

STATE OF VERMONT DEPARTMENT OF FINANCE & MANAGEMENT			
Policy Title:	External Audit Reports	Policy #: Issue Date:	7.0 October 2009
Applicable to:	All State Agencies, Departments, and Offices	Revision #: Rev. Date:	N/A N/A
Issued by:	James Reardon, Commissioner Department of Finance & Management	Page:	1 of 2

A. Policy Statement

An audit report resulting from an external audit by a federal agency or other organization must be forwarded to the Dept. of Finance & Management within thirty days of issuance in accordance with the instructions in **Section F.** below.

B. Objective

Departments may be periodically subject to external audits by federal agencies (including the Office of Inspector General and the Government Accountability Office) or other organizations. These audits have the potential to materially impact the budget, financial statements, and fiscal condition of Vermont State Government. As part of its responsibility for oversight of financial management, the Dept. of Finance & Management will centrally collect and analyze all audits and reviews to allow F&M to review the results of all external audits to determine whether the audit results could have a material impact on the financial statements. In addition, the Department can work directly with individual State agencies and departments to ensure that timely and appropriate corrective action has been taken.

C. Definition

External Audit Reports* as used herein this policy includes but is not limited to:

- i. Financial, management, and/or compliance audits, reviews, examinations, engagements, inspections, or other monitoring typically performed by federal agencies or other organizations that award financial assistance (e.g., grants, loans, contracts, etc.) to the State of Vermont and result in formally issued reports by the audit agency.
- ii. Investigations that substantiate fraudulent activities involving any funding source.

* Does not apply to audit reports, including the Single Audit, issued by the VT State Auditor's Office.

D. Department Responsibilities

State of Vermont agencies and departments remain the lead entity and are fully responsible for managing external audits of their programs and ensuring that any resultant findings and recommendations are promptly resolved.

- Review findings and recommendations from external audit reports for accuracy, clarity and feasibility; attempt to resolve any inaccuracies or discrepancies with the audit agency.
- Issue management responses and corrective action plans (as required) to the audit agency.
- Initiate prompt corrective action to agreed-upon audit findings and recommendations.
- Ensure financial obligations stemming from external audits are satisfied per agreed-upon methods and timeframes.
- Monitor the implementation status of required corrective action to ensure timely and satisfactory completion.
- Submit external audit reports and other requested information to the Dept. of Finance & Management in accordance with the requirements of this policy.

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- Establish the department's business office as the primary point-of-contact responsible for submitting external audit reports to the Dept. of Finance & Management and responding to related inquiries.
- Upon request provide updates to the Dept. of Finance & Management on the status of any external audits.
- Notify the Dept. of Finance & Management of any critical issues or significant changes that arise during the post-audit period.

E. Dept. of Finance & Management Responsibilities

- Log and review all external audit reports submitted under this policy.
- Initiate all departmental communications pertaining to external audit reports through the established point-of-contact.
- Evaluate the accuracy and completeness of the information submitted on the transmittal coversheet; resolve any discrepancies with the submitting department.
- Through evaluation and analysis assign a **critical** rating to those external audit reports that have the likelihood to materially and adversely impact the state's budget, key policy initiatives, or financial statements.
- Promptly notify Dept. of Finance & Management executive management & senior staff, and other key stakeholders (as applicable), of all external audit reports rated **critical**.
- For all external audit reports rated **critical**, perform monthly follow-up with the responsible department to monitor the status of any required, but not yet completed, corrective action.

F. Instructions for Forwarding External Audit Reports

- Departments must complete and submit the *Transmittal of External Audit Report* coversheet along with a copy of the audit report to the Commissioner of Finance & Management within thirty days of issuance of the final audit report.
- Departments must submit a copy of any official department response to the audit report, including a corrective action plan (*if required*), to the Commissioner of Finance & Management upon completion.
- Results of investigations pertaining to fraudulent activities shall be communicated, in confidence, directly from the department's appointing authority to the Commissioner of Finance & Management.
- Departments may redact or withhold those portions of external audit reports that are confidential under state or federal law.
- Electronic submissions are encouraged.

G. Effective Date

- Upon issuance.