

Self-Assessment of Internal Control

Fiscal Year 2016



April 2016

**Department of Finance & Management
FY 2016 Self-Assessment of Internal Control**

Table of Contents

	Page
Commissioner's Message.....	3
Mission Statement and References.....	5
Internal Control Overview.....	6
Questionnaire Instructions.....	7 – 8
Self-Assessment Questionnaire:	
Procurement & Accounts Payable.....	9 – 14
Accounts Receivable & Cash Receipts.....	15 – 16
Fixed Assets.....	17
Inventory.....	18
Grants Administration.....	19
Budgeting.....	20
General Elements.....	21 – 23
Certification Form.....	24

State of Vermont

Agency of Administration
Department of Finance & Management
109 State Street, Pavilion Building
Montpelier, VT 05609-0401
finance.vermont.gov

[phone] 802-828-2376

[fax] 802-828-2428

Andrew Pallito, Commissioner

To: Secretaries, Commissioners, Elected Officials, and Deputies
From: Andy Pallito, Commissioner
cc: Department Internal Control Contacts
Date: April 6, 2016
Subject: FY 2016 Self-Assessment of Internal Control

Soon my office will be issuing the 12th annual **Self-Assessment of Internal Control** to your business offices for completion by May 4, 2016. This is my first year presiding over the *Self-Assessment* as F&M Commissioner, but it's certainly not my first exposure to it. As a former Department of Corrections (DOC) Director of Administration and Commissioner, I've been responsible for *completing the questionnaire and final review and certification*; I have first-hand experience of the value self-assessment brings to a department. Diligently completing the self-assessment provided me tangible feedback on whether our operations were adhering to best practices, meeting expectations and complying with applicable requirements. Internal controls don't guarantee success, but if my department was reliably following all (or most) of the practices specified on the questionnaire, then it gave me assurance that we were on solid footing from a financial management standpoint. Or for any areas appearing deficient (i.e., "*NO*" responses = *potential risk*), the questionnaire provided a starting point to do a deeper dive on what could we change to improve our internal controls and performance.

As now the F&M Commissioner, my perspective of self-assessment process becomes much broader (obviously) and brings to mind the expression "*a rising tide lifts all boats*". As each department takes incremental steps to strengthen their controls and embraces the concept of continuous improvement, then that benefit accrues not only to the individual department but to the State's overall system of internal control. Conversely, weakness in one function or department generally does not exist in a vacuum but instead has ramifications elsewhere. The overall effectiveness of internal control is greatly influenced by our collective leadership and commitment to it. This includes managers at all levels demonstrating unwavering support of internal controls through their words and actions, and by motivating and guiding employees to produce high-quality work, meet deadlines, follow applicable policies & procedures, communicate information to those that need it, promptly resolve problems and safeguard the State's assets from fraud, waste, and abuse.

I'm fortunate to have worked with so many dedicated employees and I prescribe to the viewpoint that our staffs want to do the right thing, be successful and take pride in the quality of their work. I recognize many



business offices already feel stretched thin (in terms of what's expected of them), but I believe the time spent completing the self-assessment pays dividends down the road. When operational errors and breakdowns occur, they can be significant, time-consuming, costly, and demoralizing disruptions, that pull resources away from our core missions. An objective of the self-assessment is to minimize those undesired events through informed, competent staff and robust internal controls, *and when that happens*, then the better outcomes we can achieve within our departments and as a State.

I ask for your support in endorsing the ***Self-Assessment of Internal Control*** process within your department and ensuring that the questionnaire responses are a valid representation of your operations. The responsibility for certifying the Self-Assessment resides solely with the appointing authority and cannot be delegated to deputies or other positions. Please ensure the questionnaire is completed, reviewed, certified and returned to F&M by no later than May 4, 2016, thank you.

FY 2016 Self-Assessment of Internal Control

Mission Statement

The mission of the Internal Control Section is to provide State agencies and departments the objective resources, guidance and recommendations to improve the State's financial operations and system integrity. Through a combined effort of evaluation, communication, cooperation and education, we will work toward improving operational efficiency, enhancing internal controls and ensuring compliance with published bulletins, policies and procedures.

References & Acknowledgements

The Vermont Department of Finance & Management would like to credit the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and various State governments and institutions of higher learning for portions of the material contained in this document.

FY 2016 Self-Assessment of Internal Control

Internal Control Overview

Definition: Internal Control is a process integrating the activities, plans, attitudes, policies, and efforts of the people of a department working together to provide reasonable assurance that the department will achieve its objectives in the following categories:

- **Operations** - Effectiveness and efficiency of operations, including operational and financial performance goals, and safeguarding assets against loss;
- **Reporting** – Reliable and timely internal and external financial and non-financial reporting;
- **Compliance** – Adherence to applicable laws and regulations.

Fundamental Concepts of Internal Control:

- Geared towards the achievement of objectives, affecting every aspect of a department...its people, processes and infrastructure
- People-dependent, effectiveness based upon the action, attention and attitude of people at every level of the department
- Cost-effective and adaptable to each department's operating environment(s)
- Process consisting of ongoing tasks and activities woven into the day-to-day activities and responsibilities of managers and staff – *a means to an end, not an end in itself*
- Provides reasonable assurance regarding the achievement of objectives, but not absolute assurance

COSO's Five Interrelated Components:

Control Environment: The control environment sets the tone of the department and influences the effectiveness of internal controls. Control environment factors include the ethical values and integrity of the people, management's philosophy and operating style, a commitment to competence, and the organizational structure of the department.

Risk Assessment: Risk assessment is the identification, analysis, and management of risks relevant to the achievement of the department's goals and objectives. Risks include internal and external events or circumstances that may occur and adversely affect the department's operations.

Control Activities: Control activities are the policies, procedures, and practices that help ensure management directives are carried out. Control activities help identify, prevent or reduce the risks that can impede accomplishment of the department's objectives. They include a range of activities as diverse as approvals, authorizations, separation of duties, documentation, reconciliations, supervision, and safeguarding of assets.

Information and Communication: Pertinent information must be identified, captured and communicated in a form and timeframe that enables people to carry out their responsibilities. Effective communication also must occur in a broader sense, flowing down, across and up the department.

Monitoring: Internal controls systems need to be monitored to assess the quality of the system's performance over time. Monitoring occurs during the course of normal operations and through separate evaluations and includes review of the department's activities, systems, and transactions to determine whether controls are effective.

- ❖ **For more information refer to the following publication on the Dept. of Finance & Management's website: [Internal Control Standards: A Guide for Managers.](#)**

FY 2016 Self-Assessment of Internal Control

Questionnaire Instructions

The **Self-Assessment of Internal Control Questionnaire** is a review of the internal policies and procedures in each department. The questionnaire is designed to help you identify risk and eliminate considerations of risk that do not apply to your department. The questionnaire serves as management tool for your department in evaluating how well risks are being addressed through current control policies and practices. It is designed to raise awareness of certain issues and encourage further analysis and discussion. The questionnaire will also help the Department of Finance & Management identify best practices to share with departments.

The questionnaire may be completed either in PDF (fillable form) or Excel with an option for the Appointing Authority to electronically certify and submit via email. If electronic certification (Excel or PDF) is used, (1) the box on the certification form must be checked **and** (2) the file must be **submitted directly from the appointing authority's email account**. [Note: Submissions from delegates (i.e., *On Behalf of*) are not permitted.]

❖ **IMPORTANT: The certification (signature or electronic) must be completed by the Appointing Authority (i.e., Secretary, Commissioner) and cannot be delegated to Deputies or other positions.**

The Department of Finance & Management requires that the questionnaire be completed, certified by the appointing authority, and returned by **Wednesday, May 4, 2016** to:

Kevin Gilman
Dept of Finance & Management
Financial Operations Division – 4th Floor
109 State Street, Montpelier, VT 05609-5901

Email: kevin.gilman@vermont.gov

The questionnaire consists of **7 sections** and **206 questions**; not all sections will be applicable to every department:

1. Procurement and Accounts Payable - 86 questions

- Purchasing activities, invoice processing, petty cash, and employee payroll & expenses.

→ **Note: 4 new questions...Purchasing #3 & #7, Invoice Processing #31 and Emp. Payroll & Expenses #65**

2. Accounts Receivable and Cash Receipts - 30 questions

- Treatment of revenue and amounts owed the State, the handling of cash receipts (currency & checks), and the management of external bank accounts.

3. Fixed Assets - 18 questions

- Management and accounting treatment of fixed assets.

4. Inventory - 9 questions

- Control and tracking of significant inventories; does not apply to items such as office supplies, computers, or fixed assets.

5. Grants Administration - 10 questions

- Compliance issues pertaining to grants and *AOA Bulletin 5: Policy for Grant Issuance & Monitoring*.

→ **Note: 1 new question...#5**

6. Budgeting – 6 questions

- Best practices pertaining to the budget process.

Self-Assessment Instructions

7. General Elements of Internal Control* – 47 questions

- Five interrelated components of internal control as identified by the COSO model: Control Environment – Risk Assessment – Control Activities – Communication & Information systems – Monitoring.

→ **Note: 1 new question...Control Activities #22**

*** This section should be answered from a department-wide perspective.**

In completing this questionnaire we expect you to consult with other members of your department in order to provide as comprehensive and accurate responses as possible. Responses should be based upon **current practices**, not on what the department thinks the answer should be, and not on what the department intends to implement in the future. For the purpose of this questionnaire, “Department” means any discrete agency, department, office, board or other administrative unit with a designated general ledger business unit number. We strongly recommend a single unified response for each department. However, if there are smaller discernable areas within your organization with separate and distinct operations, you may complete multiple questionnaires as appropriate; please identify those discernable areas on each response.

Questions are phrased so that a “YES” answer indicates a control strength and “NO” answer indicates a possible weakness. It is not expected that a questionnaire will have all “YES” answers even if internal controls are adequately addressed. Answering many of the questions will require professional judgment and we recognize that a “YES” answer does not imply absolute assurance. Following are some guidelines to keep in mind when completing the questionnaire:

- Please try to limit the response of “N/A” to only those questions that are clearly not applicable to your department; just because the control activity referenced in the question is not in place in your department, does not necessarily signify that the question is not applicable.
- For questions that pose “*Does the department have written procedures...*” **only respond “YES”** where there are **department specific written procedures**; do not answer “YES” if you are only referring to a statewide policy (e.g., F&M Policies, VISION Procedures, AOA Administrative Bulletins, etc.).
- To assist departments with completing the questionnaire, [hyperlinks](#) have been added to many questions to facilitate review of referenced documents or websites.
- In responding to the questions we recommend using the following criteria:

YES: When the issue addressed is widely in place throughout your department.

NO: When the issue addressed is not in place or only in a very limited scope.

NA: Use only when the issue addressed is “not applicable” to your department.

Note: Questions answered “YES” and “NO” will be marked “NO” for compilation & scoring purposes.

If you have any questions regarding this Self-Assessment questionnaire, please contact the following individuals at the Dept. of Finance & Management:

Kevin Gilman, VISION Operations Analyst

(802) 828-0672, e-mail: kevin.gilman@vermont.gov

Brad Ferland, Deputy Commissioner

(802) 828-2336, e-mail: brad.ferland@vermont.gov

FY 2016 Self-Assessment of Internal Control Questionnaire

Department: _____

If completing in Excel, use the drop-down box in the appropriate column to select/change your response.

YES	NO	NA	Section 1: Procurement & Accounts Payable	
Purchasing				
			1	Does the department have written procedures regarding the initiation, review, and approval of all purchases (goods & services)? [Note: Procedures should address the <u>entire</u> purchasing cycle including the front-end steps to initiate and authorize a purchase, as well as invoice processing after the purchase has been made.]
			2	Are procedures established to identify, before funds are committed, costs and expenditures not allowable under federal/state grant programs?
			3	When making purchasing decisions does the department rely on the guidance provided by the BGS-Office of Purchasing & Contracting's Buyers Resource Guide to help ensure compliance with applicable laws and administrative requirements?
			4	Before executing a contract, does the department obtain all required prior approvals as stated in AOA Bulletin #3.5: Contracting Procedures ?
			5	Are all departmental contracts, regardless of amount, entered in VISION in accordance with Bulletin #3.5 (<i>unless exempted by the dept's contracting plan approved by the Secretary of Administration</i>)?
			6	For each departmental contract, does the department maintain an up-to-date contract file that includes all documents required by Bulletin #3.5 and that is retained for a minimum of three years after the expiration of the contract?
			7	Is the department aware of and actively addressing all internal changes necessitated by the recent issuance of the revised AOA Bulletin 3.5: Procurement & Contracting Procedures ?
			8	When acquiring goods or services, does the department initially determine whether the items are available through a statewide contract or, if not, are they covered under a blanket delegation of authority (BDA)? Note: Statewide contracts & BDAs are issued by BGS-Office of Purchasing & Contracting
			9	When items to be purchased are available through a statewide contract, does the department always utilize the statewide contract (<i>unless otherwise approved by the Office of Purchasing & Contracting</i>) in accordance with Bulletin #3.5?
			10	Does the department comply with the BDA requirements for utilization, reporting, and VISION data entry requirements (re: BDA Quick Step Guide) as prescribed by BGS-Office of Purchasing & Contracting?
			11	Is the department aware BDA-1 is primarily for the purchase of goods /supplies not available by contract (<i>and under specific conditions</i>), and, is not to be used for items such as personal services, utility payments, lodging, meals, postage, membership fees, rental space, payments to other departments, etc.?
			12	Does the department comply with the purchasing, contractual, and grant agreement requirements specified in F&M Policy #1: Suspension and Debarment ?

YES	NO	NA	Section 1: Procurement & Accounts Payable	
			13	Are receiving reports or other procedures used to ensure that goods or services, for which payment is to be made, have been verified and inspected by someone other than the individual approving payment?
			14	Does the department always use purchase orders when making payment against a contract (including statewide contracts) in accordance with VISION Procedure #3: Purchase Orders ?
			15	Is the splitting of orders, to avoid higher levels of approval (e.g., BDA-1), prohibited?
			16	Are purchases of "personal" greetings or acknowledgments prohibited in accordance with F&M Policy #3: Personal Greetings/Acknowledgments ?
			17	In accordance with AOA Bulletin 3.4: Employee Travel & Expense Policy , does the department prohibit* payment for any employee professional or occupational licenses? [*Unless specifically allowed under Bulletin 3.4, collective bargaining agreements or with the prior approval of the Commissioner of Human Resources based on a valid & binding past practice.]
			18	Is proper control maintained over vendor credit memos and returns of goods?
			19	For fuel purchases, does the department utilize State contract vendors and verify the accuracy of invoices using the fuel pricing information ('rack + mark-up') maintained by BGS-Office of Purchasing & Contracting ?
			20	Does the department utilize the State of Vermont's Purchasing Card (P-Card) ?
			21	Does the department reconcile the P-Card billing statement to original sales slips, invoices, register receipts or purchasing card slips?
Invoice Processing				
			22	Are all invoices received in a central location, such as the accounting unit?
			23	Are invoices date stamped upon initial receipt?
			24	Are all invoices reviewed and approved (i.e., signed or initialed) by an authorized person prior to voucher entry in VISION and payment?
			25	Does the business office maintain an up-to-date listing of specific employees/positions who can authorize purchases & approve invoices (<i>including any limitations to their authority</i>)? Note: This question does not pertain to VISION voucher approval or security levels.
			26	For vendor set-up or maintenance issues, does the department refer to F&M's guidance VISION Vendor Set-Up, W-9 Forms and Reportable Payment Processing - FAQs ?
			27	Does the department urge vendors (including contractors & grantees) to enroll in Automated Clearing House (ACH) payments as the State's preferred payment method?
			28	Is the department aware that the State Treasurer's Office maintains a Vendor Portal website for vendors to view information about their electronic payment (ACH or wire) history?

YES	NO	NA	Section 1: Procurement & Accounts Payable	
			29	Does the department ensure that payables interfaced into VISION from a departmental sub-system comply with all applicable VISION voucher requirements including but not limited to purchase orders, contract payments, BDAs, 1099-Misc reportable items, and vendor payment terms?
			30	Are payments made only on the basis of original invoices (including electronic invoices) and to vendors identified on the supporting documentation?
			31	When the department finds that vendor address information in VISION does not match the vendor address listed on an invoice, are appropriate steps* taken to ensure the vendor record is updated in VISION prior to payment being issued? [* i.e., W-9 received from vendor, Vendor Request Form submitted to F&M]
			32	Do invoice processing procedures provide for detailed examination and comparison of invoice quantities, prices, and terms with those indicated on the requisition, purchase order, and receiving reports, as applicable?
			33	Does the department adhere to the “ one invoice – one voucher ” requirement and not split a vendor’s invoice into multiple VISION vouchers?
			34	If payment for a departmental contract is made without use of a purchase order (or the PO is entered <i>without</i> a contract) does the department submit a request to F&M-Financial Operations to adjust the contract balance?
			35	Do invoice processing procedures require all invoices to be fully itemized in accordance with 32VSA§463?
			36	Do invoice processing procedures provide for checking the accuracy of calculations, as appropriate?
			37	Are invoices and vouchers reviewed and approved for completeness of supporting documents and chart of account accuracy?
			38	Do departmental procedures generally prohibit the same employee from performing all three functions of <u>entering</u> , <u>approving</u> and <u>budget-checking</u> a VISION voucher?
			39	When processing invoices for 1099 reportable vendors*, does the department ensure the accuracy of the reportable and non-reportable line items on the "Withholding" page of the VISION voucher? [* For more information refer to the job aid VISION Vendor Set-Up, W-9 Forms and Reportable Payment Processing - FAQs and/or the VISION Accounts Payable training manual - page 81]
			40	When processing invoices that pertain to a prior fiscal year, does the department enter the " PY " prefix in the invoice field of the VISION voucher?
			41	Except for the “PY” prefix (<i>when applicable</i>), does the department refrain from entering any information other than the vendor’s invoice number in the invoice field of the VISION voucher? (re: to enhance VISION's duplicate payment functionality and vendors' payment posting)
			42	Unless a valid and documented business reason exists, does the department's business practices prohibit the changing of the vendor's payment terms on the VISION voucher to DUE NOW (i.e., NET00-pay immediately)? Note: For more information refer to F&M Policy #5: Payment Terms
			43	Does the department have procedures in place to take advantage of vendor discounts?

YES	NO	NA	Section 1: Procurement & Accounts Payable	
			44	Does the department have procedures to minimize the risk of duplicate payments, including instructing AP staff not to alter any of the four key matching criteria (i.e., vendor ID, invoice number*, invoice date, gross amount) used for VISION's duplicate invoice checking functionality? [*except "PY" prefix]
			45	Is there a procedure for ensuring that all posted processed vouchers have been paid?
			46	Are all vouchers and supporting documents retained in accordance with VISION Procedure #2: Records Retention ?
Petty Cash				
			47	Does the department have a petty cash fund? [Note: This includes <u>any</u> petty or imprest cash fund that was established through an advance of funds to support various operating and programmatic activities.]
If the answer to the above question is "NO" then skip to the "Employee Payroll and Expenses" section below.				
			48	Is one employee assigned responsibility as custodian of the fund?
			49	Are petty cash funds only used for allowable purposes in accordance with VISION Procedure #5: Petty Cash ?
			50	Does the department have written procedures for the fund (<i>besides VISION Procedure #5</i>) defining the custodian's responsibilities, primary uses of the fund, timelines, and safeguarding of the fund?
			51	Are petty cash funds, including all checks, maintained in a secure location (e.g., locking cabinet, desk, or safe) under the control of the custodian?
			52	Prior to replenishing the fund, is a reconciliation (back to the fund's authorized amount) performed by the custodian and approved by a supervisor or manager?
			53	Does the department comply with the Check Cashing Procedure for petty cash replenishments?
			54	Are all petty cash funds replenished at least annually (preferably prior to fiscal year-end)?
			55	Is a petty cash log maintained (to include receipts, purpose, reimbursee, date) for each disbursement?
			56	Does the department periodically perform unannounced counts (or reviews) of the fund by someone other than the custodian?
			57	Is there a maximum amount for individual payments from the fund?
Employee Payroll & Expenses				
			58	Does the department comply with the requirements of DHR Policy 11.10: Time Entry and Approval to ensure the timely & accurate submission and approval of employee timesheets?
			59	Are all employee timesheets reviewed and approved by an appropriate supervisor?
			60	For effective timesheet review, does the department provide supervisors adequate guidance on the correct use of time reporting codes (TRC), task profiles & combination codes, and adherence to deadlines?
			61	Are changes to a submitted timesheet made by either a supervisor or delegate documented in the "Comments" field?

YES	NO	NA	Section 1: Procurement & Accounts Payable	
			62	To the extent practical, are overtime hours approved in advance by an appropriate supervisor?
			63	Do supervisors actively monitor employee's leave balances and work with their employees to ensure accruals remain at manageable levels and that future staffing needs aren't placed at risk?
			64	In accordance with the Secretary of Administration's Directive Memo (7/30/14), does the department prohibit the use of gift cards (pre-paid credit cards, gift certificates, etc.) as a form of employee recognition or merit award?
			65	In accordance with AOA Bulletin 2.3: State Vehicles Policy (re: Appendix A), for employees authorized to commute in a State vehicle (e.g., "take-home vehicle") does the department have procedures in place to capture and report all commuting that does not meet one of the allowable IRS exclusions to VTHR as a taxable employee fringe benefit? [Note: Unauthorized commuting <u>and</u> all other personal use of State vehicles is strictly prohibited by the Bulletin.]
			66	Does the department have a process to ensure that all employees (and their supervisors) who travel for State business, or incur other reimbursable expenses, are aware of and familiar with the AOA Bulletin 3.4: Employee Travel & Expense Policy ?
			67	Are all employee expense reimbursements (travel <u>and</u> non-travel, <i>excluding DHR Tuition Reimbursement</i>) processed through the VISION Expense module, not the Accounts Payable module?
			68	Are all employee expense reports reviewed and approved by an appropriate supervisor and expense coordinator?
			69	When reviewing and approving expense reports does the department verify the accuracy and completeness of the data including all required receipts and supporting forms?
			70	Does the department have a process to verify that expense reports submitted in the VISION Expense module were not paid using a State Purchasing Card (P-Card)?
			71	Does the department ensure employee meal reimbursement requests are allowable under the applicable collective bargaining agreement and, if so, that amounts do not exceed maximum reimbursement rates and travel times & meal locations are documented on the expense report?
			72	Does the department provide guidance and monitoring of employee mileage reimbursements to ensure use of the appropriate full or reduced mileage rate on the expense report?
			73	Per Bulletin 3.4, does the department prohibit the use of <i>employee reimbursement</i> as a purchasing method for <u>non-travel</u> business expenses exceeding \$200 (<i>except in emergency situations or with the department head's prior authorization</i>)?
			74	Does the department remind and urge employees to submit their expense reports within 20 calendar days of when the travel/expense was incurred, but no less frequently than monthly (in accordance with AOA Bulletin 3.4)?
			75	Before approving an expense report does the department verify that, when applicable, the employee has copied it from an approved travel authorization?

YES	NO	NA	Section 1: Procurement & Accounts Payable	
			76	Before approving an expense report does the department verify that the employee has applied related and/or outstanding cash advances to the report?
			77	For all expense reports submitted more than 60-days after the travel was completed or expense incurred, does the department require completion of the "Explanation of Late Filing" form ?
			78	Do expense coordinators proactively manage expense report submissions and approvals throughout the month to minimize the need for deletion of expense reports at month-end (and subsequent re-entry in the following month)?
			79	Is all out-of-state (or country) travel authorized in advance in accordance with the requirements of AOA Bulletin 3.4 (re: who may authorize the travel and the approval method)?
			80	Before approving a travel cash advance does the department verify that the employee has an approved on-line Travel Authorization in the VISION Expense module?
			81	Does the department enforce the \$200 minimum threshold (per AOA Bulletin 3.4) for all travel cash advances?
			82	Does the department ensure that travel cash advances are issued no sooner than 30 days prior to the travel start date (per AOA Bulletin 3.4)?
			83	Does the department comply with VISION Procedure #9: Travel Cash Advance Management to ensure cash advances in excess of expenses incurred and delinquent advances are properly reimbursed by the employee back to the State, and accounted for and closed in VISION?
			84	Has the department made its employees aware that 1) expense reports submitted more than 60-days after the expense was paid or incurred and/or 2) cash advances not re-paid within 120 days after the completion of travel will be recorded as taxable income to the employee and payroll taxes withheld (employee and department) in accordance with IRS Accountable Plan rules?
			85	In accordance with AOA Bulletin 3.4, does the department require completion of the "Tuition Assistance Employee Certification" form for all department provided tuition assistance (direct pay to educational institution or employee reimbursement)?
			86	For third-party reimbursements, does the department comply with the requirements of AOA Bulletin 3.4, including prior authorization and (as applicable) use of the form "Authorization of Employee Expenses to be Paid by a Third-Party Organization" ?

FY 2016 Self-Assessment of Internal Control Questionnaire

Department: _____

If completing in Excel, use the drop-down box in the appropriate column to select/change your response.

YES	NO	NA	Section 2: Accounts Receivable & Cash Receipts	
Accounts Receivable				
			1	Does the department bill and/or collect <u>significant monies</u> (i.e., in excess of \$10,000 annually) from customers, clients, grantor organizations (including federal agencies), or other sources?
If the answer to the above question is "NO" then skip to the "Cash Receipts" section below; although the department should still ensure compliance with any applicable policies or procedures.				
			2	Does the department have written policies and procedures defining responsibilities for preparing bills, recording accounts receivables, recording payments, collecting the accounts, and follow-up of delinquent accounts?
			3	Are the responsibilities for billing, collections, and posting to the accounting records generally performed by different people?
			4	Does the department maintain and record all accounts receivable in VISION?
			5	Does the department's frequency of federal draws meet or exceed the minimum requirements established in F&M Policy #2: Cash Management for Federal Funds ?
			6	Does the department have a written policy regarding write-offs?
			7	Does the department have written policies and procedures concerning refunds of overpayments and billing adjustments?
			8	Are charges for goods or services based on authorized fees and rates, where applicable?
			9	Does the department periodically provide statements of account balances to customers?
			10	Is an aging schedule prepared monthly and, if so, is it reviewed by a responsible manager?
			11	Does the department have a written procedure for preparation of the CAFR-1 Form (yearend accounts receivable worksheet)?
			12	Does the department retain detail reports or listings to support each amount reported on the CAFR-1 Form?
			13	Does the department take appropriate action, and document its efforts, to collect on account balances that are past due?
			14	Does the department use an allowance account for doubtful or uncollectible accounts?
			15	If so, does the department have a written methodology for calculating the allowance for doubtful or uncollectible accounts?
Cash Receipts				
			16	Are responsibilities for collection and deposit preparation functions adequately segregated from those for recording cash receipts and posting to the accounting records?
			17	Are all funds received deposited in a prompt manner (at least weekly)?
			18	When funds cannot be deposited daily, are the funds adequately secured in a locking cabinet, desk, or safe?

YES	NO	NA	Section 2: Accounts Receivable & Cash Receipts	
			19	Are restrictive endorsements placed on incoming checks as soon as received?
			20	When in possession of a VISION vendor check that has been issued in error or is no longer valid, does the department return the check to the Office of the State Treasurer for voiding in accordance with the requirements of VISION Procedure #8: Void Check ?
			21	Does the department routinely search the State Treasurer's Office " Unclaimed Property " website and file a claim form for any financial property belonging to the department?
			22	Does the department issue receipts for all cash collections?
External Bank Accounts				
			23	Does the department have any external bank accounts (<i>including for petty cash funds</i>) which are maintained and managed directly by the department?
If the answer to the above question is "NO" then omit the remainder of the questions in this section.				
			24	Was approval obtained from the State Treasurer's Office to establish the bank account in accordance with Title 32 V.S.A. §431 ?
			25	Are responsibilities for preparing and approving bank account reconciliations segregated from other cash receipt or disbursement functions?
			26	Are all bank accounts reconciled within 30 days of the statement date?
			27	Are all shortages or overages investigated and, to the extent possible, corrected?
			28	Is NSF (<i>not sufficient funds</i>) check follow-up done by someone independent of the processing and recording of cash receipts?
			29	Do any of these accounts include funds held by the department in custody for others (client funds, bail, escrow, etc.)?
If the answer to question #29 is "YES" then answer the following question, otherwise omit the next question.				
			30	Does the department maintain a separate record of balances and activity for each individual or entity?

FY 2016 Self-Assessment of Internal Control Questionnaire

Department: _____

If completing in Excel, use the drop-down box in the appropriate column to select/change your response.

YES	NO	NA	Section 3: Fixed Assets	
			1	Does the department adhere to the asset capitalization thresholds specified in VISION Procedure #1: Asset Management to determine whether an asset needs to be capitalized and recorded in the VISION Asset Management module?
			2	Does the department have an individual assigned responsibility for fixed asset accounting?
			3	Does the department have formal written procedures for performing the required annual physical inventory?
			4	Are all asset purchases and receipts approved by a designated person with proper authority?
			5	When recording the acquisition cost of a capital asset, does the department include all directly attributable ancillary charges (e.g. freight, assembly, installation, etc.) necessary to place the asset into its intended location and condition for use, in accordance with VISION Procedure #1?
			6	Are all capital asset acquisitions, including capital leases and computer equipment >\$1,000, recorded in the VISION Asset Management module within 30 days of acquisition (or for constructed assets within 60 days after the asset is ready for its intended use) in accordance with VISION Procedure #1?
			7	Does the department have a process to accumulate costs (including staff/payroll costs) and maintain supporting documentation for construction-in-process (CIP) projects, including major IT projects, in order to accurately reflect the total cost of the asset and comply with financial reporting requirements?
			8	Does the department ensure that all asset additions, adjustments, deletions, and retirements are processed through the VISION Asset Management (AM) module <i>(to maintain integrity between AM and the general ledger)</i> ?
			9	Is the responsibility for conducting the physical inventory assigned to someone other than the custodian of the assets?
			10	Are all capital assets tagged (where practicable) with a unique department identification number?
			11	Is there adequate physical security surrounding the fixed asset items?
			12	Are department personnel aware that personal use of equipment is prohibited?
			13	Does the department maintain a list(s) of keys and lock combinations assigned to employees (and contractors) that is inclusive of the department's entire operations?
			14	Does the department have a process to evaluate asset utilization to determine whether the asset is considered excess or surplus property?
			15	Are all asset disposals approved by a designated person with proper authority?
			16	Are gains or losses properly recognized from disposals of fixed assets?
			17	Does the department investigate un-located assets, document their findings, and take appropriate action?
			18	If non-capital assets are maintained in VISION are they tagged with a unique department identification number?

FY 2016 Self-Assessment of Internal Control Questionnaire

Department: _____ -

If completing in Excel, use the drop-down box in the appropriate column to select/change your response.

YES	NO	NA	Section 4: Inventory	
			1	Does the department have any <u>significant</u> inventories (i.e., <i>combined value greater than \$10,000, regardless of physical locations</i>) intended for sale or use in the delivery of goods or services?
			If the answer to the above question is "NO" then omit the remainder of the questions in this section.	
			2	Does the department have written policies and procedures to control and monitor inventories?
			3	Does the department maintain perpetual inventory records and are all inventory items put on a perpetual inventory system?
			4	Is there adequate physical security surrounding inventories?
			5	Is a physical inventory taken at least annually?
			6	Are physical inventories supervised by someone independent of the custodial or record keeping functions?
			7	Are physical inventories ever performed by individuals independent of the department being inventoried?
			8	Are physical inventory count sheets signed, dated by the person supervising the counts and retained according to the State's record retention procedure?
			9	Does management assess inventory policies and procedures periodically?

FY 2016 Self-Assessment of Internal Control Questionnaire

Department: _____

If completing in Excel, use the drop-down box in the appropriate column to select/change your response.

YES	NO	NA	Section 5: Grants Administration	
			1	Does the department issue grants (from any funding source)?
If the answer to the above question is "NO" then omit the remainder of the questions in this section.				
			2	Does the department conduct a pre-award eligibility and risk assessment in accordance with Agency of Administration Bulletin 5: Policy for Grant Issuing and Monitoring, Section V ?
			3	Does the department use the new grant award documents (Parts 1 and 2) as required in Bulletin 5, Section V?
			4	Does the department enter all grant awards in the VISION Grant Tracking module within 10 days of grant execution?
			5	Does the department have an approved Granting Plan on file in accordance with Bulletin 5, Section IV?
			6	Does the department review its Granting Plan annually (by May 15th) to either a) certify the existing plan is current <u>or</u> b) update and submit it for re-approval to F&M, in accordance with Bulletin 5, Section IV and the <i>Bulletin 5 Granting Plan Supplement</i> ?
			7	Does the department code its payments to grantees in accordance with Bulletin 5, Section VII?
			8	Does the department run VISION queries at least quarterly to identify subrecipients who require a single audit or who are in a delinquent status?
			9	Does the department review the single audit reports of all its subrecipients, even when not designated as the primary pass-through entity, in accordance with Bulletin 5, Section VIII?
			10	Does the department document its monitoring activities in an official grant file and in the VISION Grant Tracking module when applicable?

FY 2016 Self-Assessment of Internal Control Questionnaire

Department: _____ -

If completing in Excel, use the drop-down box in the appropriate column to select/change your response.

YES	NO	NA	Section 6: Budgeting	
			1	Does the department use forecasting methods such as statistical modeling, trend analyses, historical data, etc., to develop its annual budget and monitor performance against budget?
			2	Does the department have mechanisms in place to verify that spending authority budgeted from federal grants and other non-General Fund sources are supported by reasonable revenue estimates based on the best available information?
			3	Are specific staff assigned responsibility to regularly (preferably monthly or more often, but at least quarterly) compare actual expenditures & revenues with budgeted amounts throughout the year?
			4	Does management review these comparisons?
			5	If so, are explanations sought for significant or unusual variances (surplus or deficit) and notice and corrective action taken as appropriate?
			6	Does the department ensure that all VISION purchase orders 'rolled' from one fiscal year to the next represent valid encumbrances in accordance with generally accepted accounting principles?

FY 2016 Self-Assessment of Internal Control Questionnaire

Department: _____

If completing in Excel, use the drop-down box in the appropriate column to select/change your response.

YES	NO	NA	Section 7: General Elements of Internal Control [to be answered from a department-wide perspective]	
Control Environment				
			1	Does the department have a written mission statement containing the purpose, goals, and objectives?
			2	Does the department have an up-to-date organization chart?
			3	Does the department encourage written policies and procedures for all major areas of the department?
			4	Does the department encourage regular staff meetings?
			5	Are the department's financial operations centralized, or if de-centralized are activities routinely monitored by a central office?
			6	Have managers been provided with clear goals and direction from the governing body or top management?
			7	Does the department have a structured orientation process to inform new hires of relevant statewide & departmental policies, procedures, and expectations for state employees?
			8	Does management effectively communicate expectations for employee conduct to staff in accordance with the guidelines established in DHR Policy #5.6: Employee Conduct ?
			9	Do all supervisors and managers have sufficient working knowledge of the State's personnel policies and procedures?
			10	Are sufficient training opportunities provided to improve competency and update employees on policies and procedures?
			11	Does the department have a written "fraud" policy that focuses on the department's employees and its internal operations?
			12	Does the department periodically remind and urge employees to report suspected fraud, waste or abuse to department management, or to the State Auditor's Office Confidential Line ? <small>[For additional information refer to DHR's Reporting Fraud: Employee Whistleblower Protection]</small>
			13	Does the department have a functioning internal audit staff to review the operations of the department?
			14	If so, does the internal audit staff report to an official independent of the operations under review?
Risk Assessment				
			15	Does management utilize methods such as cross-training, strategic hiring practices, detailed procedure documentation, enhanced supervision, etc. to help mitigate the risk associated with sudden or significant changes in key personnel?
			16	In the event of an emergency, has management considered contingency plans (e.g., <i>continuity of operations plans</i>) to ensure the continuity of mission critical functions and services?

YES	NO	NA	Section 7: General Elements of Internal Control [to be answered from a department-wide perspective]	
			17	For their areas of responsibility, do managers attempt to identify the department's exposures to fraud (i.e. <i>how fraud could be committed</i>) and the symptoms that might indicate fraud has occurred?
			18	Are employees encouraged to take earned vacation time in order to improve operations through cross-training while enabling employees to overcome or avoid stress and fatigue?
			19	Does management identify and analyze risks relating to change, such as new technology, new regulations, restructuring, and rapid growth?
			20	Does the department have a process in place to identify new (or changed) laws or statutory requirements that could affect the department's operations?
			21	Before committing resources to new projects or initiatives, does management assess the potential impact on its current operations?
Control Activities				
			22	Does the department submit the form " Delegation of Authority for Signature Authorization " (re: addendum to AOA Bulletin 3.3) to F&M annually (by Jan. 15) and whenever there is a change in the department's Appointing Authority or their exempt designee(s)?
			23	To the extent possible, are responsibilities divided so that no single employee controls all phases of a transaction?
			24	Do employees assigned responsibility for approving VISION transactions have sufficient knowledge of the chart of accounts, appropriation detail, accounting principles and the department's operations to validate the accuracy of all VISION chartfield coding?
			25	<i>Unless all transactions are already approved by a senior manager,</i> does the department require transactions exceeding a specified dollar threshold to be escalated to a higher-level manager for additional approval?
			26	Are there documented procedures for all of the department's critical functions and key activities?
			27	Does management ensure staff are provided with all pertinent policies & procedures which may affect performance of the employee's duties?
			28	Are policies & procedures reviewed at least annually (<i>and updated as necessary</i>) to ensure they are still relevant and in conformance with governing laws or regulations?
			29	Are all departmental accounting systems that are maintained outside of VISION reconciled to the VISION system at least annually in accordance with the fiscal year-end closing instructions?
			30	When an employee leaves State service, or transfers to another position, does the department complete and retain an "employee separation checklist*" (or similar) to help ensure the State's assets and systems are protected and that all State owned property is returned? * Refer to F&M Best Practice #8: Employee Separation
			31	Do policies and procedures address the handling of confidential or sensitive information such as social security numbers or protected health information?

YES	NO	NA	Section 7: General Elements of Internal Control [to be answered from a department-wide perspective]	
Communication and Information Systems				
			32	Does management effectively communicate expected behaviors to staff in accordance with the rules established in DHR Policy #11.7: Electronic Communications and Internet Use ?
			33	Are controls in place to ensure information systems and data are protected from unauthorized access, theft, or malicious acts?
			34	Do information systems' controls effectively prevent and/or detect missing or invalid data?
			35	Are critical data files backed up and stored in a separately secure area to provide for a full recovery of the data, if necessary?
			36	Do only authorized staff have information system override privileges?
			37	Does the department have a comprehensive policy on password protection?
Monitoring				
			38	Is the internal control structure supervised and reviewed by management to determine if it is operating as intended?
			39	Does management solicit input from staff on opportunities to improve the effectiveness of controls?
			40	Does the department use performance-based data or other measures to annually compare its actual performance with programmatic goals and objectives?
			41	Does the department distribute copies of internal/external audit reports & reviews to appropriate staff and ensure that any required corrective action is taken in a timely manner?
			42	Does the department submit copies of external audit reports, including any substantiated fraud, to the Dept of Finance & Management (F&M) as required by F&M Policy #7: External Audit Reports ?
			43	Does the department have a process to obtain assurance that corrective action for prior-year audit findings has been completed?
			44	If the department expends federal funds, does it comply with the reporting requirements of the Federal Funds Accountability and Transparency Act (FFATA) as reflected in F&M Policy #8: FFATA Compliance ?
			45	Does the department comply with the requirement to submit an updated Identification of Confidential Expenses Form to F&M whenever a new confidential VISION expense account(s) is identified and before incurring any expense in that account(s)?
			46	Does the department utilize external data or sources (e.g. peer groups, surveys, industry standards, etc.) to corroborate the validity of internally generated information?
			47	Does the department actively monitor staff who perform vital functions, especially in those areas where non-performance could adversely affect risk?

FY 2016 Self-Assessment of Internal Control Questionnaire

Department: _____

Certification Form

1. Person responsible for **completing** the questionnaire:

Printed Name & Title

2. Appointing Authority responsible for **certifying** the questionnaire:

"As the **Appointing Authority***, I certify, to the best of my knowledge, that the answers provided in this Self-Assessment questionnaire are an accurate representation of the operations of this department."

Printed Name & Title of Appointing Authority - then complete certification below

- * For this certification, *Appointing Authority* refers to elected officials, agency secretaries and department commissioners, or, heads of branches, divisions, boards, and commissions not reporting to a department commissioner or agency secretary; **this certification responsibility cannot be delegated to Deputies or others.**

Important: As Appointing Authority please select option (a) or (b) to complete certification.

(a). Electronic Certification Option for Appointing Authority

By checking this box (*with a left mouse click*), I authorize the Dept of Finance & Management to accept this document transmitted from my State email account as our official submission. In addition, I certify that my name as typed above shall be treated as my written signature for the purposes of certifying this document.



- **Important:** To electronically certify, the above box must be checked **AND** the file must be sent directly from the Appointing Authority's State email account to F&M.

Note: Email submissions from the Appointing Authority's delegate (i.e., *On Behalf of*) or others are not permitted.

(b). Signed Certification Option for Appointing Authority

If the electronic certification option is not used, then this **Certification Form** must be signed by the Appointing Authority and mailed (*or scan & email*) to F&M at the address below.

Appointing Authority Signature & Date

Please return this certification with your Self-Assessment Questionnaire by MAY 4, 2016 to:

Kevin Gilman
Dept of Finance & Management
Financial Operations Division - 4th Floor
109 State Street, Montpelier VT 05609-5901

Email: kevin.gilman@vermont.gov