

**STATE OF VERMONT
MANAGEMENT LETTER
JUNE 30, 2020**



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**WEALTH ADVISORY
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CliftonLarsonAllen LLP
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Management
State of Vermont

In planning and performing our audit of the financial statements of the State of Vermont (the State) as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the State's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, we do not express an opinion on the effectiveness of the State's internal control.

However, during our audit we became aware of deficiencies in internal control (other than significant deficiencies and material weaknesses) and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. We previously provided a written communication dated December 29, 2020, on the State's internal control. This letter does not affect our report on the financial statements of the State dated December 29, 2020, nor our internal control communication dated December 29, 2020.

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

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Lexington, Massachusetts
December 29, 2020

**STATE OF VERMONT
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Cash Receipts and Bank Reconciliations – Department of Liquor Control

Comment

Cash Receipts

The Department of Liquor Control (Department) has implemented a reconciliation of weekly cash receipts recorded amongst the bank statement, Dynamics 365 point-of-sale (POS) system, and VISION general ledger. Additionally, the Department requires the date and signature of the preparer and a separate approver on the cash and receivable posting packages prior to posting to the general ledger.

We identified in seven (7) out of nine (9) weekly cash receipts tested, the preparer and approver of the posting packages were the same employee. We also identified that in nine (9) out of nine (9) weekly credit card receipts tested, the preparer and approver of the posting packages were the same employee.

Bank Reconciliations

It is the Department's policy to reconcile receipts, disbursements, and month-end balances from their bank accounts to VISION on a monthly basis. It was recommended in previous audits that the reconciliations be prepared and approved within 30 days of month's end.

We identified the following instances in our review of the Department's month-end bank reconciliations:

1. Five (5) out of nine (9) reconciliations tested for the Department's cash account were not approved within 30 days of month's end.
2. One (1) out of nine (9) reconciliations tested for the Department's credit card account was missing a signature of approval.
3. Two (2) out of nine (9) reconciliations tested for the Department's credit card account were missing dates of approval.

Recommendation

We recommend the Department strengthen its internal controls over bank reconciliations and postings for cash and credit cards receipts to ensure their documentation supports the performance of these reconciliations and postings in accordance with the Department's policy.

I-9 Form Employment Eligibility Verifications

Comment

The State's Personnel Policy and Procedure Manual requires all agencies and departments to have a completed I-9 form on file for all new hires in order to verify such new hires are eligible to work in the United States.

During our testing over new hires, we identified the I-9 forms for three (3) of forty-six (46) employees tested were not prepared on or before the first day of employment. These instances occurred at the Agency of Transportation, the Department of Financial Regulation, and the Agency of Agriculture, Food and Markets.

Additionally, the I-9 form for (1) of forty-six (46) employees tested did not meet the requirement to maintain two sources of identification when a passport was not presented. This instance occurred at the Department of Taxes.

Recommendation

We recommend the Department strengthen its internal controls over new hires to minimize exceptions related to late or incorrect I-9 forms.

Accounts Payable

Comment

Our testing of subsequent year disbursements identified several expenses that related to the fiscal year under audit but were not accrued as accounts payable at year-end. Although not material, the identification of these expenses resulted in the following uncorrected audit adjustments:

1. A projected understatement of accounts payable and expenditures of \$3,253,005 in the Transportation Fund.
2. A projected understatement of accounts payable and expenditures of \$1,768,167 in the Special Fund.
3. A projected understatement of accounts payable and expenses of \$168,210 in the Liquor Control Fund.

Recommendation

We recommend that management revisit its policies and procedures surrounding the accrual of subsequent year disbursements to further minimize instances of unrecorded liabilities.

Information Technology

Comment – Password Management

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

Recommendation

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

Comment – Segregation of Duties

One (1) user in the VTHR application has been assigned the PeopleSoft Delivered Role who is a Business Application Support Specialist and also has access to Compensation Adjustments. The PeopleSoft Delivered Role should belong to individuals who have no responsibility to perform human resources business functions within the system in order to maintain segregation of duties. In addition, one (1) user in the Sales Force application was assigned the administrator role, DOL Claims Admin, that also works with DOL and has responsibilities to perform business functions.

Recommendation

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

Comment – Application Administrators

A vendor account with PeopleSoft Admin access was still active when it should have been removed after the upgrade to version 9.2 went live. This account was inactivated after it was identified.

Recommendation

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

Comment – Access Review

A formal user access review for the ERP domain users has not been performed to verify that all accounts are assigned to active employees and that access rights within the domain are appropriate.

Recommendation

We recommend that ADS perform an access review of the ERP domain users in accordance with ADS Information Security Policy section 2.3.2 to ensure that only active employees have active accounts, that permissions are appropriate for each employee's role, and ensure that all terminated user access has been removed.

Information Technology (Continued)

Comment – Access Termination

For several State applications, users who have been terminated from the State still had active accounts.

Recommendation

We recommend revoking the terminated users account immediately and developing an effective mechanism to ensure that access is appropriately removed when an employee is terminated and any access needed from the account is transitioned to another active account in a timely manner.

Comment – Vendor Management SOC Report Review

The Salesforce application is hosted externally by the Salesforce Vendor. A SOC 2 report is available for the State to review; however, a documented review of the report was not performed by management.

Recommendation

We recommend that a SOC 2 report be obtained and reviewed for Sales Force (at least annually) to determine that DOL is aware of any Complementary User Entity Controls to be implemented and that the risk of any control deficiencies at the third-party vendor are assessed.

