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STATE AUDITOR



STATE OF VERMONT
OFFICE OF THE STATE AUDITOR

To: Vermont Legislative Joint Fiscal Committee
From: Doug Hoffer, Vermont State Auditor
Date: May 4, 2020
RE: Office of the State Auditor's Focus on COVID-19 Expenditures

I'm writing to inform you that my office has begun to examine the State's distribution and spending of more than \$1.3 billion of federal funding that has been or is expected to be received via the federal pandemic response/stimulus acts – including the CARES Act. Our scrutiny will aid Vermonters by ensuring accountability and compliance, and our background in evaluating state performance can help the Legislature and Executive Branch identify opportunities of greater efficiency and efficacy.

The amount of federal money flowing into Vermont is unprecedented and intended for rapid distribution to help Vermonters through this crisis. Quickly disbursing these funds while avoiding fraud, waste, abuse, and mismanagement is a critical but challenging task.

When we identify risks or they are brought to our attention, we work with state officials to mitigate these risks. Examples of this work to date, include:

- Contacting the Department of State's Attorneys and Sheriffs to inform them that some Sheriff's had applied for and received Small Business Administration Payroll Protection Program (PPP) loans despite their likely ineligibility. We advised the Department to notify the sheriffs of this risk, and we spoke with the SBA, which is going to work with the Sheriffs on this matter.
- Contacting the Department of Labor to discuss controls that could prevent self-employed individuals who receive PPP loans from also receiving UI benefits. We also discussed how the Department could work with employers who receive PPP loans to identify employees who decline re-employment offers, which can help ensure the integrity of the UI program.

We appreciate the difficulty that the State is confronting in addressing both the public health challenge of the pandemic and its related economic disruption. However, the Agency of Administration needs to move quickly to establish an oversight framework, and departments need to mitigate the risk of improper payments now to avoid costly problems in the future, including potential federal sanctions. These considerations should be upfront so that the State does not find itself in the costly and inefficient position of pay and chase.

We have contacted the Agency to inquire about whether and to what extent oversight mechanisms are being put in place to ensure that federal funds will be spent effectively and as permitted. In addition, for those programs that have initiated transactions outside the normal course of operations – such as first-time unemployment payments to self-employed individuals, or for entirely new sources of federal funding, such as the Coronavirus Relief Fund – it is critical that processes and procedures are put in place at the outset to ensure the integrity of transactions using federal funds.

We will provide you with updates as this situation progresses, and we hope you will look to our office as a resource in the effort to ensure accountability and maximize the use of this extraordinary federal funding.