

INTERNAL CONTROL NEWS

DECEMBER 2012

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.

Internal Control Quiz

[Answers at end of newsletter]

1. In designing its control activities, the primary focus of a department should be on providing:
 - a. Sufficient documentation for external auditors in order to minimize the amount of field work needed, ultimately lowering the cost of the audit.
 - b. Supervisors with an effective and efficient method to monitor the actions and work output of their employees.
 - c. Executive management with a platform to communicate and evaluate their organizational goals and strategies.
 - d. Reasonable assurance that significant errors, fraud and other undesirable events will be prevented or detected (timely) by employees while performing their assigned duties.
2. Which of the following is not considered a preventative fraud control?
 - a. Employee assistance programs
 - b. Physical safeguards over assets
 - c. Reconciliations
 - d. Segregation of duties
 - e. None - all are preventative fraud controls
3. Checks should be restrictively endorsed just prior to deposit.
 - a. True
 - b. False
4. VT State Government's cost threshold for capitalizing physical assets is:
 - a. \$1,000
 - b. \$2,500
 - c. \$5,000
 - d. \$10,000



5. For accounts payable vouchers that have been approved and budget-checked, VISION determines the **payment date** based on the following criteria:
 - a. The date the voucher was created and the payment terms (e.g., NET30).
 - b. Once approved & budget-checked, all vouchers are paid immediately.
 - c. The date the voucher was successfully budget-checked and the payment terms.
 - d. The invoice date and the payment terms.

6. Per F&M's *Best Practices #1: Cash Receipts*, the **minimum** requirement for depositing cash receipts (i.e., cash, coin, checks, money orders, etc.) is _____:
 - a. When receipts exceed \$500, but no less frequently than weekly (regardless of amount).
 - b. Daily regardless of amount.
 - c. Monthly.
 - d. Whenever cash receipts exceed \$100.

7. Which of the following is not a valid option for a department that is considering how to effectively address the **monitoring** component of the (COSO) internal control framework?
 - a. Build monitoring functions into everyday business activities to provide ongoing feedback.
 - b. Conduct independent evaluations (reviews, surveys, spot checks, etc.) to assess performance.
 - c. Rely on the State Auditor's function.
 - d. Use of internal audit staff.

8. Having one employee responsible for ordering equipment, receiving the goods, and performing the physical inventory _____:
 - a. Is a good example of maximizing operational effectiveness and efficiency.
 - b. Increases the risk of errors and fraud.
 - c. Decreases the risk of errors and fraud.
 - d. Provides adequate separation of duties as long as the employee is a *long-term, trusted* member of the organization.

9. The timely filing of expense reimbursement requests by employees is important to ensure:
 - a. Financial reports are reliable.
 - b. Timely recognition of expenses in the State's financial system.
 - c. Compliance with IRS Accountable Plan rules.
 - d. All of the above.

10. The general difference between "authorization" and "approval" is the former is *consent to do something* (before-the-fact), while the latter is *confirmation of something that has already occurred* (after-the-fact).
 - a. True.
 - b. False.

ERP Expansion Project...**Beyond Keystrokes**

The ERP Expansion project is continuing with system testing. This critical phase of testing has taken longer than our original prediction and as a result has changed our timeline. Our training schedule has been pushed back to the beginning of calendar year 2013. Expect more information in the coming weeks including a training schedule and registration instructions.

Regarding the project, significant progress has been made and we are finding that the intricacies of our system requirements are taking longer than expected to implement and fully test. The subject matter is complex. Think about the differences in paying a military firefighter versus a State trooper versus a security officer at a correctional facility versus a case aid that is called out in the middle of the night. Some of us serve the public who are looking for a permit or a license or a tax payment, some serve vulnerable populations, some serve drivers and our roadways, and some of us serve each other. Although we are one State, we are hugely diverse and are diligently stepping through a system to accommodate us all.

Many project team members are focused on system testing and others are thinking beyond the software and hardware. There are some exciting developments to support employees and to serve them well after we go-live. The Department of Human Resources (DHR) has staffed a Helpdesk to respond to calls and emails for help. Within the next two months, a new phone system will be installed to more directly get requests to their ultimate destination, (for the time being continue to use 802-828-0407, option 1). Already in place is a new email address for Employee Self-Service (ESS), VTHR.Helpdesk@state.vt.us. For situations where it makes sense encourage the use of this email.

For those who are familiar with the VISION Support Team, nothing has changed. Today, the same friendly voices are at 802-828-0407, option 2, option 2 and receiving the VISION-helpdesk-FIN@state.vt.us emails. Monthly VISION module training will continue until ERP Expansion Project training ramps up. Looking ahead, the VISION Support Team will be joining DHR on the new phone system.

The project continues to test what it is we need the system to do. However, just as importantly, the project also focuses on who is going to be using these new tools and how will they be supported.

Staff Happenings

- **Donna Wojtyna**, former Payroll Specialist, left Finance & Management in October to accept a position with the Department of Human Resources.

Internal Control News is published quarterly by the Dept. of Finance & Management.
Please contact [Kevin Gilman](#) with comments or suggestions.

Internal Control Quiz Answers:

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