

**STATE OF VERMONT
DEPARTMENT OF FINANCE & MANAGEMENT**

Policy Title:	Single Audit Finding Responses	Policy #:	9
		Issued:	9/1/2016
Applicable to:	All State Agencies, Departments and Offices	Revision #:	N/A
		Revision Date:	N/A
Issued by:	Andrew Pallito, Commissioner Department of Finance & Management	Page:	1 of 4

Policy Statement:

The State of Vermont will work to resolve all areas of non-compliance identified in the annual Single Audit Report in a timely and efficient manner. Management responses will address the root cause of the finding and will propose a corrective action plan that works toward resolution of the area of non-compliance as soon as is administratively feasible. In addition, agencies/departments will adhere to the process described in this policy for review and response to audit findings.

A. Background:

As required by 2 CFR Part 200, Subpart F - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), the State of Vermont is required to have a Single Audit of its major programs conducted each year. When an area of non-compliance is identified, management must address how it will resolve the issue through a formal management response and corrective action plan which are included in the annual Single Audit Report. The Single Audit Report must be submitted to the Federal Audit Clearinghouse by March 31 each year and is subject to federal and public review.

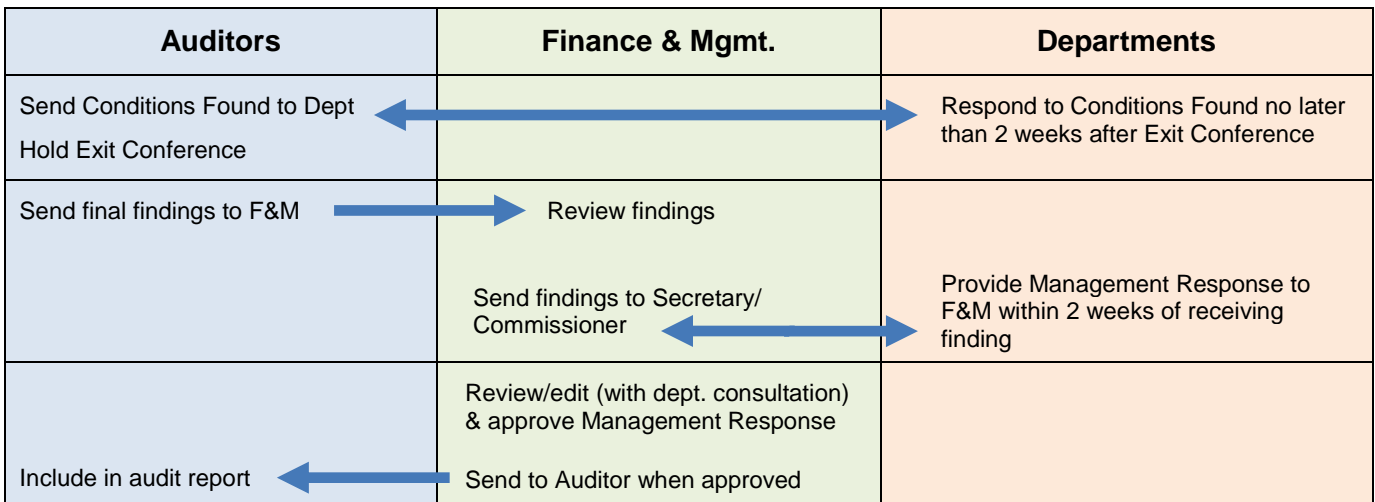
This policy provides a description of the process used to distribute findings between the State Auditor’s Office and/or their representatives (Auditors), the Department of Finance & Management, and Agencies/Departments (Departments). It also provides guidance for departments to use when they draft the required management responses to findings. Management responses are reviewed by the Department of Finance & Management prior to inclusion in the annual Single Audit Report.

B. Applicability:

All State of Vermont agencies and departments who expend federal funds which are audited in the Single Audit are subject to the procedures and requirements of this policy.

C. Single Audit Finding Process:

The following process illustrates the flow of documents and information between the auditors, Finance & Management and departments.



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1. Exit conferences will be conducted for each program after the auditors have completed field work. Prior to the exit conference, the “conditions found” portion of each potential audit finding will be sent to the department for review and resolution.
 - Departmental staff should review each potential finding and endeavor to provide the auditors with the data or information needed to resolve the issue as soon as possible. In order to be considered by the auditors, available information must be provided to them **no later than two weeks after the exit conference**, but ideally it will be provided prior to the exit conference.
 - After the two-week window has expired, the official finding will be issued to Finance & Management and further information to resolve the finding will no longer be accepted. **This timeline will be strictly enforced.**
2. Finance & Management will review the final findings and distribute them to departments for management’s response.
 - Findings will be sent by Finance & Management to both the Secretary/Commissioner and a key contact in the department who is responsible for coordinating management responses for the department.
 - If a department has multiple programs being audited, findings for each program will be distributed separately as soon as they are available which will be at various times throughout the remainder of the audit.
3. Departments will have **two weeks** to respond to the findings.
 - Management responses should be submitted directly by the Secretary/Commissioner via email to VISION.CAFR@vermont.gov **within two weeks** of receipt of the finding. **This timeline will be strictly enforced.**
 - Submission by the Secretary/Commissioner acknowledges their awareness of the issue, and indicates their full support of the resources necessary to carry out the corrective action described within the timeframe identified.
 - Submission of management responses by a delegate (i.e., “on behalf of”) is not allowed.
 - Responses must be in a Word document in the format provided in the finding and be in accordance with the guidelines in the [Management Response Guidelines](#) section below.
 - Finance & Management will work with the key contact in the department to finalize all responses before they are submitted to the auditors. Significant changes will require re-approval by the Secretary/Commissioner.
 - Departments shall not submit management responses directly to the auditors.

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D. Management Response Guidelines:

The following guidelines should be used when drafting the management response and corrective action plan for each finding. Responses that do not meet the requirements below will be rejected by Finance & Management and a new response must be submitted by the Secretary/Commissioner that follows the guidelines below. By submitting a management response to Finance & Management, Secretaries and Commissioners are acknowledging their awareness of the issue and are indicating their full support of the resources necessary to carry out the corrective action described within the timeframe identified.

Acceptable Response	Unacceptable Response
<ul style="list-style-type: none"> ✓ Focus on the “Cause” of the finding. <ul style="list-style-type: none"> ○ Identify what was lacking in procedures or internal controls that allowed the error or omission to occur. ○ Identify a plan of corrective action the department will take to prevent a similar error or omission to occur in the future. 	<ul style="list-style-type: none"> ❖ Do not provide a detailed response to the “Conditions Found” section. Although you may need to take action on the issues identified here, these issues are a symptom of the problem and are not the problem to which you are responding. <p><u>Example:</u> If a condition found was that 4 of 15 applications were missing a certain form or signature, your response should not address these four specific case files, but rather should address what was lacking in your procedures and internal controls that allowed these applications to be processed with missing information.</p> <p><i>It may be necessary for you to separately obtain missing documentation for your files, but this should not be the focus of your response.</i></p>
<ul style="list-style-type: none"> ✓ Be clear, concise, and provide a positive corrective action plan for resolution of the underlying cause of the finding. 	<ul style="list-style-type: none"> ❖ Do not exclude a positive plan for resolution. It is not acceptable to simply acknowledge the issue in the finding without providing a plan for resolution of the underlying cause.
<ul style="list-style-type: none"> ✓ Consider the auditors’ recommendation and implement it, when possible. 	<ul style="list-style-type: none"> ❖ Responses should not include a disagreement with the auditors’ opinion or criticism of their work. <ul style="list-style-type: none"> ○ Do not make reference to documentation submitted to the auditors that they considered but did not feel resolved the issue. ❖ When the finding is the result of a differing interpretation of regulations, this difference may be included, but should not be written in a way that is critical of the auditors.
<ul style="list-style-type: none"> ✓ Be consistent with other recent communication on the issue, either internal or public. For instance, if your department has previously identified changes it will make to a process or system, your response must be consistent with this communication, provided it is still valid. 	<ul style="list-style-type: none"> ❖ Do not provide a response that is not intended to be followed. Corrective action plans must be followed and Finance & Management will require ongoing follow-up on the status of all corrective action plans following completion of the audit. Status updates will also be submitted to the Legislature when requested.

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Acceptable Response	Unacceptable Response
<p>✓ Address questioned costs, if any.</p> <ul style="list-style-type: none"> ○ If the department agrees with the calculation of questioned costs and has or will return those funds to the federal agency, this should be stated in the response. ○ Include the means by which the funds were/will be returned (i.e., refund, adjustment of federal report, etc.) ○ Include the date the funds were or will be returned, or on which quarter's federal report the adjustment was made. ○ If the department does not agree with the calculation of questioned costs, this should be clearly stated and an explanation provided for the disagreement. 	<p>❖ Never identify clients, vendors/subrecipients, or staff members by name. When appropriate to the description of a procedural change, a staff member may be identified only by his/her title and only general references may be made to clients or vendors/subrecipients.</p>
<p>✓ Provide an anticipated completion date that is as soon as possible, yet is realistic given available resources.</p> <ul style="list-style-type: none"> ○ Provide a specific date/fiscal year when the corrective action is expected to be completed. If the exact date is unknown, provide your best estimate as to a realistic completion date. ○ If the corrective action has already been completed, identify it as "Completed" and provide the date completed. 	<p>❖ Do not provide an unrealistic, unachievable, or vague completion date.</p> <ul style="list-style-type: none"> ○ Completion dates may not be vague such as "As soon as possible" or "When we get a new position". ○ Do not identify the corrective action as "Completed" unless you can document that all facets of the plan have actually been <i>completed and implemented</i> prior to submission of the response to Finance & Management.
<p>✓ Provide a department contact person name, title, email address, and phone number.</p> <ul style="list-style-type: none"> ○ Ideally there will be only one contact person per finding, however, in some instances it may be necessary to identify both programmatic and financial contact persons. 	<p>❖ Do not omit the contact person, nor include numerous contact persons.</p>

E. Waivers and Exceptions:

The timelines in this policy will be strictly enforced and waivers or exceptions must be requested, in writing, to the Commissioner of Finance & Management prior to the receipt of findings. Requests are unlikely to be approved due to the timelines imposed upon the State under the Uniform Guidance.

F. Effective Date:

Immediately