



**VERMONT INFORMATION TECHNOLOGY  
LEADERS, INC.**

**COMPLIANCE REPORTS**

**JUNE 30, 2016**

**VERMONT INFORMATION TECHNOLOGY LEADERS, INC.**

**COMPLIANCE REPORTS**

**JUNE 30, 2016**

VERMONT INFORMATION TECHNOLOGY LEADERS, INC.

COMPLIANCE REPORTS

JUNE 30, 2016

CONTENTS

	<u>Page</u>
Summary Schedule of Prior Audit Findings	1
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	2 - 3
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	4 - 6
Schedule of Findings and Questioned Costs	7 - 10

**VERMONT INFORMATION TECHNOLOGY LEADERS, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2015**

**Finding No. 2015-001**

Federal programs: CFDA 93.624: ACA – State Innovation Model and CFDA 93.778: Medical Assistance Program

**Significant deficiency**

*Criteria:* Salaries and wages should be supported by signed and approved timesheets.

*Condition:* VITL could not locate several signed and approved timesheets.

*Context:* VITL was not able to provide signed and approved timesheets for 5 out of 33 payroll transactions tested.

*Cause:* Inadequate accounting controls over payroll transactions.

*Recommendation:* VITL should improve its internal controls over payroll transactions to ensure all transactions are supported by signed and approved timesheets.

*Current year status:* No similar findings were noted in the current year.



VT License #92-0000171

---

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of  
Vermont Information Technology Leaders, Inc.  
Burlington, Vermont

We have audited, in accordance with the 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, the financial statements of Vermont Information Technology Leaders, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Vermont Information Technology Leaders, Inc.'s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as findings #2016-001, #2016-002, and #2016-003, which we consider to be significant deficiencies.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vermont Information Technology Leaders, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items #2016-001, #2016-002, and #2016-003.

#### Vermont Information Technology Leaders, Inc.'s Response to Findings

Vermont Information Technology Leaders, Inc.'s (VITL) response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. VITL's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Jmm & Associates*

March 30, 2017



VT License #92-0000171

---

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
Vermont Information Technology Leaders, Inc.  
Burlington, Vermont

Report on Compliance for Each Major Federal Program

We have audited Vermont Information Technology Leaders, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2016. Vermont Information Technology Leaders, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Vermont Information Technology Leaders, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Vermont Information Technology Leaders, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

JMM & ASSOCIATES ■ CERTIFIED PUBLIC ACCOUNTANTS

---

336 Water Tower Circle, Suite 801 ■ Colchester, VT 05446 ■ 802 655 5665 ■ FAX: 802 655 5666 ■ JMM@JMMCPA.NET

### Opinion on Each Major Federal Program

In our opinion, Vermont Information Technology Leaders, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items #2016-001, #2016-002, and #2016-003. Our opinion on each major federal program is not modified with respect to these matters.

Vermont Information Technology Leaders, Inc.'s (VITL) response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. VITL's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### Report on Internal Control over Compliance

Management of Vermont Information Technology Leaders, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program, and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Vermont Information Technology Leaders, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of internal control over compliance was for the limited purpose described above, and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items #2016-001, #2016-002, and #2016-003, we consider to be significant deficiencies.

Vermont Information Technology Leaders, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. VITL's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Jmm & Associates*

March 30, 2017

**VERMONT INFORMATION TECHNOLOGY LEADERS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued	Unmodified.
Internal control over financial reporting: Material weakness identified	No.
Significant deficiency identified not considered to be a material weakness	Yes.
Noncompliance material to financial statements noted	None reported.

Federal Awards

Internal control over major programs: Material weakness identified	No.
Significant deficiency identified not considered to be a material weakness	Yes.
Type of auditor's report issued on compliance for major programs	Unmodified.
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	Yes.
Identification of major programs:	
CFDA #93.778	Medical Assistance Program
Dollar threshold used to distinguish between Type A & Type B programs	\$750,000.
Auditee qualified as low-risk auditee	No.

## SECTION II – FINANCIAL STATEMENT FINDINGS

### **#2016-001**

#### Significant deficiency

*Criteria:* Employee timesheets should sufficiently document time worked by program and grant.

*Condition:* VITL employee's timesheets did not adequately document grant-related time.

*Context:* VITL employees not fully trained in grant accounting.

*Effect:* Potential unallowable costs and overstatement of grant revenue.

*Cause:* Inadequate accounting policies and procedures over payroll transactions.

*Recommendation:* VITL should improve its internal controls over payroll transactions to ensure employee timesheets document hours spent on individual grants.

*Views of responsible officials and planned corrective action plan:* During FY16, the State of Vermont, as VITL's cognizant agency administering our grants, requested more detailed reporting of time and effort. Accordingly, we have implemented new job codes and have performed periodic training on job codes and time reporting during staff meetings. We also ensure that managers sign off on all timesheets and that recording of employee time charges is reviewed by the accounting department in several steps of the job costing process. Corrective action completed; implementation ongoing.

### **#2016-002**

#### Significant deficiency

*Criteria:* Unallowable costs should be segregated from grant expenses.

*Condition:* VITL charged unallowable costs to federal awards.

*Context:* VITL employees not fully trained in grant accounting.

*Effect:* Potential overstatement of grant revenue.

*Cause:* Inadequate accounting policies and procedures over grant accounting.

*Recommendation:* VITL should improve its internal controls over grant accounting to ensure only allowable costs are charged.

## SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

### #2016-002 (continued)

*Views of responsible officials and planned corrective action plan:* As part of the State of Vermont review noted above, the State has interpreted the federal cost principles differently than in prior years, and in some cases expenses which were reimbursed as allowable are now deemed unallowable. In order to improve internal control over grant accounting, VITL has adopted or drafted new policies and educated senior leadership as to what expense types are unallowable. When incurred, unallowable costs are properly segregated so that they are not included in developing VITL's invoices for reimbursement of expenses. Corrective action completed; implementation ongoing.

### #2016-003

#### Significant deficiency

*Criteria:* Expenditures should be made in compliance with federal procurement procedures.

*Condition:* Federal procurement procedures not applied to purchase of goods and services.

*Context:* VITL lacks a procurement policy.

*Effect:* Potential conflict of interests or overpayment for goods and services.

*Cause:* Inadequate accounting policies and procedures over purchase of goods and services.

*Recommendation:* VITL should adopt a procurement policy that includes the required procedures as outlined by the federal government.

*Views of responsible officials and planned corrective action plan:* On January 31, 2017, VITL adopted a procurement policy that applies to procurement of direct-charged expenses regardless of funding source. The policy reflects federal requirements for expenditures charged to federal grants and specifically includes processes and approvals required for Micro Purchases (up to \$3,500), Small Purchases (up to \$150,000) and purchases over this threshold. This procurement policy has been approved by the Board of Directors. Corrective action completed.

## SECTION II – FEDERAL AWARD FINDINGS

### **#2016-001**

#### Significant deficiency

Federal program: CFDA 93.778: Medical Assistance Program

See Financial Statement Finding Item #2016-001.

*Questioned costs:* Not determined.

### **#2016-002**

#### Significant deficiency

Federal program: CFDA 93.778: Medical Assistance Program

See Financial Statement Finding Item #2016-002.

*Questioned costs:* Not determined.

### **#2016-003**

#### Significant deficiency

Federal program: CFDA 93.778: Medical Assistance Program

See Financial Statement Finding Item #2016-003.

*Questioned costs:* Not determined.