

**DOUGLAS R. HOFFER**  
**STATE AUDITOR**



**STATE OF VERMONT**  
**OFFICE OF THE STATE AUDITOR**

To: House and Senate Appropriations Committees  
From: Doug Hoffer, Vermont State Auditor  
Date: 9 February 2016  
Re: SAO Budget

Attached are the materials requested for our budget presentation, including the budget development form, rollup report, detail report, personnel summary report, and the strategic plan and performance measures.

Although our primary funding source (Single Audit Revolving Fund, an internal service fund) has not suffered, our modest General Fund support (< \$400k) has us very close to the bone. For most entities, opportunities for savings include land line consolidation, discretionary overtime, use of temporary employees, vacancy savings, and travel expenses.

For my office, these options offer little promise. We don't pay cash for overtime and we don't use temporary employees. We don't use state-issued cell phones and previously eliminated four unused land lines, so there are no additional savings available there. As for travel expenses, they have declined 86%, having dropped from over \$10,000 in FY12 to less than \$2,000 in FY15, so there is little if any opportunity for additional savings.

As you know, the General Fund (GF) represents only 10% of our total budget. Of that, 96% is for wages, benefits, overhead, and our contribution to the cost of the Sheriff's audits, which is required by statute. The remaining \$15,000 +/-, represents all "discretionary" spending for the Office of the State Auditor. Two-thirds of that (\$10,000) is earmarked for outside consultants when we need expert assistance for non-audit inquiries. The final \$5,000 is for all other unanticipated expenses. Therefore, if we are required to dig any deeper, the next step would be a

reduction in staff. As you know, our work is a type of investment that often results in savings in state government and/or recommendations for improving the delivery of services, so a reduction in staff makes no sense.

In any case, we offer the following information in response to the three specific performance-related questions. Additional details are available in our Strategic Plan and Performance Report.

### **How much are we doing?**

In CY 2015, we issued six performance audits,<sup>1</sup> along with seven non-audit inquiries.<sup>2</sup> In addition, KPMG completed the required audit of the state's financial statements and the Federal Single Audit. Our office also fielded 135 inquiries including fraud allegations, whistleblower complaints, questions about state government, questions from and about municipal government, and requests for audits, all of which we either investigated or forwarded to the appropriate agencies.

### **How well are we doing it?**

First, our audits are required to meet the GAGAS standards established by the Government Accounting Office. This is determined by a peer review conducted once every three years by audit staff from other states under the auspices of the National State Auditors Association. We underwent a peer review in 2015 and the multi-state team of auditors found that we were in full conformance with generally accepted government auditing standards.

Second, in some cases, a performance audit will identify actual or potential savings or opportunities for cost recovery from contractors, grantees, or beneficiaries of incentive programs. For example, while conducting our recommendation follow-up, the Department of Corrections reported that the adoption of one of our 2013 recommendations resulted in

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<sup>1</sup> State Agency Energy Plan, Vermont Health Connect (2), Transitional Housing (DOC), Worker Misclassification (DOL), and AOE Procurement.

<sup>2</sup> Ski Area Leases of Public Lands, Gruber memo, MCO Investment Performance Measurement memo, Executive Compensation at the Designated Agencies, E911 memo, VT Training Program compliance and performance memo, and the Sole Source Contract report.

reimbursements of \$450,212 for unused or returned medications over a 15-month period, compared to \$8,331 for returns in a six-month period as noted in our audit finding. In addition, the 2013 cell phone audit led BGS to hire a consultant who estimated potential savings of at least \$171,000 from changes identified in our audit recommendations. The State has begun implementation but figures for actual savings are not yet available. And finally, although impossible to estimate, our recent special investigation on sole source contracting is likely to result in more competitive bidding, which should produce additional savings.

### **Is anyone better off?**

Our performance audits contain recommendations designed to improve the operations of state government. For the work to produce benefits, state entities and/or the General Assembly must implement the recommendations. The greater the number of recommendations implemented, the more benefit will be achieved. Unfortunately, we have no power to compel implementation of our recommendations. But a measure of the quality and persuasiveness of our performance audits is the extent to which our recommendations are acted upon. Experience has shown that it takes time for some recommendations to be implemented so we track recommendation implementation in the years following the audits. The results are encouraging and are reported in our annual recommendation follow-up (on the website) as required by Act 155 (2012).

In addition to the DOC/CCS and cell phone audits mentioned earlier, a promising example is the recommendations to DMH and DAIL about the need ensure that clients at the Designated Agencies are receiving the proper services and that the billing systems pay only for approved services. Early indications are that they are taking steps to improve the transparency and accountability of their systems, although some improvements may need to await completion of the new MMIS Medicaid IT system.

	A	B	C	D	E	F	G	H	I
1	<b>Fiscal Year 2017 Budget Development Form - AUDITOR OF ACCOUNTS Version 5</b>								
2									
3									
4		<b>General \$\$</b>	<b>Transp \$\$</b>	<b>Special \$\$</b>	<b>Tobacco \$\$</b>	<b>Federal \$\$</b>	<b>Interdept'l Transfer \$\$</b>	<b>All other \$\$</b>	<b>Total \$\$</b>
5	<b>FY 2017 Approp - 1250010000 Office of the State Auditor</b>								
6		394,171		53,145				3,235,936	3,683,252
7									
8									
9									
10	<b>FY16 Total Reductions</b>	0	0	0	0	0	0	0	0
11	<b>SFY16 Revised Budget</b>	394,171	0	53,145	0	0	0	3,235,936	3,683,252
12	<b>SFY17 Level Funded</b>								
13	<b>Personal Services:</b>								
14									
15	Salary	9,477		(504)				44,593	53,566
16	Health	(13,041)		136				(2,421)	(15,326)
17	Dental	(588)		(87)				(1,784)	(2,459)
18	Other Benefits& FICA	2,015		475				13,009	15,499
19									
20	<b>Contractual:</b>								
21									
22	Increase in Contractual Financial (KPMG)	4,053		(20)				88,127	92,160
23									
24									
25	<b>Operating Expenses:</b>								
26									
27	Operating Expenditures	(2,780)						(5,136)	(7,916)
28									
29	<b>FY17 Subtotal of increases/decreases</b>	<b>(864)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>136,388</b>	<b>135,524</b>
30	<b>FY 2017 Governor Recommend</b>	<b>393,307</b>	<b>0</b>	<b>53,145</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,372,324</b>	<b>3,818,776</b>
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Vermont State Auditor

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10 February 2016

2016 STRATEGIC PLAN  
and  
2015 PERFORMANCE REPORT

**Douglas R. Hoffer**  
**Vermont State Auditor**

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## OVERVIEW

The purpose of this document is to describe the mission of the office, the goals and objectives that flow from the mission, and the performance measures used to evaluate our progress. The report is required by the Legislature [32 VSA §307(c)] and we are pleased to fulfill our obligation.

The goals, measures, and targets in this document were developed by the management team in the State Auditor's Office (SAO). In doing so, we considered the SAO's mission and guiding principles and conducted research on how other federal and state audit organizations measure performance. Targets were developed based on expected budgetary resources and reflect management's prioritization of those resources.

We review the strategic plan annually and make changes as needed (with explanations of any changes).

The performance report summarizes the extent to which we achieved the targets in our strategic plan for each goal and measure for calendar year 2015.

The SAO website ([www.auditor.vermont.gov](http://www.auditor.vermont.gov)) contains an electronic version of this document, as well as reports that we reference here, budget documents, and other information about the operation of the office. Paper copies of this document can also be requested from our office. I invite you to call or email me if you have any questions.

Sincerely,

Doug Hoffer

# 2016 STRATEGIC PLAN

**Mission Statement:** The mission of the Auditor’s Office is to hold state government accountable and to ensure that taxpayer funds are used effectively and efficiently. And in all of our work, we seek to identify and prevent waste, fraud, and abuse.

**Guiding Values:** The Vermont State Auditor’s Office is dedicated to providing government entities, the Vermont Legislature, and the public with professional audit services that are:

- Useful
- Timely
- Accurate
- Objective
- Of high quality; and
- Performed in conformance with generally accepted government auditing standards.

In addition, the Office is committed to improving the professional skills of the staff, sharing knowledge with others, and maintaining a work environment that is ethical, supportive, respectful, collaborative, and productive.

## Office Profile:

Statutory Responsibilities: The state auditor is a constitutional officer, elected biennially. The auditor’s principal duties are defined by 32 VSA §163, 167, and 168. These duties include:

- annual audit of the state’s financial statements - Comprehensive Annual Financial Report (CAFR);
- annual federal Single Audit (A-133);<sup>1</sup>
- discretionary governmental audits, as defined by the U.S. Government Accountability Office;
- discretionary post-audits of all expenditures, including disbursements to a municipality, school, supervisory union, school district, or court; and
- audits or reviews as statutorily required by the Legislature.

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<sup>1</sup> The federal Single Audit Act requires states, local governments, and non-profit organizations expending over \$750,000 in federal awards in a year to obtain an audit. A single audit consists of (1) an audit and opinions on the fair presentation of the financial statements and the Schedule of Expenditures of Federal Awards; (2) gaining an understanding of and testing internal control over financial reporting and the entity’s compliance with laws, regulations, and contract or grant provisions that have a direct and material effect on certain federal programs (i.e., the program requirements); and (3) an audit and an opinion on compliance with applicable program requirements for certain federal programs.

Vermont taxpayers expect state government to provide cost-effective services. It is the job of the SAO to determine if publicly-funded programs are operating efficiently and meeting the goals and objectives established by the legislature. We do this by conducting performance audits. In the process, the SAO is always alert to the risks of waste, fraud, and abuse.

The SAO no longer conducts the statutorily mandated financial audits. The audit of the state's financial statements (CAFR) and the federal Single Audit (A-133) are now conducted by KPMG under contract to the SAO. That leaves us free to focus almost exclusively on performance audits, which provide objective analysis and recommendations to 1) program managers to help improve service delivery; 2) policy makers to better inform decisions about resource allocation; and 3) the general public, which has a right to know if taxpayer funds are being used effectively.

In addition to performance auditing, we have other responsibilities. For example, we work with KPMG and state government entities to reduce findings in the federally mandated Single Audit. This will improve the state's implementation of federal programs and reduce the cost of auditing the programs.<sup>2</sup>

In addition, our office will conduct reviews of certain aspects of state government. The decision to research a particular issue is made by the State Auditor. These non-audit inquiries will be rigorous and well-documented but need not meet generally accepted government auditing standards. In some cases, reviews may lead to or complement performance audits.

Staffing: The SAO is authorized to have 15 staff positions, including the State Auditor, three appointees (Deputy State Auditor, special investigator, and private secretary), a financial manager, and 10 professional audit staff.

All ten members of the audit staff have bachelor's degrees and six have master's degrees. In addition, nine of the ten audit staff members have certifications in one or more professional areas, including Certified Public Accountant, Certified Internal Auditor, and Certified Information Systems Auditor.

Funding: Only 10% of funding for the SAO comes directly from the State's General Fund. Almost all the rest comes from the Single Audit Revolving Fund (SARF). Most state agencies and departments contribute to the SARF based on a formula reflecting their expenditures, revenues, and federal funding. For the current fiscal year (2016), the Legislature appropriated \$3.68 million to fund the SAO,

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<sup>2</sup> Office of Management and Budget (OMB) regulations require states to re-audit programs that have findings. Each additional audit of FY16 findings will cost \$37,100 in FY17.



including \$3.24 million from the SARF, almost \$400,000 from the General Fund, and \$53,000 from the Special Fund.<sup>3</sup>

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## **GOAL 1: PROMOTE GOVERNMENT ACCOUNTABILITY AND IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF STATE GOVERNMENT THROUGH PERFORMANCE AUDITS AND REVIEWS**

### **Measure 1a: Number of performance audit reports issued**

Purpose: Performance audits identify opportunities for improvements in program delivery, as well as potential savings or cost recovery.<sup>4</sup>

Target: Performance audits vary in scope and complexity so the number of audits completed in a given year will also vary. In addition, the timing of audit engagements will sometimes result in audits being initiated in one year and completed in the next, so this may lead to variances from year to year. Therefore, annual targets are based on the sum of completed audits and the fractions of audits underway but not yet completed.

- CY 2016 – 6 performance audits

#### Strategies:

- Try to improve risk assessments and audit planning to avoid surprises regarding data availability or other issues that may increase the time required to complete an audit.
- Continue to define audit objectives as narrowly as possible to provide meaningful recommendations while avoiding scope drift.
- Work with staff to improve writing skills in order to reduce time devoted to editing.
- Improve internal procedures for reviewing draft reports.

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<sup>3</sup> The Special Fund is funded by the Treasurer's Office and has been a portion of SAO's appropriation since FY2000. In the years prior to that, the SAO received an appropriation of a similar amount from the Retirement Trust Fund.

<sup>4</sup> Cost recovery can be based on a contractual or statutory provision allowing the state to recover money from beneficiaries for failures to meet performance obligations (i.e., contractors, grantees, or recipients of tax incentives).

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Challenges: We had a very productive 2015 but have two challenges ahead, which we discuss in detail in the performance report below. Some of the factors that can affect the number of performance audits completed each year include the complexity of the audit topics, the number of entities involved, the availability of data,<sup>5</sup> and the timeliness and content of management responses to audit findings.<sup>6</sup>

### **Measure 1b: Average cost of performance audits**

Purpose: The SAO has limited staff and modest funding. Therefore, it is imperative that we maximize the value of our available resources. As noted above, performance audits vary in their scope and complexity but the average cost per audit is a fair measure of our ability to manage our resources.

Target:

- CY 2016 - \$250,000

Strategies: The strategies outlined above in Measure 1.a. are also relevant here.

- Try to improve risk assessments and audit planning to avoid surprises regarding data availability or other issues that may tend to increase the time required to complete an audit.
- Continue to define audit objectives as narrowly as possible to provide meaningful recommendations while avoiding scope drift.
- Work with staff to improve writing skills in order to reduce time devoted to editing.
- Improve internal procedures for reviewing draft reports.

Challenges:

While the cost per audit is a useful measure, concerns about efficiency cannot compromise the integrity of the audit process. Technically, there are no shortcuts; we must adhere to generally accepted government auditing standards as issued by the Comptroller General of the United States and the U.S. Government Accountability Office (see our Professional Standards Manual on the website).

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<sup>5</sup> For a variety of reasons, obtaining data from state entities and vendors can sometimes take more time than anticipated.

<sup>6</sup> Draft audit reports are shared with auditees who are given two weeks to respond to the findings. Their responses are included in the audit report as appendices, and the SAO may comment on issues raised in the management response. It is not uncommon for management responses to be late, which delays the completion of the audit. Moreover, some management comments require additional work by audit staff in order to correct the report, or to defend a finding in response to a challenge by the auditee.

## **Measure 1c: Value of identified savings or cost recovery**

Purpose: In some cases, a performance audit will identify actual or potential savings or opportunities for cost recovery from contractors, grantees, or beneficiaries of incentive programs.<sup>7</sup> Although not the only measure of the value of performance audits, savings are sometimes quantifiable. However, it is impossible to forecast such savings because we don't always know in advance what audits will be performed and, in any case, savings cannot be predicted before actually conducting the audits. Therefore, we will report savings and cost recoveries in the performance report but will not set targets.

Note that not all audits will result in quantifiable savings. For example, the 2013 audit of the State Workers' Compensation Program was not a claims audit. Rather, it was about efforts to improve safety in the workplace. The recommendations identified opportunities to improve the program, which would likely result in savings, but there was insufficient evidence to estimate the magnitude. Likewise, the 2014 audit of the Sex Offender Registry (required by the legislature) was primarily about the reliability of the data in the system and there was no financial component to the objectives.

Target: NA

Strategy: In choosing audit topics, we will focus on those programs and entities that have a high operational or financial risk to the state, have had performance problems in the past, have never been subject to a performance audit, or are currently alleged to have operational and/or financial problems.

Challenges: None

## **Measure 1d: Percentage of audit recommendations implemented within one year and three years**

Purpose: The SAO makes recommendations designed to improve the operations of state government. For our work to produce benefits, state entities and/or the General Assembly must implement these recommendations. The greater the number of recommendations implemented, the more benefit will be achieved from our audit work. We have no power to compel state entities to implement our

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<sup>7</sup> The audit of Correct Care Solutions (CCS), which provides health services in Vermont prisons, found that the state had not taken advantage of a drug reimbursement provision in the contract for unused prescription drugs. After adopting our recommendation, the Department of Corrections was reimbursed for \$450,000 in 15 months.

recommendations, but a measure of the quality and persuasiveness of our audits is the extent to which our recommendations are acted upon. Experience has shown that it takes time for some recommendations to be implemented. At present, we track recommendations after two and four years. We plan to ask the legislature to eliminate the timing of the follow-up and leave it to our discretion. As of this year, we are instituting a review after one and three years, instead of two and four.

Targets:

Percent of recommendations implemented within one year – 50%

Percent of recommendations implemented within three years – 75%

Strategy: Annually review state entity corrective actions in response to audit recommendations.

Recommendation follow-up will be performed for audit reports issued one and three years prior to the calendar year (e.g., the follow up in the 2015 performance report below is for audits issued in calendar years 2012 and 2014).<sup>8</sup>

Challenges: Absent any authority to compel implementation, we have no direct control over this outcome measure.

**Measure 1e: Number, potential savings, and outcomes from non-audit inquiries**

Purpose: As noted above, the SAO conducts non-audit inquiries in addition to performance audits.

These investigations are intended to achieve the same goals as performance audits; namely, to identify opportunities to improve service delivery and save money.

Targets: As with performance audits, we cannot predict savings but we will report potential savings or cost recoveries identified through non-audit inquiries.

Targets:

Number of non-audit inquiries

CY 2016 – 3<sup>9</sup>

Value of identified savings or cost-recovery – NA

Outcomes – NA

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<sup>8</sup> This year we will make the transition from two and four years to one and three. That means we will do the follow-up for 2011 and 2013 (old two and four-year look back) along with 2012 and 2014 (new one and three-year look back).

<sup>9</sup> The special investigator position is currently vacant so our productivity will be less than normal.

Strategies: The special investigator (SI) reports directly to the State Auditor and works closely with the Deputy Auditor as well. In addition, both audit and non-audit staff will provide occasional assistance in the execution of non-audit inquiries.

Challenges: The lowering of the target for the number of non-audit inquiries reflects a vacancy in the position, which we hope to fill shortly.

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## **GOAL 2: COMPLETE MANDATED FINANCIAL AUDITS ON SCHEDULE**

The financial audit must be completed by December 31<sup>st</sup> (CAFR<sup>10</sup>) and the federal compliance audit by March 31<sup>st</sup> (Single Audit<sup>11</sup>). The Commissioner of the Department of Finance & Management prepares the financial statements, which are audited by KPMG (under contract to the SAO), and KPMG also conducts the Single Audit.

### **Measure 2a: Complete the CAFR and Single Audit by statutory deadlines**

Purpose: Although the SAO no longer conducts the CAFR and Single Audits, we work with KPMG to help ensure that these audits are completed on time.

#### Target

FY 2016 – Both audits on time

Strategy: Actively monitor the process through weekly status meetings with staff from KPMG and the Department of Finance & Management.

Challenges: Meeting the targets is dependent on KPMG and the state's financial management team.

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<sup>10</sup> 32 VSA §182(a)(8)

<sup>11</sup> Paragraph .320(a) of OMB Circular A-133

## **Measure 2b: Number of repeat Single Audit findings**

Purpose: Under a contract with the SAO, KPMG annually audits selected state entities to determine if they comply with federal requirements in a variety of control areas, such as program eligibility and cash management. Given the wide scope of this audit and the numerous federal requirements that are checked for compliance, it is not unreasonable for the state to have Single Audit findings. However, state entities should work hard to minimize the number of repeat findings in order to comply with federal requirements and reduce future audit costs.<sup>12</sup> The SAO cannot compel state entities to implement the Single Audit recommendations, but we can report the number of repeat findings and track changes over time. In addition, we will continue to work with the parties to emphasize the importance of avoiding repeat findings. Although history provides some guidance as to the frequency of repeat audit findings, we will not set targets as they are beyond our control.

Targets: NA

Strategy: We will work with KPMG to provide guidance to state entities on how to fix repeat audit findings.

Challenges: There is no penalty for not implementing Single Audit recommendations. In some cases, the cost of implementing the recommendations could exceed the cost of the resulting re-audits (\$37,100), which is a disincentive to curing the problem.

## **Measure 2c: Number of Single Audit re-audits<sup>13</sup>**

Purpose: A significant driver of the cost of the Single Audit is the number of programs that have to be audited. According to rules established by the federal Office of Management and Budget, some programs must be audited every year, such as Medicaid. Other programs are audited once every three years if they meet certain dollar thresholds. Programs with prior audit findings must be audited and these are termed “re-audits.” The SAO has no direct means of influencing this measure so we will track and report the number of re-audits but will not set targets.

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<sup>12</sup> OMB rules mandate re-audits for most repeat findings.

<sup>13</sup> We do not include Medicaid in this measure because the federal Department of Health and Human Services has designated this program as high risk and requires that Medicaid be audited every year regardless of whether there are findings in the prior year’s audit.

Targets: NA

Strategy: Provide guidance to state organizations on how to minimize future re-audits and charge the offending organization the full cost of any re-audits.

Challenges: See Measure 2b Challenges above.

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### **GOAL 3: NON-AUDIT SERVICES**

#### **Measure 3a: Number, type and outcomes of inquiries from legislators, municipalities, whistleblowers, and others**

Purpose: The SAO regularly receives inquiries from various parties, as well as comments, allegations and audit suggestions from whistleblowers. We respond to all such communications and provide information, technical assistance, and referrals as needed. The SAO cannot predict the number of such communications but we can track them by type and outcome.

Targets: NA

Strategy: Respond promptly to all inquiries and requests for information.

Challenges: Time-consuming but a valued service to Vermonters.

#### **Measure 3b: Satisfaction levels of those attending trainings supported by the SAO**

Purpose: The SAO occasionally co-sponsors trainings for professionals from municipalities, schools, and the private sector. In order to gauge the usefulness of the training, we ask participants to evaluate the presenters and the presentations and tell us whether the information provided was clear and beneficial.

Targets:

2016 - 85% high satisfaction<sup>14</sup>

Strategy: Seek input from state and local government entities, including sheriffs, on the type of training needed that would improve financial competence across the state. Work with other entities, such as the Vermont League of Cities and Towns, to sponsor relevant and timely training opportunities by expert presenters. Obtain evaluations of SAO-sponsored training from participants.

Challenges: Attendance is a mixed bag including town clerks, town treasurers, school officials, private sector auditors [seeking continuing professional education (CPE) credits] and others. While some subjects are of interest to all, others are not. And if the subject is too generic, it will not be as useful as more focused topics, and may not satisfy the requirements for CPE credits. In addition to getting good presenters / panelists, our continuing challenge is to plan sessions that will meet the needs of a diverse audience.

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<sup>14</sup> Survey respondents report satisfaction on a five-point scale. High satisfaction is defined as scores of four and above.



# CALENDAR YEAR 2015 PERFORMANCE REPORT

## Goal 1: Promote government accountability and improve the efficiency and effectiveness of state government through performance audits and reviews

Goal	Performance Measure	Target	CY 2015 Actual
1.a.	Number of performance audits	7	6
1.b.	Average cost per completed audit	\$250,000	\$203,314
1.c.	Value of potential savings or cost recovery		
	i. State Agency Energy Plan		Insufficient information to determine if the largest users met the requirement to reduce consumption by 5% annually.
	ii. Vermont Health Connect – Parts I and II		Audits assessed the status of corrective actions and planned enhancements, not costs.
	iii. Corrections - Transitional Housing Program		Audit addressed program monitoring and oversight, not costs.
	iv. Labor – Worker Misclassification		UI & WC systems cannot provide the data needed to estimate opportunities for greater revenues, including the failure to charge penalties.
	v. Education - Procurement		Impossible to estimate, but it is entirely possible that competitive bidding would have resulted in savings.
1.d.	Percent of recommendations implemented – table on p.14		

### Comments:

1.a.	The number of audits reported includes portions of those initiated in 2014 but completed in 2015, as well as audits initiated in 2015 but not yet completed. We count only the percent of each conducted in 2015.
1.b.	The cost of performance audits varied considerably. The range was from \$47,000 to \$356,000. This reflects the substantial differences in scope and the fact that some audits involve multiple departments or agencies, which complicates the work.

## Goal 1: Continued

Goal	Performance Measure	Target	CY 2015 Actual
1.e.	Number of completed non-audit inquiries	8	7
1.f.	Summary and value of potential savings or cost recovery as appropriate		
	i. Ski Area Leases of State Land	Evidence suggests State is not receiving fair value, but lease terms prevent renegotiation without resort cooperation.	
	ii. Memorandum re. Gruber Contract	Matter referred to the AG	
	iii. Memorandum re. Global Commitment MCO Investment Performance Measurement	Insufficient evidence to assess whether MCO investments had achieved the purposes set out in the State's Medicaid waiver.	
	iv. Executive Compensation at the Designated Agencies	One outlier; no systemic problem	
	v. E911 Memo	No evidence of waste, fraud, or abuse.	
	vi. VT Training Program – Compliance & Performance	Program may not be in compliance with statute. Significant State funds could be wasted.	
	vii. Sole Source Contracts: Extraordinary Use in Ordinary Times	Impossible to estimate, but it is likely competitive bidding would have led to savings, especially given the excessive use of sole source contracts.	

**Re. Savings / Cost Recovery from Prior Audits:** While conducting recommendation follow-up for the 2013 Correctional Health Care audit, the Department of Corrections reported that the adoption of one of our recommendations resulted in reimbursements of **\$450,212** for returned medications over a 15-month period, compared to \$8,331 for returns in a six-month period as noted in our audit finding. In addition, our recommendation follow-up for the 2013 cell phone audit found that a consultant hired by the State has quantified potential savings of **\$171,000** from changes identified in our audit recommendations. The State has begun implementation but figures for actual savings are not yet available.

**1.d. Percent of recommendations implemented**

2011	Short Title	# of Recs.	# of Recs. Partially or Fully Implemented	Four-year Target	Actual
11-01	Sex Offender Registry I - DOC	5	5	75%	100%
11-03	Newport TIF	1	1		100%
11-05	Medicaid - DVHA	18	15		83%
<b>Total 2011 – Four Years Out</b>		<b>29</b>	<b>21</b>	<b>75%</b>	<b>88%</b>

\*Due to statutory and other changes, some recommendations are longer applicable, including Medicaid (1), TIFs for Newport (4), Burlington (1) and Winooski (3). They have been subtracted from the recommendations totals.

2012	Short Title	# of Recs.	# of Recs. Partially or Fully Implemented	Three-year Target	Actual
12-01	Milton TIF	3	3	75%	100%
12-02	Medicaid Providers – Tax Dept.	1	1		100%
12-03	Burlington TIF	4	4		100%
12-04	Choices for Care - DAIL	6	4		67%
12-06	Winooski TIF	12	9		100%
12-07	Human Service Programs - DCF	5	2		40%
12-08	TIF Capstone	16	16		100%
<b>Total 2012 – Three Years Out</b>		<b>48</b>	<b>39</b>	<b>75%</b>	<b>81%</b>

2013	Short Title	# of Recs.	# of Recs. Partially or Fully Implemented	Two-year Target	Actual
13-03	AOT Construction Contract – Bennington	10	5	50%	50%
13-04	AOT Construction Contract – New Haven	9	6		67%
13-05	Worker’s Compensation Program (State)	13	6		46%
13-06	Correctional Health Care	5	5		100%
13-07	State Issued Cell Phones – ANR, AOA, AOT, BGS, DII, DCF and DPS	15	8		53%
<b>Total 2013 – Two Years Out</b>		<b>52</b>	<b>30</b>	<b>50%</b>	<b>58%</b>

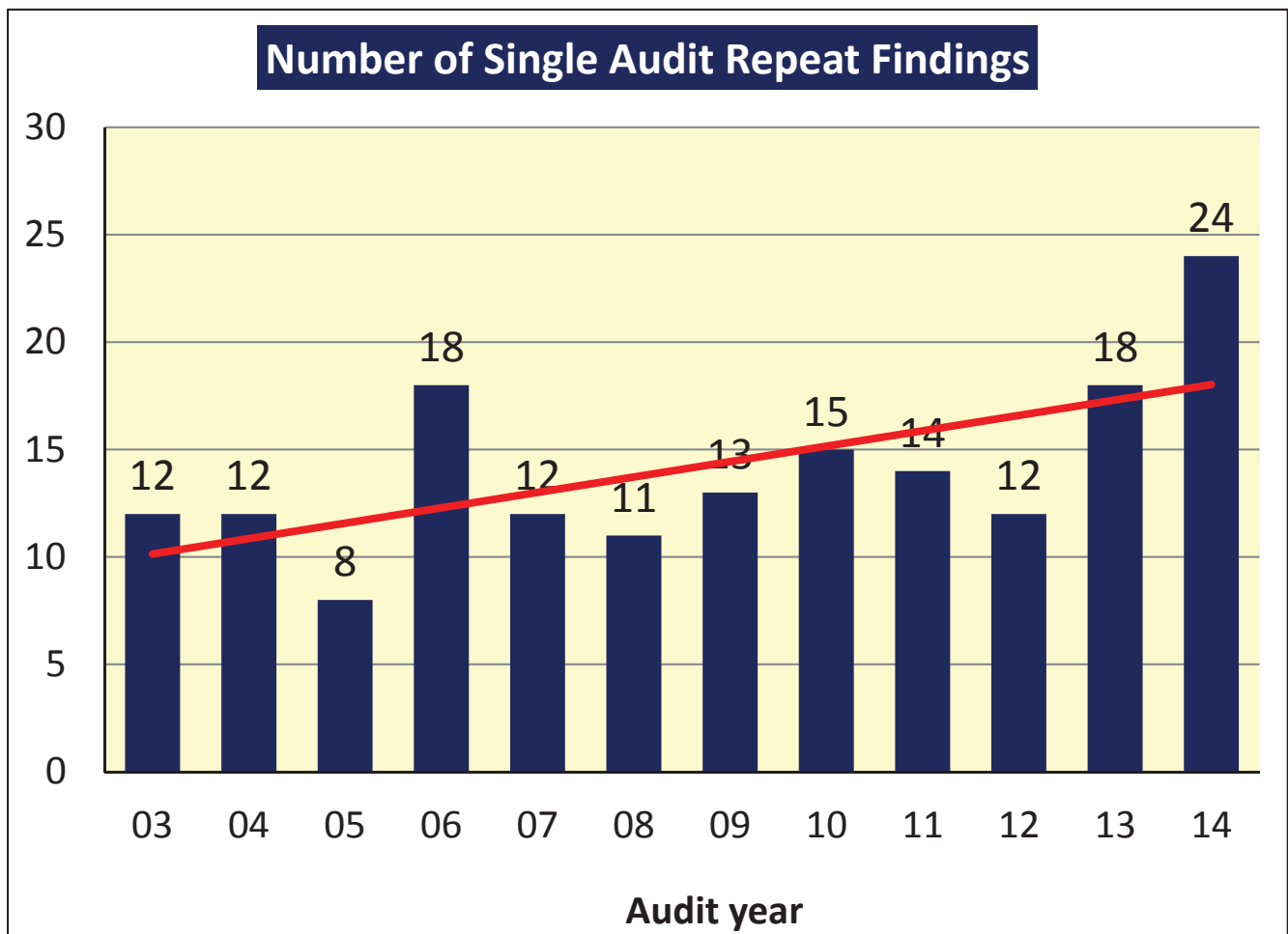
2014	Short Title	# of Recs.	# of Recs. Partially or Fully Implemented	One-year Target	Actual
14-03	Sex Offender Registry II – DOC & DPS	8	6	50%	75%
14-05	Designated Agencies – DMH & DAIL	11	7		64%
14-06	Liquor Control System – DLC	10	7		70%
<b>Total 2014 – One Year Out</b>		<b>29</b>	<b>20</b>	<b>50%</b>	<b>69%</b>

### Goal 2.a: Complete mandated financial audits on schedule

Goal	Performance Measure	Target	FY 2015
2.a.i.	Complete the CAFR by statutory deadlines	12/31	On time
		<b>Target</b>	<b>FY 2014</b>
2.a.ii.	Complete the Single Audit by regulatory deadlines (FY2015 Single Audit is still in process)	3/31	On time

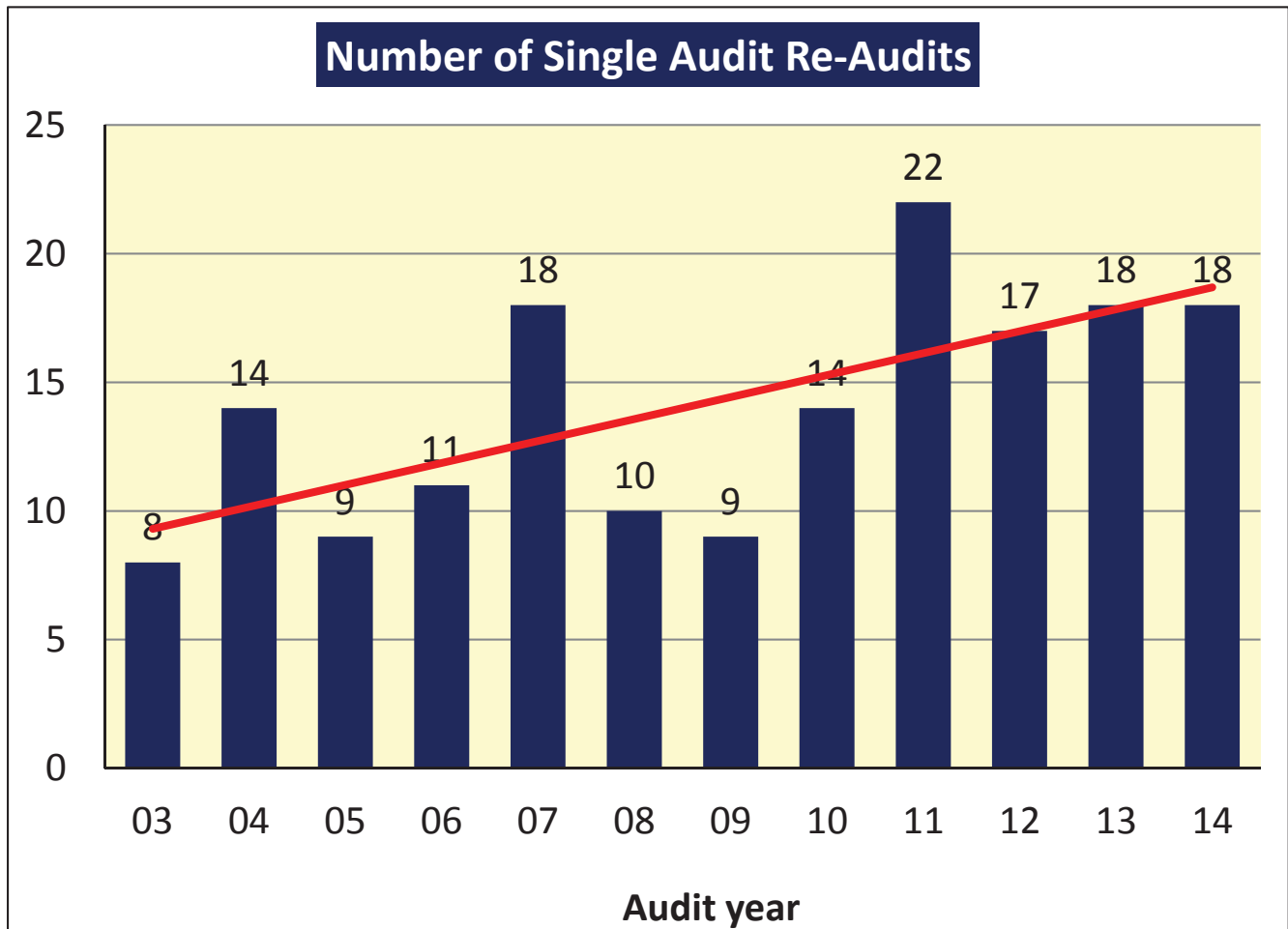
### Measure 2b: Number of Repeat Single Audit findings

After declining for a few years, repeat findings increased significantly in FY 2013 and continued upward in FY 2014. FY 2015 figures will be available in March.



## Measure 2c: Number of Single Audit Re-Audits

From 2010 through 2012 there were abnormalities in the number of programs audited and re-audited due to the American Recovery and Reinvestment Act. Unfortunately, the number of required re-audits has remained high even after the ARRA period. Re-audits have a serious budget impact as each one costs \$37,100. Likely contributing factors for increases in repeat findings and re-audits include staff reductions, turnover, and in some cases a lack of written procedures. Therefore, some very large AHS programs are not receiving the level of scrutiny necessary to ensure compliance with federal regulations and to minimize opportunities for waste, fraud, and abuse. And as noted above, the cost of the mandated re-audits is substantial. FY 2015 figures will be available in March.



### Goal 3: Non-audit services

Goal	Performance Measure	Target	CY 2015
3.a.	Number, type and outcomes of inquiries from, municipalities, whistleblowers, and others	---	135 Total
i.	Alleged welfare fraud	NA	47
ii.	Other whistleblower complaints	NA	28
iii.	Questions about audits and various state entities	NA	20
iv.	Whistleblower complaints and questions about municipal finances	NA	15
v.	Requests for audits + questions about completed audits	NA	14
vi.	Requests from other state auditors through NASACT	NA	5
vii.	Requests from the AG re. state contract audit terms	NA	4
viii.	Public records requests	NA	2
3.b.	Satisfaction levels of those attending trainings supported or co-sponsored by the SAO <sup>a</sup>		
i.	VLCT / SAO Symposium June 19, 2015		
(a)	Session 1 – Compliance with GASB 68	85%	85%
(b)	Session 2 – Compliance with state and federal grants	85%	85%
(c)	Session 3 – Health Care Reform Update	85%	87%
(d)	Session 4 – Legislative Wrap-Up	85%	75%

- a. We asked about three aspects of the presentations: coverage of topic, effectiveness of speaker, and usefulness. The responses were tallied and the average reported for each session.

#### Comments re. whistleblowers, complaints and inquiries:

3.a.i.	Fraud allegations are forwarded to the AHS fraud unit. According to AHS, none of the allegations were substantiated. We intend to pursue this at a later date.
3.a.ii.	Other whistleblower complaints: VHC (6), DMH (4), Tax Dept. (3), ANR, AOE & DPS (2), and one each for AOA, AOT, DVHA, DOC, DOL, EVT, SOS, VDH and VVA. Some complaints were forwarded and all the others were investigated.
3.a.iii.	There were numerous other requests and inquiries, including ten general questions, two each about DPS and schools, and one each about AOT, legislature, Refugee Resettlement, Tax, Treasurer, and Workers Comp.
3.a.iv.	Many of the inquiries from municipalities were about training and audit issues, while others expressed concerns about understanding municipal and school audits.