

**STATE OF VERMONT
MANAGEMENT LETTER
JUNE 30, 2021**



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com



CliftonLarsonAllen LLP
CLAconnect.com

Management
State of Vermont

In planning and performing our audit of the financial statements of the State of Vermont (the State) as of and for the year ended June 30, 2021, in accordance with 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, we considered the State's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

However, during our audit we became aware of deficiencies in internal control (other than significant deficiencies and material weaknesses) and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. We previously provided a written communication dated December 23, 2021, on the State's internal control. This letter does not affect our report on the financial statements of the State dated December 23, 2021, nor our internal control communication dated December 23, 2021.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with State personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of management and others within the State, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
December 23, 2021



CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details.

**STATE OF VERMONT
MANAGEMENT LETTER
TABLE OF CONTENTS
JUNE 30, 2021**

COMMENTS AND RECOMMENDATIONS	1
BANK RECONCILIATIONS – DEPARTMENT OF LIQUOR CONTROL	1
BANK RECONCILIATIONS – DEPARTMENT OF LABOR	2
I-9 FORM EMPLOYMENT ELIGIBILITY VERIFICATIONS	3
INFORMATION TECHNOLOGY	4

Bank Reconciliations – Department of Liquor Control

Comment

Bank Reconciliations

It is the Department's policy to reconcile receipts, disbursements, and month-end balances from their bank accounts to VISION on a monthly basis. It was recommended in previous audits that the reconciliations be prepared and approved within 30 days of month's end.

We identified the following deficiencies in our review of the Department's month-end bank reconciliations:

1. Four (4) out of nine (9) reconciliations tested for the Department's cash account were missing a signature of approval.
2. Six (6) out of nine (9) reconciliations tested for the Department's cash account were not approved within 30 days of month end.
3. One (1) out of nine (9) reconciliations tested for the Department's credit card account was missing a signature of approval.
4. Two (2) out of nine (9) reconciliations tested for the Department's credit card account were not approved within 30 days of month end.

Recommendation

We recommend the Department strengthen its internal controls over bank reconciliations and postings for cash and credit cards receipts to ensure their documentation supports the performance of these reconciliations and postings in accordance with the Department's policy.

Bank Reconciliations – Department of Labor

Comment

Bank Reconciliations

It is the Department's procedure to reconcile receipts, disbursements, and month-end balances from their bank accounts to AccuFund on a monthly basis.

We identified the following deficiencies in our review of the Department's month-end bank reconciliations:

1. Four (4) out of four (4) reconciliations tested for receipt and disbursement walkthroughs of the Department's cash accounts were not approved within 30 days of month end.
2. Three (3) out of four (4) reconciliations tested for receipt and disbursement walkthroughs of the Department's cash accounts were missing the date of the reviewer's approval.
3. Seven (7) out of seven (7) reconciliations tested for Pandemic Unemployment Assistance (PUA) claims disbursements were not approved within 30 days of month end.
4. Seven (7) out of seven (7) reconciliations tested for PUA claims disbursement were missing the date of the reviewer's approval.
5. Two (2) out of two (2) reconciliations tested for benefit cash accounts for PUA and Regular Unemployment Insurance (RUI) contained reconciling items not resolved within a reasonable timeframe including pending tax withholding transfers, voids, write-offs, and miscellaneous adjustments, some of which date back to the prior fiscal year.
5. Two (2) out of two (2) reconciliations tested for benefit cash accounts for PUA and RUI were missing the date of the reviewer's approval.

Recommendation

We recommend the Department strengthen its internal controls over bank reconciliations for cash by formalizing a bank reconciliation policy and ensuring their documentation supports the timely performance of these reconciliations in accordance with the Department's policy. The Department should further ensure all reconciling items are resolved timely, prior to the reviewer approval of the final reconciliation. Controls over the use of the reviewer ink stamp should be documented in the reconciliation policy.

I-9 Form Employment Eligibility Verifications

Comment

The State's Personnel Policy and Procedure Manual requires all agencies and departments to have a completed I-9 form on file for all new hires in order to verify such new hires are eligible to work in the United States.

During our testing over new hires, we identified the I-9 forms for three (3) of forty-six (46) employees tested were not prepared on or before the first day of employment and retained on file. These instances occurred at the Department of Public Safety, Agency of Human Services, and Department of Motor Vehicles.

Additionally, the I-9 form for (1) of forty-six (46) employees tested did not meet the requirement to maintain two sources of identification when a passport was not presented. This instance occurred at the Department of Public Safety.

Recommendation

We recommend the Department strengthen its internal controls over new hires to minimize exceptions related to late or incorrect I-9 forms.

Information Technology

Comment – Password Management

The network password configuration for the State EPR Domain was inconsistent with the Agency of Digital Services Password policy. In addition, the Department of Labor applications, VABS and CATS, password configurations were inconsistent with the Department of Labor Password Policy and the State ADS Password Policy.

Recommendation

We recommend that password settings be configured to align with departmental policy, as well as the ADS Password Policy, which states that best practice is to have a minimum length of 14 characters and complexity enabled.

Comment – Segregation of Duties

One (1) user in the VTHR application has been assigned the PeopleSoft Delivered Role who is a Business Application Support Specialist and also has access to Compensation Adjustments. The PeopleSoft Delivered Role should belong to individuals who have no responsibility to perform human resources business functions within the system in order to maintain segregation of duties. In addition, one (1) user in the Sales Force application was assigned the administrator role, DOL Claims Admin, that also works with DOL and has responsibilities to perform business functions.

Recommendation

Administrator level of access in the system should be restricted to individuals that have limited or no responsibility to perform business functions within the system, typically IT individuals.

Comment – Access Review

A formal user access review for the ERP domain users has not been performed to verify that all accounts are assigned to active employees and that access rights within the domain are appropriate.

Recommendation

We recommend that ADS perform an access review of the ERP domain users in accordance with ADS Information Security Policy section 2.3.2 to ensure that only active employees have active accounts, that permissions are appropriate for each employee's role, and ensure that all terminated user access has been removed.