

Audit and Objectives	Findings	Recommendations
<p>Workers' Compensation Program:</p> <p>(1) Summarize and identify trends in state government workers' compensation claims for injuries reported between FY08 and FY12</p> <p>(2) Identify WCP's activities to prevent future worker injuries and evaluate the scope of these activities, and</p> <p>(3) Evaluate whether departments with a high amount of workers' compensation claims have implemented WCP recommendations.</p>	<p>(1) From FY08-FY12, state workers reported 4,825 incidents that resulted in \$27.3 million in payments for claims (likely going to \$40m). Compensation claims were steady and decreased slightly over the period. Almost three-quarters of all incidents occurred in six organizations: AOT, DOC, DPS, VSH, BGS, and the Veterans' Home.</p> <p>(2) A statistical sample of 124 incidents from 2/12/10 – 6/30/12 found 23% did not undergo an evaluation by a safety coordinator. Therefore, we estimate that 533 incidents did not undergo a safety evaluation during this timeframe. WCP is missing significant opportunities to identify and recommend safety fixes.</p> <p>(3) Departments with a lot of workers' comp. claims had implemented less than ⅓ of the recommendations made by WCP.</p>	<p>(1) Improve WCP's safety evaluations process and IT controls.</p> <p>(2) Work with departments that perform safety evaluations that WCP relies upon in lieu of its own reviews and outline the expectations and responsibilities of each party.</p> <p>(3) Analyze the costs and benefits of employing additional safety coordinators [Leg. could reconsider the restrictions imposed by 29 VSA §1408(a)(5)]</p> <p>(4) Develop a process to ensure that WCP's safety evaluations are directed to the individual that has the authority to take corrective action, establish responsibility for recommendation follow-up, and implement a recommendation tracking process.</p> <p>(5) In addition, the Secretary of Administration should direct the Manager of the Office of Risk Mgmt. to consider whether the calculation of workers' compensation premiums could include incentives or penalties based on the implementation of WCP safety recommendations or other elements of an effective safety program.</p>
<p>AOT Construction Contract:</p> <p>The extent to which a construction contract:</p> <p>(1) Was completed on schedule;</p> <p>(2) Was completed within budget; and</p> <p>(3) Met contract insurance requirements and federally required wage provisions.</p>	<p>(1) New Haven paving project was 35 days late; led to additional traffic delays and costs.</p> <p>(2) The methodology for calculating liquidated damages (LD) does not include all allowable costs that can be charged for delays so only a portion of the additional costs due to the delay were recovered from the contractor.</p> <p>(3) Final costs of \$5.03m exceeded the contract by nearly \$1.25 million, an increase of 33% (mostly due to allowable price adjustments).</p> <p>(4) Change order requests did not contain enough documentation to support the calculation of revised quantities and costs (increases risk of improper payments).</p> <p>(5) Certain types of required insurance coverage were excluded and coverage limits shown on the contractor's certificates did not meet contract requirements.</p>	<p>(1) Revise LD policies to include other costs of delays such as inconvenience to the public and traffic control in addition to the Agency's oversight costs.</p> <p>(2) Provide detailed documentation to enable adequate review for change orders.</p> <p>(3) Develop policies and procedures that provide a comprehensive, consistent framework for the calculation of price adjustment change orders.</p> <p>(4) Increase efficiency of the close-out process by eliminating procedural redundancies and increasing the use of technology in the field.</p> <p>(5) Implement new procedures to ensure the adequacy of a contractor's insurance coverage.</p> <p>(6) Align Construction Section wage rate practices with the Construction Manual to allow sampling of wage rates as opposed to 100% review.</p>

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<p>Correctional Health Care:</p> <p>Determine whether DOC monitors the CCS contract in a manner that</p> <p>(1) Provides assurance that the State’s costs are minimized; and</p> <p>(2) Ensures that the contractor meets the contract’s performance requirements.</p>	<p>(1) DOC’s monitoring of the costs of the CCS contract has not ensured that costs are minimized, and the State paid \$4.2 million more than the \$49.1 million that was budgeted in the first three years of the contract.</p> <p>(2) DOC’s monitoring of CCS’s performance against the contract requirements has been mixed.</p>	<p>Short-term</p> <p>(1) Evaluate CCS’s process for controlling unused medications.</p> <p>(2) Develop a policy that minimizes the cost of bridge medications and directs CCS to ensure that this policy is consistently followed at all of the correctional facilities.</p> <p>(3) Ensure that CCS is collecting inmates’ insurance information and billing their insurance for appropriate claims.</p> <p>Long-term</p> <p>(1) Use a more cost-effective contract than cost-plus mgmt. fee.</p> <p>(2) Include a plan for a monitoring process at the outset of any new contract to provide reasonable assurance that effective cost and performance controls are in place and that applicable penalties are assessed in a timely manner.</p>
<p>State-Issued Cell Phones:</p> <p>No state entity has responsibility for centrally tracking the use and total spending for cell phones. So we sought to assess whether</p> <p>(1) State-issued cell phones are underutilized; and</p> <p>(2) State agencies and departments could reduce their costs for state-issued cell phones.</p>	<p>(1) Out of 3,080 state-issued cell phones, 29% had no or limited use in calendar year 2012.</p> <p>(2) Only 18 out of 42 state entities had entity-specific policies, procedures or guidelines. Those that did address some aspects of cell phone management, but none required monitoring to ensure that monthly service plans were aligned with usage needs. State policies did not include criteria to determine eligibility/business need for a cell phone.</p> <p>(3) In 2012, over 5 million voice minutes went unused. And of the 2,899 cell phones with bundled voice and data service plans, 42% used no data or less than 25,000 KB of data.</p> <p>(4) Assuming that all cell phones with no-use and limited-use could be eliminated, we could approximately \$272,000.</p>	<p>The AOA and the DII should develop a policy framework for cell phone management including: 1)</p> <p>a) determination of specific business need;</p> <p>b) monitor usage to ensure service plans match actual need;</p> <p>c) periodic review of continuing business need; and</p> <p>d) monitoring of the accuracy of the billing charges.</p> <p>2) Require departments to adopt and document policies and procedures addressing all of the State’s policy framework.</p> <p>3) Require consultation with DII and the Secretary of AOA regarding replacement of land lines with cell phones.</p> <p>BGS Commissioner to direct the Purchasing & Contracting Dir. to:</p> <p>1) Seek to negotiate plans with both cell phone providers that offer lower voice minute plans at lower cost.</p> <p>2) Specify that optimization services are required in the Verizon contract or contract addendum.</p> <p>Secretaries of ANR and AOT and commissioners of DCF, DII and DPS to direct personnel responsible for cell phones to:</p> <p>1) Eliminate no-use and limited-use cell phones unless needed for emergency response, the safety of state employees or other important operational rationale.</p> <p>2) Work with cell phone providers to periodically analyze cell phone usage patterns to identify whether alternative service plans would better align with user needs.</p>

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<p>Designated Agencies:</p> <ol style="list-style-type: none"> 1) summarize how DAIL and DMH fund DD and MH services provided by the DAs and ensure that clients receive the expected services; and 2) determine whether DAs have received duplicate payments from Medicaid for services provided 	<ol style="list-style-type: none"> 1) The departments did not have processes to ensure that clients in certain programs received the expected services. 2) DAIL and DMH had various mechanisms in place to oversee the DAs. However, neither department routinely compared budgeted to actual services for programs paid with an “inclusive rate” (over half of the payments to the DAs were based on inclusive rates). 3) In FY14, DMH required DAs to perform self-audits of programs paid on an inclusive rate basis. For 74% of clients, DMH paid for more services than were received. For clients that received at least 10% fewer services than had been budgeted and paid, DMH recouped about \$181,000 from the DAs. 4) While the three DAs at which we performed detailed test work of potential duplicate payments were paid for some duplicate Medicaid claims, we did not find evidence of widespread payments for duplicate services. 	<p>For both DMH and DAIL</p> <ol style="list-style-type: none"> 1) Develop a mechanism to determine the extent to which clients are receiving services, including the number, types, and frequency, for which DMH and DAIL are paying an inclusive rate to the DAs. <p>There were a number of additional recommendations addressing the need for improved procedures regarding billing in this complex environment.</p>
<p>Liquor Control System:</p> <ol style="list-style-type: none"> 1) Assess the fiscal impact of changing the State’s liquor control system; and 2) review the State’s current liquor control system and assess whether profitability of the current system could be improved. 	<ol style="list-style-type: none"> 1) Based on financial models developed for this analysis, a neutral fiscal impact may result from full or partial privatization of the State’s liquor control system. The model assumed savings from reduced operational costs but lost revenue as DLC would no longer establish the retail shelf price. To replace the revenues lost from the state’s mark-up, excise tax rates could be increased. 2) DLC may improve profitability by conducting analyses to inform strategic decisions and enhancing mechanisms it uses to manage day-to-day liquor operations. 	<p>The Liquor Control Board should direct the Commissioner to:</p> <ol style="list-style-type: none"> 1) Prepare or contract for an analysis to determine the optimum number and location of agent stores. 2) Obtain a review of liquor pricing to establish a methodology for competitive pricing. 3) Perform or contract for an analysis of warehouse capacity. 4) Establish min. & max. inventory levels for the warehouse; monitor manufacturers’ compliance with established inventory levels; and assess manufacturer’s fees for noncompliance with min. & max. inventory levels. 5) Establish clear goals and targets for each performance category used to evaluate agent store performance. 6) Work with the AG’s Office to bring the department into compliance with Bulletin No. 3.5. 7) Implement systematic analysis of results of sales promotions.

Work In Progress

Audit and Objectives	Release Date
<p>Vermont Energy Initiative:</p> <ol style="list-style-type: none"> 1) Determine whether and how the state has assurance that the state agency energy plan is being implemented; and 2) Determine whether state agencies that are the largest consumers of energy met the Act 40 (2011) goal to reduce energy consumption by 5% in 2012 and 2013. 	<p>Planned release in February.</p>
<p>Vermont Health Connect:</p> <p>Assess the extent to which the State has taken corrective actions to resolve the reported shortcomings of Vermont Health Connect.</p>	<p>Expected release in late March or early April.</p>
<p>Dept. of Labor - Employee Misclassification:</p> <ol style="list-style-type: none"> 1) Examine the actions taken by the DOL to detect and address possible employee misclassification, including the extent that the VDOL collaborates internally as well as externally with other state and federal agencies; and 2) Determine the extent to which the AOA and AOT have procedures to comply with competitive bidding and contract oversight requirements related to workers' compensation. 	<p>Expected release in May.</p>
<p>Dept. of Corrections - Transitional Housing Program:</p> <ol style="list-style-type: none"> 1) Assess the extent to which residents of DOC's transitional housing are receiving the services outlined in their service plans; and 2) Assess whether and how DOC has determined that it's transitional housing program is meeting its goals of supporting community reintegration/reentry, maintaining public safety, and reducing offender recidivism. 	<p>Expected release in May.</p>

Non-Audit Inquiries

Inquiry Objectives	Findings
<p>DOC - SEALL Inquiry (transitional housing program grantee):</p> <p>1) Does SEALL report results to DOC accurately and timely? 2) Does SEALL have controls in place to account for the work performed? 3) Does DOC have adequate oversight of SEALL?</p>	<p>1) No. 2) In some cases yes, but the level of detail and reliability is not optimal. 3) No.</p>
<p>AOT – Liquidated Damages (LD):</p> <p>1) How does AOT calculate liquidated damages; and 2) What costs could the agency collect that it currently does not.</p>	<p>1) According to the CFR, LD rates shall, “as a minimum...cover the estimated average daily construction engineering (CE) costs associated with the” job. AOT’s LD methodology meets the minimum federal requirement. Old LD rates covered the actual CE costs per day but rates implemented in 2007 failed to cover the actual CE costs over a two-year period. 2) Federal law allows states (with FHWA concurrence) to include other costs in LD calculations. Delayed AOT projects regularly incur costs for flaggers and uniformed traffic officers that are not included in LD calculations.</p>
<p>GMCB – VHCURES:</p> <p>1) Determine how the all-payer claims database was used in the past and is used at present; 2) Identify what plans are in place for a new version of the database; and 3) Assess the extent to which the database could be used to provide greater transparency of health care costs and to better inform consumers of the price of specific medical procedures.</p>	<p>1) VHCURES has been used to fulfill five of the six statutory duties for which it was created (18 V.S.A. §9410). The remaining statutory charge, which the Green Mountain Care Board and its predecessors have not addressed, is using VHCURES to inform “consumers and purchasers of health care.” 2) The GMCB is preparing to overhaul VHCURES, with the chief goal of better tracking individual patients as they move through Vermont’s health care system (the current system does not include personal identifiers). While the Statement of Work for the transition from the current system does not mention consumers or consumer information, among numerous changes to the database, the board states in an appendix to its 2014 Annual Report, “We will explore the feasibility of using VHCURES ... as a means to provide cost information to Vermonters.” To date, providing consumers with price and quality information has not been a priority for the GMCB, which has limited resources to oversee a large slate of health care reform initiatives. 3) The Vermont SAO found strong evidence to suggest it is feasible for the State – or possibly another third party – to use VHCURES to provide consumers with greater price transparency. There also exist opportunities for the State to pair this information with quality measures, to work closer with commercial insurers to provide patient-specific price information, and to better inform Vermont’s uninsured population.</p>

Non-Audit Inquiries

Inquiry Objectives	Findings
<p>PSB - recordings of proceedings and public records:</p> <p>1) What process does the Board follow in recording its proceedings and making copies available to stakeholders and members of the public?</p> <p>2) Does this process act as a barrier to public participation in the Board's proceedings? and</p> <p>3) Are there alternatives to improve public access to this information?</p>	<p>1) The PSB contracted for transcription services with Capitol Court Reporters, Inc. The contract does not establish the prices that the contractor can charge the public for transcripts, and the contractor does not make prices publicly available. The PSB therefore has no control over what stakeholders and the public pay for copies of these official government records.</p> <p>2) The information collected suggested that the process has acted as a barrier. The Chairman of the PSB acknowledged his concern about the situation.</p> <p>3) Numerous alternatives exist.</p>

Work In Progress

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<p>ANR/Forest & Parks - Vermont's land leases with ski areas:</p> <p>1) Quantify and contextualize the direct monetary return the State receives for its assets.</p> <p>2) Examine recommendations made in 2007 by the firm Economic & Policy Resources, Inc. (EPR) and the extent to which FPR has implemented EPR's policy proposals.</p>	<p>Planned release the week of January 19, 2015</p>

Note also that the Auditor's Office has spent considerable time working with VEPC and the towns as they develop new rules for the TIF program.