STATE OF VERMONT

MANAGEMENT LETTER

JUNE 30, 2019

CliftonLarsonAllen LLP
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To 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, 2019, 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) 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 19, 2019, on the State's internal control. This letter does not affect our report on the financial statements of the State dated December 19, 2019, nor our internal control communication dated December 19, 2019.

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

Lexington, Massachusetts
December 19, 2019

STATE OF VERMONT

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Cash Receipts and Bank Reconciliations – Department of Liquor Control

Comment

Cash Receipts

The Department of Liquor Control (Department) has implemented a reconciliation of weekly cash receipts recorded amongst the bank statement, Sequoia point-of-sale (POS) system, and VISION general ledger. However, we identified that in three (3) out of nine (9) weekly receipts tested did not include documented evidence to support the reconciliations were performed in accordance with the Department's policy. In addition, for one out of nine (9) weekly receipts tested, the posting package was not signed by the Financial Director, to evidence review and approval of the reconciliation.

Bank Reconciliations

During our audit we noted that receipts and disbursements from the Department's Sales Agent bank account were reconciled to VISION on a monthly basis. The Department also implemented monthly bank-to-VISION reconciliations for month end balances during the fiscal year; however, these reconciliations were not performed and reviewed within thirty days after month end as recommended in our prior year's audit.

Recommendation

We recommend the Department strengthen its internal controls over cash receipts to ensure the documentation required for the weekly reconciliations of cash receipts be maintained to support the performance of the reconciliations in accordance with the Department's policy.

We recommend the Department prepare and review the formal bank-to-VISION reconciliations of month-end balances for their Sales Agent bank account within thirty days after month-end. Any variances should be promptly reconciled.

Accounts Payable

Comment

Our testing of subsequent year disbursements identified several expenses that related to the fiscal year under audit but were not accrued as accounts payable at year-end. Although not material, the identification of these expenses resulted in the following uncorrected audit adjustments:

1. A projected understatement of accounts payable and expenditures of $4,202,397 in the Transportation Fund.

2. A projected understatement of accounts payable and expenditures of $6,054,901 in the Global Commitment Fund.

3. A projected understatement of accounts payable and expenses of $147,001 in the Liquor Control Fund.

Recommendation

We recommend that management revisit its policies and procedures surrounding the accrual of subsequent year disbursements to further minimize instances of unrecorded liabilities.

Information Technology

Comment – Password Management

The network password configuration for the State 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.

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 – Application Administrators

A vendor account with PeopleSoft Admin access was still active when it should have been removed after the upgrade to version 9.2 went live. This account was inactivated after it was identified.

Recommendation

We recommend that all accounts requiring deactivation be timely deactivated and any access to computer systems, applications, or data be removed from their account.