

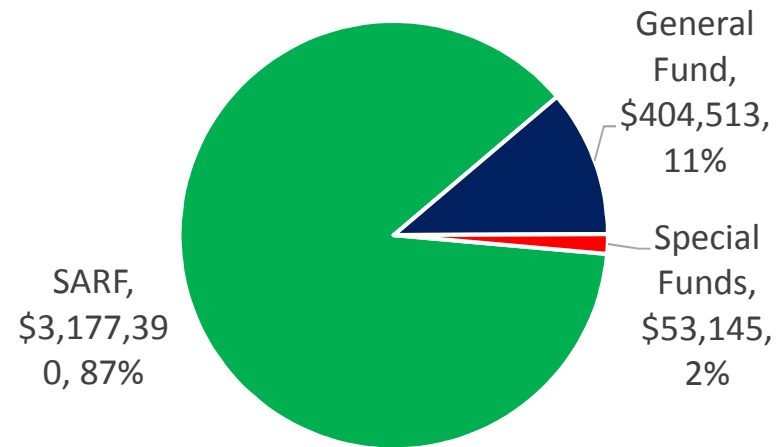
Office of the State Auditor FY 2020 Governor's Recommend Budget

MISSION: The mission of the Auditor's Office is to hold state government accountable. This means ensuring that taxpayer funds are used effectively and efficiently.

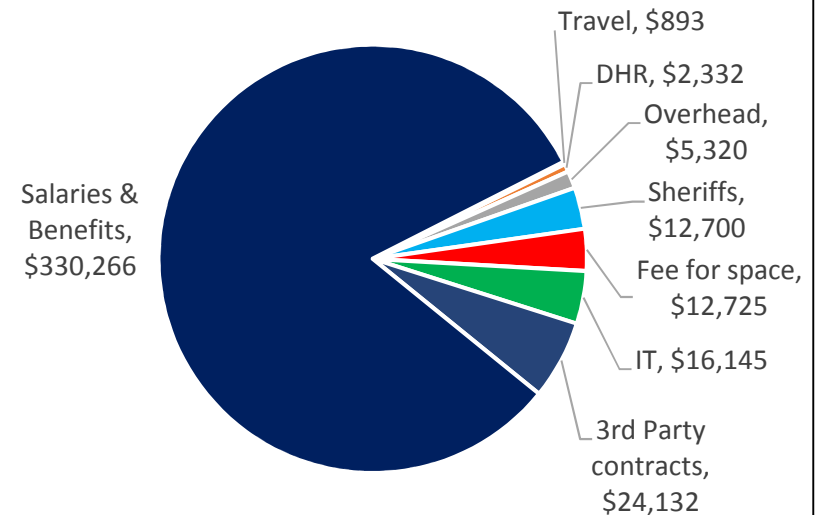
FY 2020 Summary & Highlights

- No change in staffing: 4 Exempt, 11 Classified
- 3.5% increase in General Fund (F&M gave us some Pay Act funds!)
- 3.9% increase in Single Audit Revolving Fund
- CliftonLarsonAllen (CLA) replaced KPMG
- Moved to new audit management software (not all smooth sailing)
- We have identified over \$33 million in potential savings, cost recovery & uncollected assessments and debt since 2013
- Good progress implementing our audit recommendations at AOE, AOT, BGS, DEC & DOC, while DHR & DOL are not doing as well
- Repeat findings and re-audits remain down in the Single Audit thanks in part to F&M

Source of Funds



General Fund Expenses



Auditor of Accounts
FY2020 NARRATIVE
Final – January 2019
Entered into Vantage – Request Code 8213

SECTION III

Funding Targets: Our funding targets must be viewed together with the Single Audit Revolving Fund (SARF). Title 32, Chapter 3, Section 168 of the Vermont Statutes establishes a single audit revolving fund within the State treasury, to be administered by the auditor of accounts. This is the State's mechanism to capture the costs of the federal compliance audit, the basic financial statement audit, and other audit services. These costs are billed to most agencies and departments, in consultation with the Secretary of Administration. On 10/23/2018, we provided each of them with an estimated bill for their share of the audit of FY2019, which is performed and paid for in FY2020.

Expenditures: Office staff salaries and benefits are a major component of our budget, along with the fee paid to the contractor for the CAFR and the A-133 Single Audit. To more fully describe the assumptions incorporated into the budget, we will address these items separately.

Personal Services

Salary and Wages - The Office currently has 15 authorized positions. One is vacant, but is being advertised. We are asking for funding for these 15 positions in this budget request at a cost for salaries and benefits of \$1,920,816. These include the Auditor and three appointed (exempt) positions and 11 classified positions.

Benefits - Employee benefits for Social Security, retirement and life insurance increase in relative proportion to increases in salary and wages.

Non-employee Personal Services

The most significant component is the fee paid to the independent audit firm for the audit of the State's financial statements and the A-133 audit of federal funds. To control the rate of growth in these costs, we entered into a three-year contract with CLA in 2017 at a very competitive price to perform the audits. The contract includes an option to extend for an additional two years. The contracted price to perform the audit of the CAFR and A-133 audit for the three-year term of the contract and possible extension is:

Year Audited	Cost
FY2018:	\$1,301,175
FY2019:	\$1,301,705
FY2020:	\$1,298,000 (does not include \$125k amendment for additional programs)
FY2021:	\$1,325,240
FY2022:	\$1,351,775

We negotiated competitive pricing for the CAFR and A-133 audits, and the CLA contract is premised upon 18 federal program audits in FY2018, dropping to 16 programs by FY2021. Factors that cause the number of program audits to exceed the contracted number of audits, such as new federal funding and repeat non-compliance findings, may result in increased audit costs. Re-audits have been a significant driver of audit costs in the past but, for a variety of reasons, the number of re-audits required this year dropped significantly. We expect to maintain that new baseline and continue to make progress in reducing the number of re-audits going forward.

Personal services contracts also include amounts budgeted for audit specialists hired directly by this Office to supplement existing staff skill sets as needed. We are estimating \$97,832 needed for this service in FY2020. This category also includes the projected costs of the audits of the county sheriffs' departments. By statute this Office pays one-third of the cost of the biennial audits and the full cost whenever the incumbent sheriff leaves office.