

**September 15, 2016**  
**Report of JFC Subcommittee on the Federal Single Audit**  
**Prepared by Sen. Kitchel and Rep. Ancel**

**Preliminary Recommendations**

- The Joint Fiscal Committee, consistent with the direction of Sec. E.100.5 of Act 172 of 2016 will continue to annually receive a presentation on the Federal Single Audit at its July or September meeting
- The Appropriations Committees will have the legislators assigned to various areas of government specifically review Single Audit findings and corrective action plans within their subject area
- Standing Committees will review Single Audit findings and corrective action plans within their areas of jurisdictions

**Overview**

The State of Vermont is subject to various audits on an ongoing basis. The audit we are focusing on in this memo is the Federal Single Audit. The purpose of this audit is annual compliance as required by regulation on large federal grant programs.

Other performance or financial audits can originate internally or from external program partners of State Government. The CAFR Audit<sup>1</sup> and the Federal Single Audit are two annual financial audits that are the responsibility of the State Auditor’s Office. Entities such as Office of Inspector General, CMS, Social Security Administration, USDA may require other periodic audits as well.

The goal of the subcommittee is to work with the Administration to:

- Review and improve the legislative role in the Federal Single Audit review process;
- Support efforts to reduce repeat Single Audit findings, overall cost and risks to federally funded programs;
- Improve quality and effectiveness of corrective action plans and improve the integrity and efficiency of programs.

**Federal Single Audit**

Currently KPMG is engaged by the State Auditor’s Office to perform the annual audit of federal awards as required by the Federal Government. The Federal Single Audit focuses on specific programs called Type A programs which are defined in regulation by risk and exceed an expenditure threshold.

- For the year ending June 30, 2015 the State expended approximately \$2.1 billion in federal awards.
- The threshold for determining programs considered to be Type A were programs with at least \$6,305,279 in federal expenditures.
- A total of 27 programs were audited representing over 64% of total federal expenditures. The chart below summarizes the FY2015 Federal Single Audits.

<b>Agency/ Department</b>	<b># Programs Audited</b>	<b># Programs with Findings</b>	<b>Total # Findings</b>	<b># Repeat Findings</b>
AHS	14	11	29	16
AOE	5	2	5	4
AOT	2	2	3	0
Labor	2	2	3	2
DPS	1	1	4	2
ACCD	1	1	2	0
DEC	1	1	2	1
Military	1	0	0	0
<b>Totals</b>	<b>27</b>	<b>20</b>	<b>48</b>	<b>25</b>

### The Department of Finance and Management (F&M)

F&M is increasing its role and has instituted the following process for addressing areas of non-compliance and findings.

- F&M has become an active participant in the Single Audit process.
- F&M will participate in all Single Audit Entrance and Exit conference meetings between KPMG and Departments in order to communicate expectations and better understand issues.
- F&M and KPMG will meet bi-weekly throughout the Single Audit process.
- On September 1, 2016 F&M issued a statewide policy outlining roles and responsibilities for addressing and resolving Single Audit Findings.
  - Focus, when possible, will be directed toward resolving non-compliance issues prior to formal finding being issued by KPMG.
  - KPMG will issue all final findings directly to F&M who will forward to department Commissioners and Agency Secretaries to assure the appropriate level of awareness and commitment within all departments.
  - Formal responses back to KPMG from departments will flow through F&M from Secretaries and Commissioners.
  - F&M will assure responses and corrective action plan are clear, concise, complete and focus on the cause of the finding.
- F&M will require quarterly status updates on corrective action plans to assure sufficient progress is occurring to resolve finding prior to next audit.

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<sup>i</sup> [Comprehensive Annual Financial Report \(CAFR\)](#). The State Auditor's Office performs this audit with the assistance of KPMG, an independent CPA firm, who expresses an opinion on and provides reasonable assurance that the financial information presented in this report is free of material misstatement. In this audit, the State's compliance with certain provision of laws and regulations as well as the internal control structure put in place by state management are also tested. Governmental Funds (General Fund, Transportation, Education, Special, Federal and Global Commitment), Proprietary Funds (Internal Service and Enterprise), Fiduciary Funds (Pension and OPEB) and Component Unit Funds (VEDA, VHCB, Vet's Home, etc.) are all covered in this audit report