



INTERNAL CONTROL NEWS

The purpose of this quarterly newsletter is to provide departments with articles on good business practices, internal controls, and responsibilities. Through articles intended to promote educational and professional development opportunities for employees, this newsletter seeks to raise awareness across state government on the importance of internal controls. We hope that by providing this array of information, we can keep you informed of internal control related activities, and help you implement and maintain effective controls in your areas of operation.

Tips for Accepting Checks

Annually, the State Treasurer's Office (STO) and Financial Operations (FinOps) process more than 3,000 debit/credit memos for adjustments made to the State's bank accounts. Ninety-percent of all DB/CR memos stem from returned checks (e.g. insufficient funds, invalid signature, closed account, etc.), with the remaining ten-percent the result of deposit errors (e.g. deposit slip preparation errors, foreign currency not properly accounted for, data entry errors, etc.). The cost and time consumed by processing DB/CR memos is substantial and impacts the STO, FinOps, the depositing department, and the bank. To minimize returned checks and deposit errors, below are some tips for establishing good procedures for accepting and depositing checks:

- Check the signature line. (Is it signed by an appropriate account holder? Is the signature legible? If two or more signatures are required, are they present?)
- Verify the written amount of the check and the numeric amount are the same.
- Validate the check date. (Be on the lookout for post-dated or non-dated checks.)
- Confirm the identity of the check writer when possible. (Does the check contain a valid address and/or phone number?)
- Ensure the check is made out to the State of Vermont or equivalent.
- Do not accept two-or-more party checks.
- Be wary of low check numbers, starter checks, or checks not printed with the name/address of the account holder. (Nationwide approximately 85% of all bad checks are written on new accounts bearing check numbers between 101 and 150.)
- Confirm all checks in the deposit bundle are accurately reflected on the deposit slip.
- Be observant for checks drawn on foreign currency and process as a separate deposit.
- Verify the mathematical accuracy of the deposit slip.
- Verify the bank deposit receipt matches the deposit slip amount.
- Verify the deposit amount entered in VISION matches the bank deposit receipt.

Note: Refer to the VISION [Direct Journal Deposits](#) training manual for additional deposit preparation requirements and information).

News from the VISION Help Desk

In an effort to improve overall customer support, the Help Desk and Financial Operations will begin keeping track of all calls and e-mails from users seeking VISION-related assistance. A recent upgrade to FootPrints (*i.e. our help desk software*) provides us with an opportunity to record and categorize these inquiries by source and type. The availability of this data will assist the

Help Desk in assessing training needs and knowledge gaps, and with the development of training curriculum and materials. Furthermore, this valuable information will support management in making data-based decisions regarding resource utilization and commitment as we strive to assist employees with their VISION-related duties.

Test Your Knowledge of Internal Controls

(Answers are at the end of the newsletter.)

1. Of the following groups, the most common and costly incidences of workplace fraud are committed by:
 - a. Non-management employees with more than 10 years experience.
 - b. Non-management employees with less than 10 years experience.
 - c. Managerial employees with more than 10 years experience.
 - d. Managerial employees with less than 10 years experience.
2. For a department without a formal receiving function, which of the following controls would most effectively prevent payment for goods not received and/or unauthorized purchases?
 - a. Vendor invoices should be matched with department purchase orders.
 - b. Vendor invoices over a specified amount should be approved by the department head.
 - c. Vendor invoices should be approved by the employee who ordered the goods.
 - d. Vendor invoices should be approved by a supervisor other than the employee ordering the goods.
3. If an appropriately billed invoice contains expenses that will be shared among multiple departments, the correct way to process the voucher in VISION is:
 - a. Each responsible department processes a separate voucher for their respective amount.
 - b. Return the invoice to the vendor and request separate invoices.
 - c. The department billed by the vendor processes a voucher for the entire invoice amount and then seeks reimbursement from the other department(s).
 - d. Any of the above.
4. For an invoice with identifiable charges that span the current and previous fiscal year, the correct way to process the voucher in VISION is:
 - a. If the majority of charges pertain to the prior fiscal year, then process the voucher with a "PY" prefix in the "Invoice" field of the voucher; otherwise process the voucher as a current year expense (with no "PY" indicator necessary).

- b. Separate the charges by fiscal year and process two separate vouchers in VISION, using the “PY” prefix in the “Invoice” field of the voucher with the prior year charges.
 - c. Return the invoice to the vendor and request separate invoices.
 - d. Process the entire payment as a current year expense (without a “PY” indicator) but indicate in the “Description” field of the voucher the amount that pertains to the prior fiscal year.
5. When seeking to acquire goods/services already available under statewide contracts, the Agency of Administration’s Bulletin #3.5: Contracting Procedures stipulates that the use of statewide contracts:
- a. Is required for all departments (unless prior approval is received from the Dept. of Buildings & General Services).
 - b. Is optional and left to the discretion of each department.
 - c. Is not required if the department can find the same/similar items from another vendor.
 - d. Is required only for purchases that exceed \$2,500.
6. In accordance with the Dept. of Finance & Management’s Policy #3: Personal Greetings & Acknowledgements, state funds may **not** be used to make purchases for which of the following “personal” expenses?
- a. Get-well greetings.
 - b. Bereavement acknowledgements.
 - c. Holiday greetings or celebrations.
 - d. Congratulatory greetings or celebrations for birthdays.
 - e. All of the above.
7. “Two or more individuals acting collectively to perpetrate and conceal an action from detection” is an example of what internal control limitation?
- a. Management override.
 - b. Collusion.
 - c. Inadequate separation of duties.
 - d. Lapse in human judgment.
8. Two circumstances that present increased risk and threaten the achievement of objectives are “change” and “inherent risk”; situations with higher degrees of inherent risk are:
- a. Highly complex programs and activities.
 - b. Programs and activities involving cash or cash equivalents.
 - c. Decentralized operations or activities.
 - d. Prior history of internal control weaknesses or failures.
 - e. All of the above.
9. Which of the following is **not** an example of a **preventative** control activity?
- a. Verifying a participant’s eligibility before authorizing services or benefits.
 - b. Adequately securing physical assets.
 - c. Performing physical inventories of assets.
 - d. Approving a purchase order prior to the commitment of funds.

10. To minimize the risk that employees involved in the purchasing function will use their position for personal gain, departments should:
- Require the use of statewide contracts and/or competitive bidding.
 - Request auditors to confirm and validate the appropriateness of all purchases over a specified dollar level.
 - Periodically have an employee, independent of the purchasing function, review a sample of purchasing transactions for reasonableness.
 - Require additional approval when purchasing goods that exceed a specified per unit cost.

Vendor Discounts

Sometimes a vendor offers a discount from the purchase price if payment is received within a specified period. On the FY2007 Self-Assessment of Internal Control questionnaire, 80% of the respondents indicated their departments had procedures in place to take advantage of vendor discounts. In deciding whether to accept a vendor offered discount, departments should take into account the time value of money and determine whether the discount is “in the State’s best interest”...as one of the primary objectives for cash

management over disbursements is to retain funds in the State’s accounts for the longest appropriate period of time. To assist departments with determining whether or not a discount is economically justified, departments may wish to use this Discount Calculator found on the U.S. Treasury’s website. Presently, the U.S. Treasury uses 4% as the “current value of funds rate”, which the VT State Treasurer’s Office has deemed as an acceptable rate for Vermont computation purposes as well.

Staff Happenings

- **Lawrence Houston** has been hired as a Database Administrator in the Technical Services Division; previously Lawrence worked for the Dept. of Buildings & General Services.
- **Melissa Jenkins**, former VISION Financial Analyst, has left F&M to take the Public Safety Management Executive position in the Dept. of Public Safety.
- **Carma Choiniere**, VISION Help Desk Specialist, has accepted a Transportation Management & Fiscal Analyst position in the Agency of Transportation; Carma’s last day in F&M will be January 4th.

Answers to Test Your Knowledge of Internal Controls:

1. (c); 2. (d); 3. (c); 4. (b); 5. (a);
6. (e); 7. (b); 8. (e); 9. (c); 10. (a);