

STATE OF VERMONT
UNIFORM GUIDANCE
SINGLE AUDIT REPORT
YEAR ENDED JUNE 30, 2018

**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, 2018, 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 21, 2018. 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 tables. Additionally, 100% of the information disclosed in Note V-E of the State's basic financial statements 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	9%	2%
Business-type Activities	2%	39%
Aggregate Discretely Presented Component Units	100%	100%
Special Fund	6%	12%
Federal Revenue Fund	75%	6%
Vermont Lottery Commission 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.

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a material weakness.

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

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 21, 2018



**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 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, 2018. 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, 2018. 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 Authority, 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

The Speaker of the House of Representatives,
President Pro-Tempore of the Senate
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of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit 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 Child Nutrition Cluster (CFDA #10.555, 10.559), as described in finding number 2018-005 for Subrecipient Monitoring and Highway Safety Cluster (CFDA #20.600, #20.609, #20.616), as described in finding number 2018-008 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 Child Nutrition Cluster (CFDA #10.555, 10.559) and Highway Safety Cluster (CFDA #20.600, #20.609, #20.616) for the year ended June 30, 2018.

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, 2018.

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 2018-002, 2018-003, 2018-004, 2018-006, 2018-007, 2018-009, 2018-011 and 2018-012. 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
President Pro-Tempore of the Senate
and the Governor of the State of Vermont

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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2018-005 and 2018-008 to be material weaknesses.

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 2018-002, 2018-003, 2018-004, 2018-006, 2018-007, 2018-009, 2018-010, 2018-011 and 2018-012 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, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements. We issued our report thereon dated December 21, 2018, 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 25, 2019

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
<i>Direct grants:</i>				
<i>U.S. Department of Agriculture:</i>				
10.025	Plant and Animal Disease, Pest Control, and Animal Care		\$ 335,631	\$ 75,986
10.028	Wildlife Services		18,705	-
10.153	Market News		18,723	-
10.156	Federal-State Marketing Improvement Program		60,786	-
10.163	Market Protection and Promotion		9,200	-
10.170	Specialty Crop Block Grant Program - Farm Bill		288,390	212,529
10.331	Food Insecurity Nutrition Incentive Grants Program		77,569	-
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection		737,809	-
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children		10,567,462	-
10.558	Child and Adult Care Food Program		742,372	728,311
10.560	State Administrative Expenses for Child Nutrition		1,005,424	-
10.572	WIC Farmers' Market Nutrition Program (FMNP)		60,385	-
10.576	Senior Farmers Market Nutrition Program		50,838	27,906
10.579	Child Nutrition Discretionary Grants Limited Availability		32,190	32,190
10.582	Fresh Fruit and Vegetable Program		1,860,678	1,749,397
10.596	Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP		3,579,881	-
10.652	Forestry Research		9,000	-
10.664	Cooperative Forestry Assistance		1,089,663	462,914
10.674	Wood Utilization Assistance		55,793	26,087
10.675	Urban and Community Forestry Program		52,169	37,013
10.676	Forest Legacy Program		1,045,835	-
10.680	Forest Health Protection		49,118	35,174
10.691	Good Neighbor Authority		5,900	-
10.699	Partnership Agreements		3,694	-
10.912	Environmental Quality Incentives Program		200,821	-
10.932	Regional Conservation Partnership Program		319,227	188,968
10.999	Organic Certification - Producers		501,706	-
<i>SNAP Cluster</i>				
10.551	Supplemental Nutrition Assistance Program		108,571,283	-
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		9,024,712	495,319
	Total SNAP Cluster		<u>117,595,995</u>	<u>495,319</u>
<i>Child Nutrition Cluster</i>				
10.555	National School Lunch Program		33,312,783	30,528,695
10.559	Summer Food Service Program for Children		5,502	-
	Total Child Nutrition Cluster		<u>33,318,285</u>	<u>30,528,695</u>
<i>Food Distribution Cluster</i>				
10.565	Commodity Supplemental Food Program		703,154	157,271
10.568	Emergency Food Assistance Program (Administrative Costs)		121,987	121,987
10.569	Emergency Food Assistance Program (Food Commodities)		983,118	-
	Total Food Distribution Cluster		<u>1,808,259</u>	<u>279,258</u>
<i>Forest Service Schools and Roads Cluster</i>				
10.665	Schools and Roads - Grants to States		260,697	260,697
	Total Forest Service Schools and Roads Cluster		<u>260,697</u>	<u>260,697</u>
	Total U.S. Department of Agriculture		<u>175,762,205</u>	<u>35,140,444</u>

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

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
U.S. Department of Commerce:				
11.407	Interjurisdictional Fisheries Act of 1986		\$ 14,575	\$ 10,710
11.549	State and Local Implementation Grant Program		156,570	-
	Total U.S. Department of Commerce		171,145	10,710
U.S. Department of Defense:				
12.002	Procurement Technical Assistance For Business Firms		415,235	33,860
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		15,908	-
12.401	National Guard Military Operations and Maintenance (O&M) Projects		21,762,836	-
12.404	National Guard ChalleNGe Program		637,911	-
12.617	Economic Adjustment Assistance for State Governments		65,725	-
	Total U.S. Department of Defense		22,897,615	33,860
U.S. Department of Housing and Urban Development:				
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		6,605,846	6,403,882
14.231	Emergency Solutions Grant Program		643,592	595,997
14.239	Home Investment Partnerships Program		1,236,684	1,158,772
14.267	Continuum of Care Program		238,327	160,144
14.999	Office of Fair Housing-Assistance Grant		69,112	-
<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)		2,994,820	2,844,583
	Total CDBG-Disaster Recovery Grants-Pub. L. No. 113-2 Cluster		2,994,820	2,844,583
	Total Department of Housing and Urban Development		11,788,381	11,163,378
U.S. Department of Interior:				
15.608	Fish and Wildlife Management Assistance		28,820	4,000
15.615	Cooperative Endangered Species Conservation Fund		35,937	4,183
15.616	Clean Vessel Act		6,897	-
15.622	Sportfishing and Boating Safety Act		13,389	-
15.626	Enhanced Hunter Education and Safety		66,367	-
15.631	Partners for Fish and Wildlife		28,009	-
15.634	State Wildlife Grants		645,242	132,072
15.657	Endangered Species Conservation Act Recovery Implementation Funds		30,277	-
15.810	National Cooperative Geologic Mapping		53,953	27,800
15.904	Historic Preservation Fund Grants-In-Aid		650,218	49,164
15.916	Outdoor Recreation Acquisition, Development and Planning		273,767	251,714
15.926	American Battlefield Protection		24,750	-
15.981	Water Use and Data Research		19,077	-
<i>Fish and Wildlife Cluster</i>				
15.605	Sport Fish Restoration		2,921,514	-
15.611	Wildlife Restoration and Basic Hunter Education		3,721,335	144,202
	Total Fish and Wildlife Cluster		6,642,849	144,202
	Total U.S. Department of Interior		8,519,552	613,135

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

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

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		\$ 414,124	\$ 301,637
16.540	Juvenile Justice and Delinquency Prevention		559,432	458,514
16.543	Missing Children's Assistance		347,625	23,968
16.550	State Justice Statistics Program for Statistical Analysis Centers		87,345	-
16.554	National Criminal History Improvement Program (NCHIP)		55,804	-
16.575	Crime Victim Assistance		4,106,638	2,323,692
16.576	Crime Victim Compensation		149,474	-
16.582	Crime Victim Assistance/Discretionary Grants		76,543	-
16.588	Violence Against Women Formula Grants		785,168	344,710
16.589	Rural Domestic Violence, Dating Violence, Sexual Assault, and Stalking Assistance Program		303,267	249,924
16.593	Residential Substance Abuse Treatment for State Prisoners		108,052	100,927
16.710	Public Safety Partnership and Community Policing Grants		546,334	-
16.738	Edward Byrne Memorial Justice Assistance Grant Program		405,903	47,997
16.741	DNA Backlog Reduction Program		156,923	-
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		61,881	-
16.751	Edward Byrne Memorial Competitive Grant Program		12,398	12,398
16.754	Harold Rogers Prescription Drug Monitoring Program		9,604	-
16.812	Second Chance Act Reentry Initiative		711,478	-
16.922	Equitable Sharing Program		97,257	18,998
16.999	Equitable Sharing Program		5,865	-
16.999	Drug Enforcement Administration - DEA		27,338	-
16.999	FBI Joint Terrorism Task Force		2,459	-
16.999	FBI VOCA		11,678	-
16.999	U.S. Marshall's District Fugitive Task Force		4,131	-
	Subtotal CFDA #16.999		51,471	-
	Total U.S. Department of Justice		9,046,721	3,882,765
U.S. Department of Labor:				
17.002	Labor Force Statistics		678,857	-
17.005	Compensation and Working Conditions		46,906	-
17.225	Unemployment Insurance		75,429,862	-
17.235	Senior Community Service Employment Program		389,845	378,755
17.245	Trade Adjustment Assistance		288,533	-
17.268	H-1B Job Training Grants		508,248	479,497
17.271	Work Opportunity Tax Credit Program (WOTC)		70,695	-
17.273	Temporary Labor Certification for Foreign Workers		133,365	-
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants		574,489	187,279
17.281	WIOA Dislocated Worker National Reserve Technical Assistance and Training		13,807	-
17.285	Apprenticeship USA Grants		370,112	363,888
17.503	Occupational Safety and Health State Program		706,464	-
17.504	Consultation Agreements		304,240	-
17.600	Mine Health and Safety Grants		85,833	79,515

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

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
<i>Employment Service Cluster</i>				
17.207	Employment Service/Wagner-Peyser Funded Activities		\$ 2,468,971	\$ -
17.801	Disabled Veterans' Outreach Program (DVOP)		387,953	-
	Total Employment Service Cluster		<u>2,856,924</u>	<u>-</u>
<i>WIA Cluster</i>				
17.258	WIOA Adult Program		1,802,211	-
17.259	WIOA Youth Activities		2,200,385	141,120
17.278	WIOA Dislocated Worker Formula Grants		760,947	-
	Total WIA Cluster		<u>4,763,543</u>	<u>141,120</u>
	Total U.S. Department of Labor		<u>87,221,723</u>	<u>1,630,054</u>
U.S. Department of Transportation:				
20.106	Airport Improvement Program		7,045,353	-
20.200	Highway Research and Development Program		803,704	140,392
20.215	Highway Training and Education		160,851	-
20.218	Motor Carrier Safety Assistance		871,573	-
20.231	Performance and Registration Information Systems Management		60,720	-
20.233	Border Enforcement Grants		29,939	-
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements		9,786	-
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service â€” Capital Assistance Grants		40,069	-
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		568,742	525,066
20.509	Formula Grants for Rural Areas		14,981,152	13,955,605
20.530	Public Transportation Innovation		445,904	-
20.608	Minimum Penalties for Repeat Offenders for Driving While Intoxicated		454,160	403,294
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements		8,613	-
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		95,178	46,062
20.721	PHMSA Pipeline Safety Program One Call Grant		254,300	-
20.933	National Infrastructure Investments		5,692,156	-
<i>Highway Planning and Construction Cluster</i>				
20.205	Highway Planning and Construction		260,557,622	26,890,571
20.219	Recreational Trails Program		1,199,661	540,053
	Total Highway Planning and Construction Cluster		<u>261,757,283</u>	<u>27,430,624</u>
<i>Federal Transit Cluster</i>				
20.500	Federal Transit Capital Investment Grants		1,100,569	1,063,765
20.526	Bus and Bus Facilities Formula Program		5,299,273	5,299,273
	Total Federal Transit Cluster		<u>6,399,842</u>	<u>6,363,038</u>
<i>Transit Services Programs Cluster</i>				
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities		236,959	175,407
	Total Transit Services Programs Cluster		<u>236,959</u>	<u>175,407</u>
<i>Highway Safety Cluster</i>				
20.600	State and Community Highway Safety		2,267,396	1,211,407
20.609	Safety Belt Performance Grants		4,024	-
20.616	National Priority Safety Programs		2,698,350	379,256
	Total Highway Safety Cluster		<u>4,969,770</u>	<u>1,590,663</u>
	Total U.S. Department of Transportation		<u>304,886,054</u>	<u>50,630,151</u>

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

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
	Department of Treasury			
21.016	Equitable Sharing		\$ 5,720	\$ 895
	Total Department of Treasury		<u>5,720</u>	<u>895</u>
	U.S. General Services Administration			
39.003	Donation of Federal Surplus Personal Property		695,198	-
	Total U.S. General Services Administration		<u>695,198</u>	<u>-</u>
	U.S. Institute of Museum and Library Service:			
45.310	Grants to States		1,158,741	242,533
	Total U.S. Institute of Museum and Library Service		<u>1,158,741</u>	<u>242,533</u>
	U.S. Small Business Administration:			
59.061	State Trade Expansion		249,379	137,666
	Total U.S. Small Business Administration		<u>249,379</u>	<u>137,666</u>
	U.S. Department of Veterans Affairs			
64.028	Post-9/11 Veterans Educational Assistance		85,820	-
64.203	Veterans Cemetery Grants Program		102,671	-
	Total U.S. Department of Veterans Affairs		<u>188,491</u>	<u>-</u>
	U.S. Environmental Protection Agency:			
66.032	State Indoor Radon Grants		105,000	-
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		270,931	-
66.040	State Clean Diesel Grant Program		227,312	199,556
66.042	Temporally Integrated Monitoring of Ecosystems (TIME) and Long-Term Monitoring (LTM) Program		109,416	-
66.454	Water Quality Management Planning		111,098	70,000
66.461	Regional Wetland Program Development Grants		260,265	-
66.481	Lake Champlain Basin Program		867,728	294,962
66.605	Performance Partnership Grants		5,432,451	-
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		60,568	-
66.700	Consolidated Pesticide Enforcement Cooperative Agreements		319,895	-
66.701	Toxic Substances Compliance Monitoring Cooperative Agreements		22,034	-
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals		379,261	-
66.708	Pollution Prevention Grants Program		103,793	4,874
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		508,184	-
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		262,251	-
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		475,721	-
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		143,201	-
66.817	State and Tribal Response Program Grants		753,331	-
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		514,452	510,001
	<i>Clean Water State Revolving Fund Cluster</i>			
66.458	Capitalization Grants for Clean Water State Revolving Funds		4,153,281	3,532,550
	Total Clean Water State Revolving Fund Cluster		<u>4,153,281</u>	<u>3,532,550</u>

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

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
<i>Drinking Water State Revolving Fund Cluster</i>				
66.468	Capitalization Grants for Drinking Water State Revolving Funds		\$ 12,125,733	\$ 9,519,430
	Total Drinking Water State Revolving Fund Cluster		<u>12,125,733</u>	<u>9,519,430</u>
	Total U.S. Environmental Protection Agency		<u>27,205,906</u>	<u>14,131,373</u>
U.S. Department of Energy:				
81.041	State Energy Program		354,303	185,909
81.042	Weatherization Assistance for Low-Income Persons		1,241,013	1,183,143
81.119	State Energy Program Special Projects		530,685	414,285
81.138	State Heating Oil and Propane Program		5,000	-
	Total U.S. Department of Energy		<u>2,131,001</u>	<u>1,783,337</u>
U.S. Department of Education:				
84.002	Adult Education - Basic Grants to States		945,873	765,491
84.010	Title I Grants to Local Educational Agencies		31,762,101	31,064,971
84.011	Migrant Education State Grant Program		698,737	572,498
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		146,289	-
84.048	Career and Technical Education -- Basic Grants to States		3,790,776	3,310,695
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States		8,921,243	-
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		2,318,134	133,202
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		169,669	-
84.196	Education for Homeless Children and Youth		151,932	46,089
84.287	Twenty-First Century Community Learning Centers		5,612,700	5,286,306
84.323	Special Education - State Personnel Development		265,467	138,049
84.358	Rural Education		68,694	58,053
84.365	English Language Acquisition State Grants		441,379	275,681
84.366	Mathematics and Science Partnerships		713,172	682,069
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)		8,371,891	8,150,856
84.369	Grants for State Assessments and Related Activities		3,798,506	-
84.372	Statewide Longitudinal Data Systems		572,487	-
84.377	School Improvement Grants		625,894	532,859
84.412	Race to the Top - Early Learning Challenge		7,413,226	2,787,254
84.419	Preschool Development Grants		4,713,681	4,496,201
84.421	Disability Innovation Fund (DIF)		1,684,867	-
84.424	Student Support and Academic Enrichment Program		388,187	388,051
<i>Special Education Cluster (IDEA)</i>				
84.027	Special Education Grants to States		28,851,659	25,041,743
84.173	Special Education Preschool Grants		869,193	559,002
	Total Special Education Cluster (IDEA)		<u>29,720,852</u>	<u>25,600,745</u>
	Total U.S. Department of Education		<u>113,502,007</u>	<u>84,495,320</u>
U.S. Election Assistance Commission:				
90.401	Help America Vote Act Requirements Payments		1,231,098	-
	Total U.S. Election Assistance Commission		<u>1,231,098</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, 2018**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
	U.S. Northern Border Regional Commission			
90.601	Northern Border Regional Development		\$ 50,404	\$ -
	Total U.S. Northern Border Regional Commission		<u>50,404</u>	<u>-</u>
	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		23,755	23,755
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals		60,144	60,144
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services		81,059	81,059
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects		179,409	179,409
93.052	National Family Caregiver Support, Title III, Part E		770,194	350,796
93.069	Public Health Emergency Preparedness		5,295,270	90,544
93.070	Environmental Public Health and Emergency Response		794,845	62,826
93.071	Medicare Enrollment Assistance Program		47,988	47,988
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance		270,633	-
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		34,107	-
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		65,300	-
93.090	Guardianship Assistance		137,438	-
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program		256,130	120,961
93.094	Well-Integrated Screening and Evaluation for Women Across the Nation		579,301	172,955
93.103	Food and Drug Administration Research		1,204,564	72,505
93.110	Maternal and Child Health Federal Consolidated Programs		283,386	113,950
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		159,024	-
93.127	Emergency Medical Services for Children		113,891	-
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		165,557	16,500
93.136	Injury Prevention and Control Research and State and Community Based Programs		1,671,710	378,771
93.150	Projects for Assistance in Transition from Homelessness (PATH)		300,000	300,000
93.165	Grants to States for Loan Repayment Program		207,500	207,500
93.184	Disabilities Prevention		163,283	-
93.217	Family Planning Services		862,238	838,361
93.236	Grants to States to Support Oral Health Workforce Activities		7,912	-
93.241	State Rural Hospital Flexibility Program		324,376	141,628
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance		8,007,142	4,519,521
93.251	Universal Newborn Hearing Screening		191,646	182,190
93.268	Immunization Cooperative Agreements		8,404,214	-
93.270	Viral Hepatitis Prevention and Control		78,113	-
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance		1,720,951	349,832
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)		857,700	43,600

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

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program		\$ 150,001	\$ 89,504
93.324	State Health Insurance Assistance Program		172,748	152,769
93.336	Behavioral Risk Factor Surveillance System		306,068	-
93.369	ACL Independent Living State Grants		315,527	184,127
93.464	ACL Assistive Technology		390,759	-
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review		86,638	-
93.517	Affordable Care Act – Aging and Disability Resource Center		167,406	117,358
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF		1,818,683	9,500
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)â€™s Exchanges		1,547,467	-
93.538	Affordable Care Act - National Environmental Public Health Tracking Program-Network Implementation		757,828	-
93.556	Promoting Safe and Stable Families		335,604	219,905
93.563	Child Support Enforcement		9,763,324	-
93.564	Child Support Enforcement Research		82,355	-
93.566	Refugee and Entrant Assistance State/Replacement Designee Administered Programs		579,743	349,904
93.568	Low-Income Home Energy Assistance		21,145,861	1,459,543
93.569	Community Services Block Grant		3,325,415	3,195,212
93.576	Refugee and Entrant Assistance Discretionary Grants		278,003	278,003
93.586	State Court Improvement Program		210,270	-
93.590	Community-Based Child Abuse Prevention Grants		192,955	172,542
93.597	Grants to States for Access and Visitation Programs		87,035	85,435
93.599	Chafee Education and Training Vouchers Program (ETV)		81,418	81,418
93.600	Head Start		119,919	12,831
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance		2,697,820	253,658
93.630	Developmental Disabilities Basic Support and Advocacy Grants		463,415	75,050
93.643	Children's Justice Grants to States		72,360	55,757
93.645	Stephanie Tubbs Jones Child Welfare Services Program		474,562	-
93.658	Foster Care Title IV-E		10,895,253	-
93.659	Adoption Assistance		9,435,231	-
93.667	Social Services Block Grant		7,701,143	1,029,996
93.669	Child Abuse and Neglect State Grants		58,685	23,768
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services		829,831	726,875
93.674	Chafee Foster Care Independence Program		499,996	492,187
93.735	State Public Health Approaches for Ensuring Qutline Capacity - Funded in Part by Prevention and Public Health Funds (PPHF)		55,159	-
93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program		363,759	-
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)		396,064	45,357
93.767	Children's Health Insurance Program		10,017,751	-
93.788	Opioid STR		1,035,893	685,821

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

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
93.791	Money Follows the Person Rebalancing Demonstration		\$ 2,702,742	\$ -
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).		343,081	-
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		124,053	88,813
93.889	National Bioterrorism Hospital Preparedness Program		1,058,636	292,483
93.913	Grants to States for Operation of State Offices of Rural Health		176,617	48,150
93.917	HIV Care Formula Grants		1,074,857	527,588
93.940	HIV Prevention Activities Health Department Based		888,406	526,639
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		38,296	-
93.945	Assistance Programs for Chronic Disease Prevention and Control		1,028,920	268,194
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs		108,179	-
93.958	Block Grants for Community Mental Health Services		1,089,898	1,049,897
93.959	Block Grants for Prevention and Treatment of Substance Abuse		6,658,285	4,735,354
93.961	One-Time Funding in Support of the Vermont All-Payer ACO Model		6,351,358	-
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants		143,355	39,919
93.994	Maternal and Child Health Services Block Grant to the States		1,668,759	1,111,524
<i>Aging Cluster</i>				
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers		1,889,166	1,889,166
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services		3,342,259	3,342,259
93.053	Nutrition Services Incentive Program		794,239	794,239
	Total Aging Cluster		<u>6,025,664</u>	<u>6,025,664</u>
<i>Maternal, Infant, and Early Childhood Home Visiting Cluster</i>				
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program		2,106,096	1,853,376
	Total Maternal, Infant, and Early Childhood Home Visiting Cluster		<u>2,106,096</u>	<u>1,853,376</u>
<i>TANF Cluster</i>				
93.558	Temporary Assistance for Needy Families		33,605,364	107,350
	Total TANF Cluster		<u>33,605,364</u>	<u>107,350</u>
<i>CCDF Cluster</i>				
93.575	Child Care and Development Block Grant		12,267,335	2,418,037
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		6,932,914	262,709
	Total CCDF Cluster		<u>19,200,249</u>	<u>2,680,746</u>
<i>Medicaid Cluster</i>				
93.775	State Medicaid Fraud Control Units		752,017	-
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		2,365,277	-
93.778	Medical Assistance Program		1,049,889,783	24,036,413
	Total Medicaid Cluster		<u>1,053,007,077</u>	<u>24,036,413</u>
	Total U.S. Department of Health and Human Services		<u>1,257,630,621</u>	<u>61,543,425</u>
U.S. Corporation for National Community Service:				
94.003	State Commissions		260,152	-
94.006	AmeriCorps		1,765,074	1,729,808
94.009	Training and Technical Assistance		22,557	-
94.013	Volunteers in Service to America		43,328	-
	Total U.S. Corporation for National Community Service		<u>2,091,111</u>	<u>1,729,808</u>

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

**STATE OF VERMONT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

CFDA number	Federal agency/program type	Pass-Through Identifying Number	Expenditures	Amounts passed through to subrecipients
	U.S. Executive Office of the President			
95.001	High Intensity Drug Trafficking Areas Program		\$ 5,620	\$ -
	Total U.S. Executive Office of the President		<u>5,620</u>	<u>-</u>
	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		7,073,837	-
	Total Disability Insurance/SSI Cluster		<u>7,073,837</u>	<u>-</u>
	Total U.S. Social Security Administration		<u>7,183,837</u>	<u>-</u>
	U.S. Department of Homeland Security:			
97.012	Boating Safety Financial Assistance		697,742	62,038
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)		274,218	-
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)		8,527,285	2,628,277
97.039	Hazard Mitigation Grant		2,506,218	2,405,130
97.041	National Dam Safety Program		95,119	-
97.042	Emergency Management Performance Grants		3,211,099	608,714
97.043	State Fire Training Systems Grants		21,496	-
97.044	Assistance to Firefighters Grant		764,610	-
97.047	Pre-Disaster Mitigation		13,924	260
97.067	Homeland Security Grant Program		2,946,898	571,247
97.090	Law Enforcement Officer Reimbursement Agreement Program		53,935	53,935
	Total U.S. Department of Homeland Security		<u>19,112,544</u>	<u>6,329,601</u>
	Total direct grants		<u>2,052,735,074</u>	<u>273,498,455</u>
	Indirect federal grants:			
	Vermont State Colleges			
17.268	H-1B Job Training Grants	HG-29545-16-60-A-50	1,133	-
	Total Clean Energy States Alliance		<u>1,133</u>	<u>-</u>
	Vermont State Colleges and the University of Vermont:			
17.282	Trade Adjustment Assistance Community College and Career Training (TAACCCT) Grants	TC265171460A50, TC237891260A50	45,468	-
	Total Vermont State Colleges and the University of Vermont		<u>45,468</u>	<u>-</u>
	Total indirect federal grants		<u>46,601</u>	<u>-</u>
	Total federal financial aid expended		<u>\$2,052,781,675</u>	<u>\$273,498,455</u>

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

**STATE OF VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

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, 2018. 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, 2018. 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, 2018

NOTE 2 BASIS OF ACCOUNTING

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

Matching Costs

Matching costs, i.e., 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. 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	\$ 11,385,111
State	64,044,751
Total	<u>\$ 75,429,862</u>

**STATE OF VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018**

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 from its Schedule FAA funds received on behalf of the City of Burlington, Vermont (the City), 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 \$2,587,732, 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 \$5,502 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 \$545,883 of food commodities was included in the Schedule.

STATE OF VERMONT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2018

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 \$983,118 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 \$695,198 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 \$6,770,494 related to the acquisition value of vaccines was included in the Schedule.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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 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:	\$ <u>6,158,345</u>	
Auditee qualified as low-risk auditee?	_____	yes x no

**STATE OF VERMONT
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Section I – Summary of Auditors’ Results (Continued)

Major Program	CFDA #	Opinion
Supplemental Nutrition Assistance Program Cluster	10.551, 10.561	Unmodified
Child Nutrition Cluster	10.555, 10.559	Modified
National Guard Military Operations and Maintenance (O&M) Projects	12.401	Unmodified
Community Development Block Grants	14.228	Unmodified
Highway Planning and Construction Cluster	20.205, 20.219	Unmodified
Federal Transit Cluster	20.500, 20.526	Unmodified
Highway Safety Cluster	20.600, 20.609, 20.616	Modified
Drinking Water State Revolving Fund Cluster	66.468	Unmodified
Title I Grants to Local Educational Agencies	84.010	Unmodified
Twenty-First Century Community Learning Centers	84.287	Unmodified
Supporting Effective Instruction State Grants	84.367	Unmodified
Race to the Top	84.412	Unmodified
Aging Cluster	93.044, 93.045, 93.053	Unmodified
Temporary Assistance for Needy Families	93.558	Unmodified
Child Support Enforcement	93.563	Unmodified
Child Care Development Grant Cluster	93.575, 93.596	Unmodified
Foster Care - Title IV-E	93.658	Unmodified
Social Services Block Grant	93.667	Unmodified
Medicaid Cluster	93.775, 93.777, 93.778	Unmodified
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Unmodified
One-Time Funding in Support of the Vermont All-Payer ACO Model	93.961	Unmodified
Disaster Grants - Public Assistance	97.036	Unmodified
Homeland Security Grant Program	97.067	Unmodified

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Section II – Financial Statement Findings

Finding 2018-001 – Component Units

Material Weakness

Condition

The State did not have adequate controls in place to properly consolidate the discretely presented component units to the financial statements.

Criteria

Statement of Governmental Accounting Standards (GASB Statement) No. 14, *The Financial Reporting Entity*, states that “An organization that is a component unit of a financial reporting entity may have component units of its own. The component unit financial data that are incorporated into a reporting entity’s financial statements should include the data from all its component units.”

Context

The University Medical Associates, Inc. (UMEA) and University of Vermont Foundation, Inc. (UVMF) are legally separate, tax exempt discretely presented component units of the University of Vermont and State Agricultural College. These component units were not reported in the State’s group financial statements as of and for the year ended June 30, 2017.

Effect

A prior period adjustment due to the correction of an error of \$164,819,000 was required to restate beginning net position of the University of Vermont and State Agricultural College.

Cause

Controls surrounding financial close and reporting did not detect the misstatement.

Recommendation

We recommend that policies and procedures be implemented to ensure that internal controls over financial close and reporting include consideration of reporting all required elements of discretely presented component units in the group financial statements.

Management Response

The Department of Finance and Management (DF&M) agrees with the finding. In order to correct this issue, DF&M has updated its reporting procedures on how we consolidate the State’s discretely presented component units for financial reporting. DF&M has added a step to review the discretely presented component units audited financial statements to identify if they reported any discretely presented component units of their own that will need to be included in the State’s group financial statements as part of the State’s Comprehensive Annual Financial Report (CAFR).

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

Reference Number: 2018-002
Prior Year Finding: 2017-007
Federal Agency: U.S. Department of Agriculture
State Agency: Agency of Human Services
Federal Program: Supplemental Nutrition Assistance Program Cluster (SNAP)
CFDA Number: 10.551, 10.561
Award Number and Year: 4VT400406 10/1/2016-9/30/2017
4VT400406 10/1/2017-9/30/2018
Compliance Requirement: Reporting
Type of Finding: Significant deficiencies in internal control and noncompliance

Criteria or specific requirement

FNS-209 – Status of Claims Against Households (OMB No. 0584-0069). If a household receives more SNAP benefits than it is entitled to receive, the State must establish a claim against that household and demand repayment (7 CFR section 273.18(a)). The State is required to create and maintain a system of records for monitoring these claims against households. These State systems generate the data entered on the FNS-209 report. The minimum requirements for such systems are listed at 7 CFR section 273.18(m). The State is permitted to retain a portion of the collected repayments: 35 percent of the recovered funds from claims involving fraud or other intentional program violations; 35 percent of the funds recovered from claims generated by inadvertent household errors, collected by reducing a person's unemployment compensation benefits; and 20 percent of the recovered funds from inadvertent household error claims collected by other means. No portion of funds recovered from agency-error overpayments may be retained (7 CFR section 273.18(k)).

Beginning balance and ending balance represent the beginning and ending balances, respectively, of the claims. The aggregate value of claims activity from the subunits should equal the State totals. The beginning and ending balances should represent the total of individual claims that comprise these balances. Beginning balance and ending balance are considered by the Federal agency to be key line items on the FSN-209 report.

Condition

The FSN-209, *Status of Claims Against Households* (OMB No. 0584-0069) report presented an incorrect beginning balance for the quarter ended September 30, 2017. The ACCESS system did not produce the correct beginning balance due to prior period errors. The issue was identified in June 30, 2017 findings for the SNAP program. A corrective action plan was developed and implemented that involved reconciling the beginning balance to identify the correct balance. The report submitted for the quarters ended March 31, 2018 and June 30, 2018 had the correct beginning balance reported.

Cause

The cause of the condition is primarily due to insufficient internal control to ensure that the data used in preparation of the report is complete and accurate prior to submission of the report.

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

Effect

The effect of the condition found is noncompliance with Federal reporting requirements and may lead to inaccurate FSN-209, *Status of Claims Against Households* (OMB No. 0584-0069) reports.

Questioned costs

None.

Recommendation

We recommend management continue to monitor the beginning balance to ensure the balance carried over from prior quarters is complete, accurate, and properly supported by sufficient documentation.

Views of responsible officials

We agree with this finding and recommendation. The FY2017 corrective action plan developed by the Department for Children and Families Business Office was completed effective with the March 31, 2018 report period and is operating effectively as corroborated by the results of the FY2018 testing noted by the auditor in the Condition section. No further corrective action is needed at this time.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
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Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

Reference Number: 2018-003
Prior Year Finding: 2017-009
Federal Agency: U.S. Department of Agriculture
State Agency: Vermont Agency of Education
Federal Program: Child Nutrition Cluster
CFDA Number: 10.555, 10.559
Award Number and Year: 201717N109844 (7/1/2016 - 9/30/2017)
201717N109744 (7/1/2016 - 9/30/2017)
201818N109944 (7/1/2017 - 9/30/2018)
201817N109944 (7/1/2017 - 9/30/2018)
Compliance Requirement: Cash Management
Type of Finding: Significant deficiencies 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 Program 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 18 cash draws for the year ended June 30, 2018 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: 2018-004
Prior Year Finding: 2017-012
Federal Agency: U.S. Department of Agriculture
State Agency: Vermont Agency of Education
Federal Program: Child Nutrition Cluster
CFDA Number: 10.555, 10.559
Award Number and Year: 201717N109844 (7/1/2016 - 9/30/2017)
201717N109744 (7/1/2016 - 9/30/2017)
201818N109944 (7/1/2017 - 9/30/2018)
201817N109944 (7/1/2017 - 9/30/2018)
Compliance Requirement: Special Test – Accountability for USDA Donated Foods
Type of Finding: Significant deficiencies 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. However, we noted the control was not implemented until the quarter ended March 2018 and as a result, there was no reconciliation performed for the period 7/1/17 to 12/31/17.

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

We also noted that the value of inventory credits identified in the June 2018 inventory were not sent to the third party vendor to process to the accounts until September 2018.

Cause

Prior to March 2018, the Agency did not have policies and procedures in place to reconcile the WBSCM to the TRACS system on a regular 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 in a timely manner.

Questioned costs

None.

Recommendation

We recommend Agency management continue 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.

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

Reference Number: 2018-005
Prior Year Finding: 2017-010
Federal Agency: U.S. Department of Agriculture
State Agency: Vermont Agency of Education
Federal Program: Child Nutrition Cluster
CFDA Number: 10.555, 10.559
Award Number and Year: 201717N109844 (7/1/2016 - 9/30/2017)
201717N109744 (7/1/2016 - 9/30/2017)
201818N109944 (7/1/2017 - 9/30/2018)
201817N109944 (7/1/2017 - 9/30/2018)
Compliance Requirement: Subrecipient Monitoring
Type of Finding: Material Weakness in internal control and material noncompliance

Criteria or specific requirement

- A. Administering agencies may disburse program funds only to those organizations that meet eligibility requirements. Under the NSLP, SBP and SMP, this means the definition of “school food authority” (SFA) as described at 7 CFR sections 210.2, 215.2, and 220.2, respectively. Eligible SFSP organizations are described at 7 CFR section 225.2 under the definition of “sponsor.” Additional organizational eligibility requirements apply to the SFSP, NSLP Afterschool Snacks, and the SBP at the school or site level.
- B. A pass-through entity (PTE) must identify to the subrecipient (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR Section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal Statutes, regulations, and the terms and conditions of the award (2 CFR Section 200.331(a)(2)); and (3) any additional requirements the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR Section 200.331(a)(3)).
- C. General Reviews
- a. State agencies administering the programs included in the Child Nutrition Cluster are required to perform specific monitoring procedures in accordance with 7 CFR sections 210.18, 210.19(a)(4), 220.8(j), 220.8(o)(9), and 220.13(f) (NSLP and SBP); 7 CFR section 215.11 (SMP); and 7 CFR section 225.7 (SFSP). Section 207 of HHFKA amended Section 22 of the Richard B. Russell National School Lunch Act (42 USC 1796c) by requiring FNS to prescribe and administer a “unified system...to ensure that local food service authorities participating in the [NSLP and SBP]...comply with those Acts...” FNS developed a State administrative review process that (1) combined elements of the existing Coordinated Review Effort (CRE) and School Meals Initiative (SMI) review processes; (2) accounted for the transition from a 5-year to a 3-year review cycle; and (3) incorporated review of the SBP for any SFA that operates both programs. The unified administrative review system is prescribed by 7 CFR section 210.18. Beginning with the 2013-14 school year, FNS authorized State agencies to either (1) adopt the new administrative review process in its entirety; or (2) continue using the existing CRE process in its entirety, plus a weighted nutrient analysis.

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

- i. Administrative Reviews - An administrative review is the comprehensive on-site evaluation of a SFA operating the NSLP/SBP. Every SFA must receive an administrative review during each review cycle. The cyclical scheduling of reviews is outlined below.
- ii. Follow-up Reviews - A follow-up review is an on-site inspection of a SFA, subsequent to an administrative review, to ensure that the SFA has corrected deficiencies disclosed by the administrative review. Follow-up reviews are not required for State agencies opting to use the new administrative review procedures. However, for those State agencies continuing to use CRE procedures, follow-up reviews are required as outlined in 7 CFR section 210.18(i).
- iii. Additional Administrative Reviews (AAR) - State agencies are required to make AARs of selected LEAs that have a demonstrated level of, or are at high risk for, administrative error. AARs are in addition to regular cyclical administrative reviews.

Section 207 of the HHFKA (implemented by amendments to 7 CFR sections 210.18(c)(1) and (2) in 77 FR 4088, January 26, 2012) changed the administrative review cycle from 5 years to 3 years, effective July 1, 2013. The 2012-13 school year was the final year of the final 5-year cycle; the 2013-14 school year was the first year of the new 3-year cycle (42 USC 1769c(b)(3) and 42 USC 1776(h); 7 CFR section 210.18).

- D. Evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)).
- E. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred. "Covered transactions" include contracts for goods and services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000 or meet certain other criteria as specified in 2 CFR section 180.220. All non-procurement transactions entered into by a pass-through entity (i.e., subawards to subrecipients), irrespective of award amount, are considered covered transactions, unless they are exempt as provided in 2 CFR section 180.215.

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

Condition

During our testwork over the subrecipient monitoring process, we noted the following:

Application Reviews (Eligibility and Suspension and Debarment)

- a. For 6 of 8 SFA's selected for testwork, supporting documentation was not provided to evidence that the Agency verified the subrecipient was not suspended or debarred.
- b. For 27 out of 31 sites/SFA's selected for testwork, the application for the subrecipient was created and/or modified by an Agency consultant. The Colyar software used by the Agency to manage the program contains a log of changes to the application packet; however, we were unable to verify if the changes were appropriate and authorized by the site/SFA.

Award Identification (Subrecipient Monitoring)

- c. During our testing, for all 23 sites and 8 SFAs selected for testwork, the Agency did not properly communicate all the required award information. Specifically, we noted DUNS was properly obtained and the FAIN number, CFDA title and number were properly communicated, however, all other required communications were missing.

Risk Assessments (Eligibility and Subrecipient Monitoring)

- d. Under the requirements of the Uniform Guidance, the Agency is required to evaluate each subrecipient's risk of noncompliance for the purposes of determining the appropriate subrecipient monitoring related to the subaward. In addition, the State of Vermont's Bulletin 5 requires that unless prohibited by statute or regulation, and prior to the issuance of a grant award, the Agency must determine if each potential grantee is eligible to receive an award and shall not issue an award to an ineligible organization.

As part of the eligibility and subrecipient monitoring process, the Agency's process is to complete a pre-award risk assessment matrix which includes all SFA's to determine the subrecipient's risk of noncompliance (i.e. low, moderate, high) for the purposes of determining the appropriate subrecipient monitoring required. However, during our testing, we noted the pre-award risk assessment matrix utilized by the Agency for the fiscal year 2018 subawards was incomplete and did not fully evaluate each SFA's risk of noncompliance.

Cause

The Agency does not have sufficient policies or procedures in place over the subrecipient monitoring and subawarding processes.

Effect

The Agency is not in compliance with the subrecipient monitoring and subaward requirements. Additionally, the Agency may not have performed sufficient monitoring for its subrecipients because the Agency did not perform the required risk assessments.

Questioned costs

None.

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

Recommendation

We recommend the Agency:

1. Strengthen its current policies and procedures to ensure that the required suspension and debarment verifications are performed for all covered transactions and ensure the supporting documentation is maintained;
2. Implement policies and procedures to ensure all the required subaward information is properly communicated to subrecipients; and
3. Strengthen its current policies and procedures to ensure the required risk assessments are completed for all subrecipients.

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: 2018-006
Prior Year Finding: 2017-008
Federal Agency: U.S. Department of Agriculture
State Agency: Vermont Agency of Education
Federal Program: Child Nutrition Cluster
CFDA Number: 10.555, 10.559
Award Number and Year: 201717N109844 (7/1/2016 - 9/30/2017)
201717N109744 (7/1/2016 - 9/30/2017)
201818N109944 (7/1/2017 - 9/30/2018)
201817N109944 (7/1/2017 - 9/30/2018)
Compliance Requirement: Subrecipient Monitoring (Allowability)
Type of Finding: Significant deficiencies in internal control and noncompliance

Criteria or specific requirement

7 CFR 210.8 (b) Monthly Claims states: To be entitled to reimbursement under this part, each school food authority shall submit to the State agency, a monthly Claim for Reimbursement, as described in paragraph (c) of this section. (1) Submission timeframes. A final Claim for Reimbursement shall be postmarked or submitted to the State agency not later than 60 days following the last day of the full month covered by the claim. State agencies may establish shorter deadlines at their discretion. Claims not postmarked and/or submitted within 60 days shall not be paid with Program funds unless otherwise authorized by FNS.

As the claim for reimbursement was not postmarked and/or submitted within 60 days nor authorized by FNS, the claim should not have been reimbursed with program funds.

Condition

During our testing of 60 school food authorities' (SFA) monthly Claim for Reimbursement, we noted for one SFA, the claim reimbursement was not submitted within 60 days. Specifically, we noted that the August 2017 claim reimbursement was not submitted to the Agency until November 2017. The electronic claiming system, Colyar, properly prevented this claim from being processed; however, the State Agency determined that the reason for the late claim was outside of the SFA's control, and performed an override of the Colyar system for payment without requesting approval from the U.S. Department of Agriculture (USDA) Food and Nutrition (FNS) Regional Office.

As the claim for reimbursement was not postmarked and/or submitted within 60 days nor authorized by FNS, the claim should not have been reimbursed with program funds.

Cause

Per discussion with program management, due to high staff turnover during this time period, the Agency did not approve the SFA's application timely. As a result, the SFA submitted the claim for reimbursement late.

Additionally, the Child Nutrition Director at the time was not aware that late claim exceptions require USDA FNS Regional Office approval prior to payment.

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

Effect

The Agency utilized program funds for a claim reimbursement that was unallowable under Federal regulations.

Questioned costs

The amount of questioned costs is approximately \$5,097.

Recommendation

We recommend the Agency strengthen current procedures to ensure SFA applications are approved timely permitting timely submissions of SFA claims for reimbursement or request prior approval from USDA for late claim exceptions.

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

Reference Number: 2018-007
Prior Year Finding: N/A
Federal Agency: U.S. Department of Housing and Community Development
State Agency: Vermont Agency of Commerce and Community Development
Federal Program: Community Development Block Grant (CDBG)
CFDA Number: 14.228
Award Number and Year: B-17-DC-50-0001 (7/1/2017 - 9/1/2024)
B-16-DC-50-0001 (7/1/2016 - 9/1/2023)
B-15-DC-50-0001 (7/1/2015 - 9/1/2022)
B-14-DC-50-0001 (7/1/2014 - 9/1/2021)
Compliance Requirement: Program Income
Type of Finding: Significant deficiencies in internal control and noncompliance

Criteria or specific requirement

24 CFR 570.489 *Program administrative requirements* defines program income as:

(e) *Program income.* (1) For the purposes of this subpart, “program income” is defined as gross income received by a State, a unit of general local government, or a subgrantee of the unit of general local government that was generated from the use of CDBG funds, regardless of when the CDBG funds were appropriated and whether the activity has been closed out, except as provided in paragraph (e)(2) of this section...”

(e)(3)(i) *Program income paid to the State.* Except as described in paragraph (e)(3)(ii)(A) of this section, the State may require the unit of general local government that receives or will receive program income to return the program income to the State. Program income that is paid to the State is treated as additional CDBG funds subject to the requirements of this subpart. Except for program income retained and used by the State for administrative costs or technical assistance under paragraph (a) of this section, program income paid to the State must be distributed to units of general local government in accordance with the method of distribution in the action plan under 24 CFR 91.320(k)(1)(i) that is in effect at the time the program income is distributed. To the maximum extent feasible, the State must distribute program income before it makes additional withdrawals from the United States Treasury, except as provided in paragraph (f) of this section.

2 CFR 200.307 *Program income states:*

(e) *Use of program income.* If the Federal awarding agency does not specify in its regulations or the terms and conditions of the Federal award, or give prior approval for how program income is to be used, paragraph (e)(1) of this section must apply.

(1) *Deduction.* Ordinarily program income must be deducted from total allowable costs to determine the net allowable costs. Program income must be used for current costs unless the Federal awarding agency authorizes otherwise. Program income that the non-Federal entity did not anticipate at the time of the Federal award must be used to reduce the Federal award and non-Federal entity contributions rather than to increase the funds committed to the project.

(2) *Addition.* With prior approval of the Federal awarding, program income may be added to the Federal award by the Federal agency and the non-Federal entity. The program income must be used for the purposes and under the conditions of the Federal award.

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

(3)*Cost sharing or matching.* With prior approval of the Federal awarding agency, program income may be used to meet the cost sharing or matching requirement of the Federal award. The amount of the Federal award remains the same.

Condition

During fiscal year 2018, management of the Department of Housing and Community Development (DHCD) CDBG program received program income of \$555,366, which consisted of payments of principal and interest on loans made using CDBG funds. The program income received by DHCD was deposited in an interest bearing account with the State; however, the interest earned on program income of approximately \$23,000, was not treated as additional program funds but was deposited into the State's General Fund.

Cause

DHCD does not have adequate policies and procedures in place to properly monitor the receipt and disposition of interest earned on program income for the CDBG program. Additionally, it has been the State's practice to deposit interest earned on program income into the State's General Fund.

Effect

Without adequate policies and procedures in place, DHCD cannot ensure the proper disposition and distribution of interest earned on program income.

Questioned costs

The amount of questioned costs is approximately \$23,000.

Recommendation

DHCD should strengthen its current policies and procedures to be able to separately identify and track interest earned on program income for the CDBG program to help ensure management can distribute all program income to the maximum extent feasible before it makes additional withdrawals from the United States Treasury. In addition, DHCD management should modify current practices to ensure the treatment of interest income is aligned with the Federal requirements for the use of CDBG program income.

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: 2018-008
Prior Year Finding: N/A
Federal Agency: U.S. Department of Transportation
State Agency: Vermont Agency of Transportation
Federal Program: Highway Safety Cluster
CFDA Number: 20.600, 20.609, 20.616

Award Number and Year:

NH16402PA	10/1/2015 – 9/30/2016	NH17405b	10/1/2016 – 9/30/2017
NH16402OP	10/1/2015 – 9/30/2016	NH17405c	10/1/2016 – 9/30/2017
NH16402PT	10/1/2015 – 9/30/2016	NH17405d	10/1/2016 – 9/30/2017
NH16402TR	10/1/2015 – 9/30/2016	NH17405e	10/1/2016 – 9/30/2017
NH16402SA	10/1/2015 – 9/30/2016	NH17405f	10/1/2016 – 9/30/2017
NH16402MC	10/1/2015 – 9/30/2016	NH18402PA	10/1/2017 – 9/30/2018
NH16402PM	10/1/2015 – 9/30/2016	NH18402OP	10/1/2017 – 9/30/2018
NH16405b	10/1/2015 – 9/30/2016	NH18402PT	10/1/2017 – 9/30/2018
NH16405c	10/1/2015 – 9/30/2016	NH18402TR	10/1/2017 – 9/30/2018
NH16405d	10/1/2015 – 9/30/2016	NH18402SA	10/1/2017 – 9/30/2018
NH16405f	10/1/2015 – 9/30/2016	NH18402MC	10/1/2017 – 9/30/2018
NH17402PA	10/1/2016 – 9/30/2017	NH18402PM	10/1/2017 – 9/30/2018
NH17402OP	10/1/2016 – 9/30/2017	NH18405b	10/1/2017 – 9/30/2018
NH17402PT	10/1/2016 – 9/30/2017	NH18405c	10/1/2017 – 9/30/2018
NH17402TR	10/1/2016 – 9/30/2017	NH18405d	10/1/2017 – 9/30/2018
NH17402SA	10/1/2016 – 9/30/2017	NH18405e	10/1/2017 – 9/30/2018
NH17402MC	10/1/2016 – 9/30/2017	NH18405f	10/1/2017 – 9/30/2018
NH17402PM	10/1/2016 – 9/30/2017		

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.

Beginning with FY2018, for Section 405 funds obtained under the FAST Act for Occupant Protection (405b), State Traffic Safety Information System Improvement (405c) and Impaired Driving Countermeasures (405d) grants, the State Highway Safety Office (SHSO) shall submit an assurance only (e.g. certify) in Appendix B of the annual Highway Safety Plan (HSP) that the lead State agency responsible for each of the programs shall maintain its aggregate expenditures for that program at or above the average level of such expenditures in fiscal years **2014** and **2015** (the baseline years).

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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

Beginning with the FY2018 HSP, the State Highway Safety Office (SHSO) will have the Governor's Representative (GR) sign the certification in Appendix B and submit it with the HSP.

The National Highway Traffic Safety Association (NHTSA) has determined that the "lead state agency" for each of the three programs will be determined by the GR. The GR will use three criteria to make these determinations: the amount of State expenditures for the program, the level of program involvement and the level of leadership (authority or control) over the program.

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 (VTrans) the "lead state agency" for the following Section 405 programs:

- Impaired Driving Countermeasures (405D) – Lead Agency GHSP at the Vermont Agency of Transportation (VTrans)
- Occupant Protection (405B) – Lead Agency GHSP at the Vermont Agency of Transportation (VTrans)
- State Traffic Safety Information System Improvement (405C) – Lead Agency GHSP at the Vermont Agency of Transportation (VTrans)

During fiscal year 2018, we noted that VTrans did not expend any State funding for the operation of the GHSP Section 405 programs.

Cause

Per discussion with VTrans program staff, the State did not appropriate funding to operate the GHSP Section 405 programs for FY2018. In addition, the State did not request a waiver under the aforementioned circumstances.

Effect

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

Questioned costs

Unknown.

Recommendation

VTrans, along with the appropriate State representatives, should assess current state and local funding sources to identify possible allowable sources of funding in order to meet the FAST Act MOE compliance requirements or possibly request a waiver from NHSTA until VTrans can meet the requirement.

Views of responsible officials

We agree with the finding and related recommendation above. Our detailed corrective action plan is found in Appendix I. The nature of this finding requires yearlong attention to meet a State spending threshold which had not been established until after March 1, 2019. For that reason, due to the late identification of this finding, it is highly unlikely that SFY19 testing will find compliance in Highway Safety for State Maintenance of Effort. The Corrective Action Plan will be in place and implemented for SFY2020.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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

Reference Number: 2018-009
Prior Year Finding: N/A
Federal Agency: U.S. Department of Health and Human Services
State Agency: Agency of Human Services
Federal Program: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Award Number and Year: 1701VTTANF 10/1/16-9/30/17
1801VTTANF 10/1/17-9/30/18
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant deficiencies in internal control and noncompliance

Criteria or specific requirement

State agency must reduce or terminate the assistance payable to the family if an individual in a family receiving assistance refuses to work, subject to any good cause or other exemptions established by the State. HHS may penalize the State by an amount not less than one percent and not more than five percent of the SFAG for violation of this provision (42 USC 609(a)(14); 45 CFR sections 261.14, 261.16, and 261.54).

Condition

The Agency uses a *606 Sanction Authorization Form* to document determinations by case workers to reduce or terminate assistance to a family if an individual refuses to work under any good cause or other exemptions established by the State. For 2 of the 40 files tested, the *606 Sanction Authorization Form* was not in proper order. One form was not approved by the District Director or designee. Another form was missing and the case file did not have notes necessary to ensure assistance should have been continued. In both cases, assistance to the family was continued.

Cause

The cause of the condition found is due to operationally ineffective controls due to human error. These controls are intended to ensure that the sanction process and its determinations are properly documented.

Effect

The effect of the condition found is that an improper sanction determination could be made resulting in inaccurate benefit payments.

Questioned costs

Undetermined.

Recommendation

We recommend the Agency assures that the new management overseeing the sanction process is trained and reinforces the sanction process which includes collecting the signed 606 Sanction Authorization Form in the District Office where the error occurred.

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, 2018**

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

Reference Number: 2018-010
Prior Year Finding: N/A
Federal Agency: U.S. Department of Health and Human Services
State Agency: Agency of Human Services
Federal Program: Temporary Assistance for Needy Families (TANF)
CFDA Number: 93.558
Award Number and Year: 1701VTTANF 10/1/16-9/30/17
1801VTTANF 10/1/17-9/30/18
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant deficiencies in internal control

Criteria or specific requirement

The State agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In so doing, it must have in place procedures to (a) determine whether its work activities may count for participation rate purposes; (b) determine how to count and verify reported hours of work; (c) identify who is a work-eligible individual; and (d) control internal data transmission and accuracy. Each State agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent and not more than five percent of the SFAG for violation of this provision (42 USC 601, 602, 607, and 609); 45 CFR sections 261.60, 261.61, 261.62, 261.63, 261.64, and 261.65).

Condition

The Agency uses employment documentation records to verify work participation rates. This employment documentation could include pay stubs, statement from employers, timecards, etc. In 1 of the 40 case files, the support from a participant was a time card that was not approved by supervisor. The State's work verification plan requires approved documentation to be submitted to case workers.

Cause

The cause of the condition found is due to operationally ineffective controls due to human error. These controls are intended to ensure adequate employment verification documentation is reviewed and approved by case workers in order to ensure the accuracy of the data used in calculating work participation rates.

Effect

The effect of the condition found is participants that submit unapproved documentation could be providing falsified or inaccurate work verification documentation and the Agency would not have accurate data to calculate work participation rates.

Questioned costs

Undetermined.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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

Recommendation

We recommend the Agency reinforce the importance of approve work verification documentation before verifying work participation rates.

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, 2018**

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

Reference Number: 2018-011
Prior Year Finding: N/A
Federal Agency: U.S. Department of Health and Human Services
State Agency: Agency of Human Services
Federal Program: Foster Care – Title IV-E
CFDA Number: 93.658
Award Number and Year: 1701VTFOST (10/1/2016 – 09/30/2017)
1801VTFOST (10/1/2017 – 09/30/2018)
Compliance Requirement: Eligibility
Type of Finding: Significant deficiencies in internal control and noncompliance

Criteria or specific requirement

The provider, whether a foster family home or a child-care institution must be fully licensed by the proper State or tribal foster care licensing authority responsible for licensing such homes or child care institutions. The term “child care institution” as defined in 45 CFR section 1355.20 includes a private child care institution, or a public child care institution which accommodates no more than 25 children, which is licensed by the State in which it is situated or has been approved, by the agency of such State responsible for licensing or approval of institutions of this type, as meeting the standards established for such licensing, but does not include detention facilities, forestry camps, training schools, or facilities operated primarily for the purpose of detention of children who are determined to be delinquent (42 USC 671(a)(10) and 672(c)). Effective October 1, 2010, the existing statutory definition of a child care institution includes a supervised setting in which an individual who has attained 18 years of age is living independently, consistent with conditions the Secretary establishes in regulations (42 USC 672(c)(2)).

Condition

A state license is required for all foster family homes regardless of their relationship to placed child. We noted 1 out of 60 case files were the foster family home did not have a license. This particular case involved an unlicensed relative.

Cause

The cause of the condition found is primarily due to insufficient controls to ensure that the provider is properly licensed prior to payment for services.

Effect

The effect of the condition found is that the Department for Children and Families (DCF) lacks sufficient documentation to substantiate that the provider has been properly licensed prior to payment for services using federal Foster Care funds.

Questioned costs

Undetermined.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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

Recommendation

We recommend that DCF review its procedures over the licensing of providers to ensure that all required documentation to support that the provider is eligible for licensure has been obtained prior to issuing a license or paying for services using federal Foster Care funds.

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, 2018**

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

Reference Number: 2018-012
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: 11-W-00194/1 1/1/17-12/31/2021
Compliance Requirement: Special Tests and Provisions
Type of Finding: Significant deficiencies in internal control and noncompliance

Criteria or specific requirement

The Medicaid program is highly dependent on extensive and complex computer systems that include controls for ensuring the proper payment of Medicaid benefits. States are required to establish a security plan for ADP systems that include policies and procedures to address (1) physical security of ADP resources; (2) equipment security to protect equipment from theft and unauthorized use; (3) software and data security; (4) telecommunications security; (5) personnel security; (6) contingency plans to meet critical processing needs in the event of short- or long-term interruption of service; (7) emergency preparedness; and (8) designation of an agency ADP security manager.

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 year ended June 30, 2012, the State performed a test of design related to the information technology general controls environment of ACCESS system, the State's benefit eligibility maintenance system to determine eligibility for the Medicaid program for those beneficiaries that are non-MAGI based. The test of design identified control deficiencies related to access to program data, change management and computer operations. The State has made progress in resolving the identified control deficiencies.

During the year ended June 30, 2018, the State contracted Janus to perform an *IRS 1075 Assessment Report*. The scope of this assessment included:

- Review of physical and environmental protections at data processing facilities supporting DCF,
- Review of DCF policy and procedures,
- Review of existing IRS SSR document(s),
- Internal technical testing and review of the distributed environment, and
- Technical testing of the mainframe.

**STATE OF VERMONT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

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

The assessment focused specifically on the ACCESS application and components used to store and process Federal Tax Information (FTI) and Medicaid data. The assessment did not include all applications and IT infrastructure within the ADP system. Additionally, an ADP system security review must be performed biennially and shall include an evaluation of physical and data security operating procedures, and personnel practices.

Cause

In July of 2018, the State of Vermont conducted a full system security review according to IRS Publication 1075 which governs applications containing Federal Tax Information. Title IV-B and Title IV-E systems do not fall within the IRS System Boundary and were not reviewed.

AHS IT is lacking a clear system security review program for all ADP systems covered under 45 CFR 95.621 which includes:

- IV-B – Child Welfare
- IV-D – Child Support
- IV-E – Foster Care
- XIX – Medicaid
- XXI – Child Health Insurance Program

Effect

The State is noncompliant with 45 CFR 95.621.

Questioned costs

None.

Recommendation

We recommend management design and implement internal controls to ensure that a documented ADP system security review is conducted at 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.

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APPENDIX I

Corrective Action Plan

June 30, 2018

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

Finding 2018-001 – Component Units

Department of Finance and Management

Recommendation

We recommend that policies and procedures be implemented to ensure that internal controls over financial close and reporting include consideration of reporting all required elements of discretely presented component units in the group financial statements.

Corrective Action Plan

The Department of Finance and Management (DF&M) agrees with the finding. In order to correct this issue, DF&M has updated its reporting procedures on how we consolidate the State's discretely presented component units for financial reporting. DF&M has added a step to review the discretely presented component units audited financial statements to identify if they reported any discretely presented component units of their own that will need to be included in the State's group financial statements as part of the State's Comprehensive Annual Financial Report (CAFR).

Scheduled Completion Date of Corrective Action Plan

Completed February 20, 2019

Contact for Corrective Action Plan

John Becker, Assistant Director of Statewide Financial Reporting

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Findings Relating to Federal Awards

Finding 2018-003

U.S. Department of Agriculture

Program Name and CFDA Number

Child Nutrition Cluster (CFDA # 10.555, 10.559)

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

The Agency will work to improve compliance with the draw schedule noted in the CMIA agreement and by reviewing internal procedures. In instances where draw dates do not comply with the agreement, the Agency will document non-compliance with the CMIA and file with draw spreadsheets. The Agency will begin to cross-train individuals in the Agency on the draw process so that there is internal redundancy for this function.

The number of draws in FY2018 was double those in FY2017. During SFY2019, the Agency has been working to continue improving its compliance with CMIA. Draw procedures have been reviewed and to-date is in a much better compliance position with the CMIA agreement. The cross-training activities will start after examining job duties versus staffing levels and will be completed as soon as possible. Additionally, the Agency has reached out to State Finance to discuss options available in both the Agreement requirement and reviewing how the State and Federal systems actually date and track transactions.

Scheduled Completion Date of Corrective Action Plan

June 30, 2019

Contact for Corrective Action Plan

Kathy Flanagan, Financial Director

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Finding 2018-004

U.S. Department of Agriculture

Program Name and CFDA Number

Child Nutrition Cluster (CFDA # 10.555, 10.559)

Recommendation

We recommend Agency management continue 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

We implemented a corrective action plan of reconciling a sample of 15 accounts per quarter starting in March 2018. This practice has been in place for all of the 18-19 school year so far. When a discrepancy is identified, we follow up with the warehouse to ensure that if there were any other accounts impacted, the issue is corrected with all impacted accounts. This means that through this reconciliation process we are able to identify and correct errors on more than the initial 60 accounts that are included in the sample. Based on our experience so far, we believe that this approach will achieve a similar result (accurate value received reports issued to SFAs) as performing an annual reconciliation on all accounts.

We are also cross-training a second staff person in this procedure to ensure that it can be completed even when the primary staff person responsible is unavailable.

Scheduled Completion Date of Corrective Action Plan

The reconciliation process was implemented in March 2018. Cross training began in December 2018 and will continue in March 2019.

Contact for Corrective Action Plan

Rosie Krueger, Assistant Director of Child Nutrition Programs

mary.krueger@vermont.gov

Finding 2018-005

U.S. Department of Agriculture

Program Name and CFDA Number

Child Nutrition Cluster (CFDA # 10.555, 10.559)

Recommendation

We recommend the Agency:

1. Strengthen its current policies and procedures to ensure that the required suspension and debarment verifications are performed for all covered transactions and ensure the supporting documentation is maintained;
2. Implement policies and procedures to ensure all the required subaward information is properly communicated to subrecipients; and
3. Strengthen its current policies and procedures to ensure the required risk assessments are completed for all subrecipients.

Corrective Action Plan

1. For the school meals programs, beginning with School Year 18-19 the program renewals included a statement signed by the sub-recipient stating that they were not suspended or debarred. The auditors reviewed this statement and indicated that it was an acceptable way of checking for suspension and debarment. All future program year renewals will include this statement. For the Summer Food Service Program, the suspension and debarment statement is included in the program permanent agreement signed by the sub-recipient. Additionally, the Agency will review its internal processes and procedures to ensure that all suspension and debarment checks are completed, and results filed annually.
2. We are working with our application and claiming system vendor to identify ways to communicate the required information. Once an acceptable solution is identified, the vendor will provide a cost estimate and timeline to make the required changes.
3. Beginning with Summer 2018 and School Year 18-19, Child Nutrition sub-recipient entities were included in the comprehensive Agency-wide risk assessment process. This process includes programmatic questions answered by the appropriate child nutrition review staff and financial questions answered by the Agency's finance staff.

Scheduled Completion Date of Corrective Action Plan

1. Complete
2. The Agency will work with the application claiming system vendor to implement the required changes to the system, we expect to implement these changes prior to the start of School Year 2019-2020 and Summer 2020.
3. Complete

Contact for Corrective Action Plan

Rosie Krueger, Assistant Director of Child Nutrition Programs

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Finding 2018-006

U.S. Department of Agriculture

Program Name and CFDA Number

Child Nutrition Cluster (CFDA # 10.555, 10.559)

Recommendation

We recommend the Agency strengthen current procedures to ensure SFA applications are approved timely permitting timely submissions of SFA claims for reimbursement or request prior approval from USDA for late claim exceptions.

Corrective Action Plan

1. Starting with the 2018-2019 school year, Child Nutrition moved the application renewal timeline earlier in the year, opening up applications to SFAs on June 6 for the 18-19 school year. In addition, we prioritized the renewal approval work to ensure that renewals that were submitted were quickly approved.
2. We are in the process of revising our late claim policy to align it with the updated "Guidance for Local and State Agencies on 60-Day Claim Submission and 90-Day Reporting Requirements" that went into effect in October 2018. The late claim policy will include specific instructions for how each type of late claim should be handled with regard to forwarding the claim to the USDA FNS Regional Office for approval. The revised late claim policy will need to be sent to USDA FNS for approval before it can be adopted.

Scheduled Completion Date of Corrective Action Plan

1. Complete
2. Policy will be sent to USDA no later than April 30, 2019

Contact for Corrective Action Plan

Rosie Krueger, Assistant Director of Child Nutrition Programs

mary.krueger@vermont.gov

Finding 2018-007

U.S. Department of Housing and Community Development

Program Name and CFDA Number

Community Development Block Grant (CDBG) (CFDA #14.228)

Recommendation

DHCD should strengthen its current policies and procedures to be able to separately identify and track interest earned on program income for the CDBG program to help ensure management can distribute all program income to the maximum extent feasible before it makes additional withdrawals from the United States Treasury. In addition, DHCD management should explore the possibility of modifying current practices to ensure the treatment of interest income is aligned with the Federal requirements for the use of CDBG program income.

Corrective Action Plan

DHCD has secured a new interest-earning Special Fund 22060, called DHCD-CDBG Program Income Fund, to separately identify and track interest earned on program income for the CDBG program and to help ensure management can distribute all program income to the maximum extent feasible before it makes additional withdrawals from the United States Treasury.

The balance of Program Income on hand will be transferred into the Special Fund 22060 by no later than March 1, 2019 along with the associated interest earned from July 1, 2018 to the date of transfer. The amount of interest to be transferred for the period of July 1, 2018 through December 31, 2018 is \$17,609.12. From that date forward, interest shall be calculated monthly at the small funds interest rate on the fund balance and posted to the fund as additional Program Income.

Scheduled Completion Date of Corrective Action Plan

Completed March 1, 2019

Contact for Corrective Action Plan

Ann Karlene Kroll, Director of Grants Management

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Finding 2018-008

U.S. Department of Transportation

Program Name and CFDA Number

Highway Safety Cluster (CFDA # 20.600, 20.616)

Recommendation

VTrans, along with the appropriate State representatives, should assess current state and local funding sources to identify possible allowable sources of funding in order to meet the FAST Act MOE compliance requirements or possibly request a waiver from NHSTA until VTrans can meet the requirement.

Corrective Action Plan

The MOE baseline for the three programs (405B, 405C, and 405D) has been established. Additionally, a process to identify and report MOE costs incurred by the State will be in place by July 1, 2019 and will be maintained throughout SFY2020.

Much of the work for these programs is administered through AOT's subrecipient, the VT Dept. of Public Safety (DPS), where the majority of state funds dedicated to these programs is expended. The AOT Highway Safety staff have met with DPS and determined that DPS can provide the expenditure information needed, annually, for Highway Safety staff to document that the MOE baseline requirement for state spending is achieved.

Scheduled Completion Date of Corrective Action Plan

July 1, 2019

Contact for Corrective Action Plan

Keith Flynn, Administrator, State Highway Safety Office
Allison LaFlamme, Deputy Administrator, State Highway Safety Office

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Finding 2018-009

U.S. Department of Health and Human Services

Program Name and CFDA Number

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558)

Recommendation

We recommend the Agency assures that the new management overseeing the sanction process is trained and reinforces the sanction process which includes collecting the signed 606 Sanction Authorization Form in the District Office where the error occurred.

Corrective Action Plan

Both findings occurred in one District Office and although the two identified issues were related to the work of two different case managers, they both happened under the direction of the Reach Up Supervisor. The Reach Up team previously identified that case managers in the District Office did not adequately document the sanction process. In February 2018, the District Office Reach Up Management team changed. The new Reach Up Supervisor has demonstrated understanding of the process and no findings have been identified since she has been in the position. Learning opportunities occur on an on-going basis through regular staff supervision and team meetings. In addition, a refresher training was conducted with the District Office Reach-Up staff in December 2018 to ensure continued compliance with the sanction procedures.

Scheduled Completion Date of Corrective Action Plan

December 28, 2018: Refresher training conducted.

Contact for Corrective Action Plan

Monika Madaras, DCF Reach Up Assistant Administrator
Dan McDevitt, DCF Audit Director
Peter Moino, AHS Director of Internal Audit

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Finding 2018-010

U.S. Department of Health and Human Services

Program Name and CFDA Number

Temporary Assistance for Needy Families (TANF) (CFDA # 93.558)

Recommendation

We recommend the Agency reinforce the importance of verifying the work verification documentation before entering and approving work participation rates.

Corrective Action Plan

To prevent similar errors in oversight from occurring in the future, DCF will remind and highlight the importance of the Verification and Documentation process to the Reach Up Supervisors at a statewide training which will take place in April 2019. Going forward, Reach Up Supervisors will review the process with the Reach Up Case Managers during supervision and periodic staff meetings.

Scheduled Completion Date of Corrective Action Plan

April 30, 2019: Statewide training will be held.

Contact for Corrective Action Plan

Monika Madaras, DCF Reach Up Assistant Administrator
Dan McDevitt, DCF Audit Director
Peter Moino, AHS Director of Internal Audit

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Finding 2018-011

U.S. Department of Health and Human Services

Program Name and CFDA Number

Foster Care – Title IV-E (CFDA # 93.658)

Recommendation

We recommend that DCF review its procedures over the licensing of providers to ensure that all required documentation to support that the provider is eligible for licensure has been obtained prior to issuing a license or paying for services using federal Foster Care funds.

Corrective Action Plan

The historic control on disallowing IV-E drawdown when a child is in an unlicensed placement is the presence of a compliance date in the foster care database licensing screen. This triggers the Department for Children and Families (DCF) Business Office entered PAYEE function to disallow IV-E draw down. During a recent federal audit, it was discovered that the lack of an entered Foster Care Database (FOSDB) screen causes the PAYEE screen to draw IV-E funds. Corrective procedures 1 through 5 as described below were implemented as of January 31, 2018. The exception identified in this finding was drawn from a late 2017 payment that occurred prior to implementation of the new control.

1. Residential Licensing and Special Investigations Unit (RLSI) creates FOSDB screens for out of state Interstate Compact on the Placement of Children (ICPC) placed children and youth.
2. The DCF Business Office reviews each placement and corresponding payee screen and ensures that there is also a corresponding FOSDB licensing screen prior to releasing payment.
3. In situations where there is NO corresponding FOSDB screen, the DCF Business Office will alert RLSI.
4. RLSI will notify district office staff of the need for explanation or an application for foster care which will then result in the entry of an appropriate FOSDB screen. If it is an ICPC case, RLSI will reach out to the ICPC staff to ensure receipt of out of state foster care license.
5. The DCF Business Office will hold payment to any party without complete application reflected in the foster care database licensing screen.
6. Agency of Digital Services - Information Services Division (ADS-ISD) is enhancing FOSDB/SSIMIS (foster care database) and PAYEE SSMIS functions to automate the entry of foster care data for both licensing and payment purposes. This will eliminate the need for human control from DCF Business Office as above and ensure no payment will be disbursed without appropriate evidence of licensure.

Scheduled Completion Date of Corrective Action Plan

Items 1-5 were implemented as of January 31, 2018.

Item 6 pertaining to the enhancement of the IV-E/Foster Care database (SSMIS) to include system completion, testing, and training will be complete by April 30, 2019. The “go live” date for the enhanced IV-E/Foster Care database (SSMIS) will be after April 30, 2019 – the specific date has not yet been determined.

Contact for Corrective Action Plan

James Forbes, Senior Policy & Operations Manager
Heather McLain, Revenue Enhancement Unit Director
Carrie Marshia, DCF Business Office
Derrick LaMarche, ADS-ISD System Developer
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Finding 2018-012

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

AHS has created draft Risk Assessment and Draft Security Assessment policies. These policies will be reviewed and approved by AHS and Agency of Digital Services (ADS). Once approved, proper operating procedures will be established to meet all requirements of 45 CFR 95.621.

Risk Assessment and Security Review procedures will also address the process for documenting all risks in an electronic inventory for tracking purposes.

In parallel, AHS will schedule the immediate Risk Assessment of all ADP systems and, subsequently, a full security review of all ADP systems.

Scheduled Completion Date of Corrective Action Plan

July 1, 2019: Policies reviewed and approved
Completion of risk assessment on ADP systems

September 1, 2019: Completion of operating procedures aligned to new policies

January 1, 2020: Completion of security review on ADP systems

Contact for Corrective Action Plan

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