01, 2020

Contact for Corrective Action Plan

Brian Evans, Financial Director for DLL

brian.evans@vermont.gov



Finding 2019-002 – Cash Disbursements

Agency of Transportation

Recommendation

We recommend that policies and procedures be implemented to ensure that internal controls over purchasing include proper consideration of the required competitive bidding and contracting processes prior to the execution of transactions with vendors.

Corrective Action Plan

1. AOT Accounts Payable implemented a process to flag invoices to vendors that are non-compliant with Bulletin 3.5. The Financial Specialist or Financial Administrator reviewing the payment will elevate an invoice from a vendor that does not have a relevant contract or is not covered by a BDA to the AP Financial Director. The Financial Director will then request the exempt AOT division director responsible, who is a State Appointing Authority, to approve payment prior to remittance. This is an acknowledgement from management that even though the service and/or product was procured improperly, it was in fact a necessary purchase and relevant to operations. The effort is also designed to put the Appointing Authority responsible on notice that there are services or products provided by vendors in his or her division that are not under contract. Lastly, it is a certification that Accounts Payable staff is not making the final decision to make a payment when it is non-compliant with Bulletin 3.5.
2. Increased education, training, and support to clarify State procurement policies and procedures. There remain sections outside of the centralized AP process that need remedial education, such as the District Offices where the example finding occurred. On February 26, 2020, AOT Business Support Services, Financial Operations, and Contract Administration met with the District Office General managers to answer questions and offer Business Support Services as the contact to triage any procurement questions.
3. Contract Administration has gathered a list of the goods or services that are needed but potentially not be under contract. A working group will be established to address the gap between needed and contracted (or otherwise appropriately procured) products and services.

Scheduled Completion Date of Corrective Action Plan

1. September 20, 2019
2. February 26, 2020
3. September 30, 2020 - It should also be noted that the environment of the State's procurement practices will change significantly with the implementation of the Ivalua e-procurement system, estimated to go-live in September 2020. AOT anticipates establishing procurement processes to incorporate e-procurement.

Contact for Corrective Action Plan

- | | |
|---|------------------------------|
| 1. Chris MacRitchie, Accounts Payable | chris.macritchie@vermont.gov |
| 2. Aaron Brodeur, Business Support Services | aaron.brodeur@vermont.gov |
| 3. Stacy Andre, Contract Administration | stacy.andre@vermont.gov |

Findings Relating to Federal Awards

Finding 2019-003

U.S. Department of Agriculture and;
U.S. Department of Education

Program Name and CFDA Number

Child Nutrition Cluster: CFDA #10.553, 10.555, 10.556, 10.559
Special Education Grants to States (IDEA-B): CFDA # 84.027, 84.173

Recommendation

We recommend Agency management strengthen its current policies and procedures to ensure that drawdowns are performed as prescribed by the Treasury.

Corrective Action Plan

Action taken in response to finding: The Agency will work to improve compliance with the draw schedule noted in the CMIA agreement by reviewing internal procedures, documenting our draw processes and hiring and training staff. During the past year, the Agency created the position of Deputy CFO, thus building additional capacity within the Finance Team to hire and train staff. We have hired the Financial Director and are waiting on HR action for a vacant Financial Manager position. Cross-training will begin on the draw process as soon as we are fully staffed. This will allow internal redundancy for this function. While waiting for full staffing and training, we have nearly completed assessment and documentation of draw processes.

Scheduled Completion Date of Corrective Action Plan

June 30, 2020

Contact for Corrective Action Plan

Kathy Flanagan, Deputy Chief Financial Officer

Kathy.flanagan@vermont.gov

Finding 2019-004

U.S. Department of Agriculture

Program Name and CFDA Number

Child Nutrition Cluster: CFDA #10.553, 10.555, 10.556, 10.559

Recommendation

We recommend Agency management adhere to its current procedures regarding the quarterly WBSCM to TRACS reconciliations. We also recommend Agency management perform an annual inventory reconciliation of all SFA's with the storage facility's inventory records.

Corrective Action Plan

The position responsible for oversight of USDA Foods was effectively vacant during the period of the finding, as a result of the USDA Foods program manager covering for a retirement vacancy in the role of Child Nutrition Director from December 2018 - June 2019. An existing staff member's job responsibilities have since been changed to add USDA Foods program management, and remove other responsibilities. That staff member received training on the USDA Foods reconciliation process in Fall 2019, and has since completed the process for two quarters (1st and 2nd quarter of School Year 2020).

Because this vacancy occurred during the first year of implementing the new sample reconciliation procedure, we have not yet seen the effects of conducting the sample reconciliation for a full school year. If, after conducting the sample reconciliation for a full school year, we determine that there continue to be significant discrepancies, we will consider increasing the sample size or conducting a full reconciliation.

The credits from the June 2019 inventory can still be requested from the warehouse. The state director will provide training to the new program manager on this process, and request that the warehouse issue the June 2019 credits. After this training occurs, the program manager will be able to adhere to the current procedures regarding credits when the warehouse inventory occurs annually in June.

Scheduled Completion Date of Corrective Action Plan

Training on quarterly reconciliation is already complete. Training on warehouse inventory credits will be conducted by May 31, 2020.

Contact for Corrective Action Plan

Rosie Krueger, State Director of Child Nutrition Programs

mary.krueger@vermont.gov

Finding 2019-005

U.S. Department of the Interior

Program Name and CFDA Number

Fish and Wildlife Cluster: CFDA #15.605, 15.611, 15.626

Recommendation

We recommend the Department of Fish and Wildlife adhere to the State's existing policies and procedures as it relates to the disposition of assets.

Corrective Action Plan

The Vermont Fish and Wildlife Department has updated its asset management process document to address finding 2019-005. The updated process document is attached and will become effective on April 20, 2020. The Vermont Fish and Wildlife Department will also train staff on compliance with the new process document prior to April 20, 2020.

Name(s) of the contact person(s) responsible for corrective action: Steve Gomez

Planned completion date for corrective action plan: April 20, 2020

Scheduled Completion Date of Corrective Action Plan

April 20, 2020

Contact for Corrective Action Plan

Steve Gomez, Financial Manager

steve.gomez@vermont.gov

Finding 2019-006

U.S. Department of Justice

Program Name and CFDA Number

Crime Victims Assistance: CFDA #16.575

Recommendation

We recommend that the Agency review current procedures and enhance (as deemed necessary) to ensure that all requirements are consistently performed in a timely manner. The procedures should provide guidance related to documenting and notifying the grantor when there is a deviation from the program requirements.

Corrective Action Plan

CCVS is in the process of implementing a new grants management system for the start of the SFY2021. The new system will include a flag and/or report for grants issued that need to be entered into the SAR report prior to 90 days from the date of the completed grant award. The new system will track subrecipients site visits dates to ensure they are being conducted prior to every four (4) years as per grant plan guidelines and/or special conditions of federal grant awards. This system will be able to notify multiple staff of due dates as well the ability to set up procedures to help CCVS staff complete grant financial and programmatic reporting requirements. CCVS staff has reviewed the findings and followed up with additional review of both items of noncompliance identified within this audit.

Scheduled Completion Date of Corrective Action Plan

July 01, 2020.

Contact for Corrective Action Plan

Carol Brochu, Director of Finance
Director of Finance and Grants Managers.

carol.brochu@ccvs.vermont.gov

Finding 2019-007

U.S. Department of Transportation

Program Name and CFDA Number

Highway Safety Cluster: CFDA #20.600, 20.601, 20.610, 20.611, 20.616

Recommendation

Upon receiving NHTSA approval, the VTrans should implement and adhere to its policies and procedures for the monitoring and tracking of State expenditures to ensure the required FAST Act MOE compliance requirements are met and also ensure that the State submit their NHTSA Region MAP-21 MOE information annually on March 31.

Corrective Action Plan

The MOE baseline for the three programs (405B, 405C, and 405D) has been established as of September 2019.

The SHSO ensures the Agency will report the State expenditures in each of the designated areas and have them on file 10 days before the required March 31 deadline. The SHSO has a form approved by NHTSA that correctly records the above referenced information and shall be prepared by the SHSO for submission to the Operation and Safety Bureau Director prior to March 31 of each year required by the FAST Act. Backup/supporting material of the reported State expenditures will be gathered by the SHSO from the Agency's accounting records and retained for audit purposes.

Scheduled Completion Date of Corrective Action Plan

Completed March 31, 2020

Contact for Corrective Action Plan

Allison Laflamme, Operations and Safety Bureau
Danielle Record, Operations and Safety Bureau

Allison.laflamme@vermont.gov
Danielle.record@vermont.gov

Finding 2019-008

U.S. Department of Education

Program Name and CFDA Number

Rehabilitation Services- Vocational Rehabilitation Grants to State: CFDA #84.126

Recommendation

We recommend that the Agency review current procedures and enhance (as deemed necessary) to ensure that the review process includes reconciling reported information to the related source documentation.

Corrective Action Plan

The Agency incorrectly reported the federal share of unliquidated obligation on the March 31, 2019 quarterly SF-425 report. The reported federal share of unliquidated obligation was \$1,241,521 instead of \$1,261,530, resulting in a difference of \$20,003.

Action Taken: The Total unliquidated obligation formula on the supporting documentation was adjusted to remove the DBVI Rehab Services unliquidated obligation that resulted in the \$20,003 difference. In addition to this correction, a Financial Manager will review that the supporting documentation and the SF-425, prior to submission, are in agreement.

The Agency incorrectly reported the total SE program expenditures on the annual RSA-2 report. The reported SE program expenditures were \$210,014 instead of 273,251, resulting in a difference of \$63,237.

Action Taken: A Financial Manager will review that the supporting documentation and the completed RSA-2 report, prior to submission, are in agreement.

Scheduled Completion Date of Corrective Action Plan

November 19, 2019: Supporting documentation adjustment to remove the DBVI Rehab Services unliquidated obligation has been completed.

April 30, 2020: Comparative review to ensure the supporting documentation and the SF-425 report are in agreement prior to submission has been implemented and will occur/be completed when the next SF-425 report is due (April 30, 2020).

December 30, 2019: Comparative review to ensure the supporting documentation and the completed RSA-2 report are in agreement prior to submission has been implemented and will occur/be completed when the next RSA-2 report is due (December 30, 2019).

Contact for Corrective Action Plan

Linda DuCharme, DAIL Financial Director

Bill Kelly, DAIL Financial Director

Peter Moino, AHS Director of Internal Audit

linda.ducharme@vermont.gov

bill.kelly@vermont.gov

peter.moino@vermont.gov

Finding 2019-009

U.S. Department of Health and Human Services

Program Name and CFDA Number

State Children's Insurance Program: CFDA #93.767

Recommendation

We recommend that the Agency review and enhance procedures (as deemed necessary) to ensure that benefits are discontinued in a timely manner to prevent unallowed program costs and/or activities.

Corrective Action Plan

On October 21, 2019, the Health Access Eligibility and Enrollment Unit (HAEEU) transitioned the identified member who aged out to the New Adult Group. HAEEU also reviewed all the CHIP cases to assure all current members are age 18 or under. At the time of the finding the State of Vermont was integrating to a new reporting tool, which caused delays in processing the monthly age-offs. Our new reporting tool was live in January 2019. As a back up to HAEEU's existing monthly age-off process, the DVHA Program Analytics Unit will provide a Business Object report from the MMIS system to HAEEU on a quarterly basis. This report will pull all CHIP members that have reached the age of 19. HAEEU will use this report to reconcile any age-off's that do not get processed automatically. HAEEU will identify any members that have aged out and they will transition them manually.

Scheduled Completion Date of Corrective Action Plan

October 21, 2019: Case correction completed.

December 31, 2019: Initiation of quarterly reconciliation.

Contact for Corrective Action Plan

Nicole McAllister, DVHA Benefits Program Assistant Administrator II
Peter Moino, AHS Director of Internal Audit

nicole.mcallister@vermont.gov
peter.moino@vermont.gov

Finding 2019-010

U.S. Department of Health and Human Services

Program Name and CFDA Number

Medicaid Cluster;: CFDA #93.775, 93.777, 93.778

Recommendation

We recommend the Agency review and enhance procedures (as deemed necessary) to ensure that documentation is maintained in accordance with the federal grantor's requirements.

Corrective Action Plan

The third-party provider, DXC Technology, contacted the providers with the missing health and safety provider agreements. It was requested these providers send required enrollment information documents, which include the health and safety provider agreement, to DXC Technology by December 31, 2019. The DVHA Provider and Member Service Director has been meeting weekly with DXC Technology to assure collection of all required documents. All documents, but one has been collected. DVHA Provider and Member Service Director will monitor that DXC Technology has collected the last one by December 31, 2019.

DXC Technology will implement a provider file maintenance system for the pre-May 01, 2019 paper provider files by December 15, 2109. This system will include controls to assure provider paper files are easily accessible and contain all required documentation. Provider files will be checked out and provider files will be reviewed before returned to their proper file cabinet, to assure all documents that were in the file when the file was checked out are in the file when it is returned. DVHA will monitor this system on a monthly basis by pulling 20 random files to ensure all Provider Files are complete. This system will be in use to track and monitor all paper provider files until all paper provider files are no longer in use as of January 01, 2021.

As part of the enhancement to provider enrollment and credentialing project, DXC's Provider Management Module, it was decided to also implement electronic provider files to ensure security, compliance, and preservation of the provider enrollment documents. On May 01, 2019, the Provider Management Module went live at DXC Technology. One of the benefits of the Provider Management Module is to maintain all provider files electronically. Beginning with enrollments processed on May 01, 2019 and forward, all new enrolled provider's documents are scanned into the module and all providers are required to enroll and revalidate online, and information is held in the secure cloud.

To remediate enrollment applications processed before this implementation, the paper provider files must be retrieved from secure off-site storage and scanned for electronic retrieval. Internal checklists will be used as applications are being scanned to ensure the completeness of a file. This will be complete by January 01, 2021.

Scheduled Completion Date of Corrective Action Plan

December 15, 2019: Implementation of system to track and monitor paper provider files to ensure completeness.

December 31, 2019: Completion of provider files that were missing the provider agreements.

January 01, 2021: Completion of migration to electronic provider files.

Contact for Corrective Action Plan

Suellen Bottiggi, DVHA Provider & Member Service Director
Peter Moino, AHS Director of Internal Audit

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peter.moino@vermont.gov

Finding 2019-011

U.S. Department of Health and Human Services

Program Name and CFDA Number

Medicaid Cluster: CFDA #93.775, 93.777, 93.778
State Children's Insurance Program (CHIP) CFDA #93.767

Recommendation

We recommend the Agency review and enhance procedures (as deemed necessary) to ensure that documentation is maintained in accordance with the federal grantor's requirements.

Corrective Action Plan

The third-party provider, DXC Technology, contacted the providers with the missing provider eligibility status documents. It was requested these providers send required enrollment information documents, which includes the provider agreement, by December 31, 2019. The DVHA Provider & Member Service Director has been meeting weekly with DXC Technology to assure collection of all required documents. All have been collected, one provider has been terminated due to an inactive license (No claims were submitted after the license expired).

DXC Technology will implement a provider file maintenance system for the pre-May 01, 2019 paper provider files by December 15, 2019. This system will include controls to assure provider paper files are easily accessible and contain all required documentation. Provider files will be checked out and provider files will be reviewed before returned to their proper file cabinet, to assure all documents that were in the file when the file was checked out are in the file when it is returned. DVHA will monitor this system on a monthly basis by pulling 20 random files to ensure all Provider Files are complete. This system will be in use to track and monitor all paper provider files until all paper provider files are no longer in use as of January 01, 2021.

As part of the enhancement to provider enrollment and credentialing project, DXC's Provider Management Module, it was decided to also implement electronic provider files to ensure security, compliance, and preservation of the provider enrollment documents. On May 01, 2019, the Provider Management Module went live at DXC Technology. One of the benefits of the Provider Management Module is to maintain all provider files electronically. Beginning with enrollments processed on May 01, 2019 and forward, all new enrolled provider's documents are scanned into the module and all providers are required to enroll and revalidate online, and information is held in the secure cloud.

To remediate enrollments applications processed before this implementation, the provider files must be retrieved from secure off-site storage and scanned into the new module. Internal checklists will be used as applications are being scanned to ensure the completeness of a file. This will be complete by January 01, 2021.

Scheduled Completion Date of Corrective Action Plan

December 15, 2019: Implementation of system to track and monitor paper provider files to ensure completeness.
December 31, 2019: Completion of provider files that were missing the provider agreements.
January 01, 2021: Completion of migration to electronic provider files.

Contact for Corrective Action Plan

Suellen Bottiggi, DVHA Provider & Member Service Director
Peter Moino, AHS Director of Internal Audit

suellen.bottiggi@vermont.gov
peter.moino@vermont.gov

Finding 2019-012

U.S. Department of Health and Human Services

Program Name and CFDA Number

Medicaid Cluster (CFDA # 93.775, 93.777, 93.778)

Recommendation

We recommend management design and implement an internal control to conduct and document an ADP system security review at least biennially. Additionally, management should continue to assess information security risks and develop action plans to address the identified control deficiencies and vulnerabilities.

Corrective Action Plan

Action taken in response to finding: Agency of Digital Services (ADS) and Agency of Human Services (AHS) co-authored the Information Security Assessment and Authorization Policy, Policy #5.08. The policy was approved and signed on October 24, 2019. Once completed the security assessment procedures were drafted and the security assessments have been scheduled for the remaining ADP systems.

Scheduled Completion Date of Corrective Action Plan

March 31, 2020: Completion of Security Assessment of SSMIS

April 30, 2020: Completion of Security Assessment of BFIS

Contact for Corrective Action Plan

Michael Nagle, ADS IT Director for DCF

Darin Prail, ADS IT Director for AHS

Athanasia Boskailo, DVHA Deputy Director of Operations

Pam Dalley, DCF Director of Operations

Dan McDevitt, DCF Audit Director

Peter Moino, AHS Director of Internal Audit

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