

# INTERNAL CONTROL NEWS

## JUNE 2008

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.

### Prior Year Payables



With the start of the new state fiscal year, departments are reminded all vouchers and journals entered in FY 2009 which pertain to a prior year payable **must** be identified in VISION by using the **PY** prefix in the *Invoice Number* field for vouchers and a **PY** in the *Journal Class* field on the header tab for journals. Prior year payables are defined as payment for goods or services that were received or performed prior to July 1, 2008.

Proper coding of prior year payables in VISION is necessary for the State to accurately prepare its financial statements in accordance with generally accepted accounting principles (GAAP). All known prior year payable transactions must be posted in VISION by August 22, 2008; however, even after the August 22<sup>nd</sup> deadline, departments must continue to use the **PY** identifier when processing payable transactions that pertain to the prior fiscal year. Departments should refer to page #25 of the [FY 2008 Year End Closing Instructions](#) for additional instructions.

### Energy Account Codes

Vermont State Government, one of the largest consumers of energy in the state, is often looked upon by businesses, communities and residents to operate as a model for those to emulate. Under the Vermont Energy Efficiency and Affordability Act (*Act 92 of 2008*), the goal of the state is “25 by 25”. That is, by the year 2025, to produce 25 percent of the energy consumed within the state through the use of renewable energy sources.



To establish consumption benchmarks and to monitor progress towards the “25 by 25” goal, an expanded VISION account code structure for energy-related expenses was recently issued to departments. It is imperative that all departments utilize and adhere to the criteria defined for these accounts when processing payments to vendors for energy costs. During the

development of this new account structure, a cursory review of the use of the pre-existing energy accounts identified many transactions being posted to incorrect accounts. Periodic reviews will be conducted but will only occur after transactions have been posted. Therefore, good accounting practices and proper coding vigilance of expenditures will minimize staff time in auditing, making corrections, and correspondence. If departments are unsure about the appropriate account to use when processing payments for energy costs they should contact [Debra Baslow](#) of the Dept of Buildings & General Services at 828-0377.

## **Frequently Asked Questions- Courtesy of the VISION Help Desk**



**Q:** When entering a payment, can I change the default payment terms from Net 30? The vendor just got the invoice to us and the payment is due next week. I want to make sure that the vendor gets paid on time.

**A:** Do not change the payment terms! The vendor will get paid on time. VISION calculates when to issue the payment based on the invoice date, not the day the voucher was entered. It is not necessary to change the payment terms because VISION will use the invoice date and payment terms to determine when the voucher will get picked up in a pay cycle.

**Q:** We received an ordered item in June, but we did not get the invoice until July. What do I do?

**A:** When entering the voucher, the invoice number should be preceded by "PY" for Prior Year. Any invoice paid in Fiscal Year 2009 for a good or service received in fiscal year 2008, should have an invoice number with a PY prefix. This practice ensures accurate reporting of financial data. For more information refer to the Year End Closing Instructions on the VISION website.

**Q:** I'm trying to enter a refund in July for items we sent back to the vendor in June but I keep getting a "spending authority over budget" budget check error. Why?

**A:** You are getting that budget check error because expenditures for the current year are not sufficient to offset the refund. VISION allows refunds to be processed only when there are sufficient current year expenditures to offset the refund. Resolving this error is a two-step process. First, change the expense account to revenue account 485000 – Prior Year Refund of Expenditures. Second, when there are sufficient expenditures to offset the refund, you must do an ONL journal entry. The refund must be moved from the revenue account to the appropriate expenditure account, debit (+) revenue and credit (-) expense. When the ONL journal entry successfully budget checks and posts, expenditures are reduced and spending authority is increased by the amount of the refund. For more information refer to VISION Procedure #6 on the VISION website.  
**Important note...**because this refund is for an expenditure posted in the prior fiscal year, the PY prefix on the Invoice Number and PY in the Journal Class fields must be used on these transactions.

**Q: It's the beginning of a new fiscal year and I need to set up my organization budget. How do I do that?**

**A:** There are several tools available to help you with setting up your budgets. The [Commitment Control guide](#) is on the VISION website. This guide includes instructions on adding an Organization Budget Journal and how to identify the correct ledger group to use (Org, Org2\_GRP, Org3\_GRP).

Additionally, the following queries are good resources to use for setting up and managing your budgets:

**VT\_APPROP\_JRNLS** – Appropriation Journals for a General Ledger BU – Prompts for Business Unit (BU), Budget Period (fiscal year), and From and Through Accounting Period. Include period 0 for carry forward information. This query lists all appropriation journals for a business unit and fiscal year for the accounting period selected.

**VT\_ORG\_JRNLS** – ORG Journals for a General Ledger BU – Prompts for BU, Budget Period (FY), and From and Through Accounting Period. This query lists all organization budget journals for a business unit and fiscal year for the accounting period selected.

**VT\_APPROP\_DEPTID\_SUM\_NW**– Appropriation Summary Deptid – Prompts for GL BU, Budget Period, Fiscal Year, Deptid, and Through Accounting Period. This query lists ledger balances for deptid and fund for budget, encumbrance, expenditure and pre-encumbrance ledgers for a fiscal/budget year through the accounting period selected.

**VT\_APPROP\_FUND\_SUM\_NW** - Appropriation Summary Fund – Prompts for BU, Budget Period, Fiscal Year, Fund, and Through Accounting Period. This query lists ledger balances for fund and deptid for budget, encumbrance, expenditure and pre-encumbrance ledgers for a fiscal/budget year through the accounting period selected.

**VT\_ORG\_DEPTID\_SUM\_NW** – ORG Summary Deptid – Prompts for BU, Budget Period, Fiscal Year, Deptid, and Through Accounting Period. This query lists organization budget ledger balances for a GL BU, deptid & fund for budget, encumbrance, expenditure and pre-encumbrance ledgers for a fiscal/budget year through the accounting period selected.

**VT\_ORG\_FUND\_SUM\_NW** – ORG Summary Fund – Prompts for BU, Budget Period, Fiscal Year, Fund, and Through Accounting Period. This query lists organization budget ledger balances for a GL BU, deptid & fund for budget, encumbrance, expenditure and pre-encumbrance ledgers for a fiscal/budget year through the accounting period selected.

**Q: I can never remember my password in VISION Reporting! Do you have any tips?**

**A:** Your VISION Reporting password is whatever your password in VISION Production was the day before. VISION Reporting is a copy of VISION Production from the previous day, (i.e., Tuesday's reporting database contains all the information entered on Monday.) Not only is the data copied but user information such as your password is copied too. Here is a quick summary:

- **Production** – If a password is reset today in production, it will not be available in reporting until the following day. If you need to work in both Production and Reporting you should request that your password be reset in both environments. If it's time to

change your password in Production, consider making the change at the end of the day so that the next day your password will be the same in both places.

- **Reporting** – If you are a user who mostly works with the Reporting data base and you need to have your password reset, you will need to have the password reset in both Production and Reporting. If you reset your password in reporting today, the next day that password would no longer exist.

**Q:** Do I have to set-up a new run control for use in a different module?

**A:** Yes, a run control for a VISION process should only be used in the module it was created in. Do NOT use the same run control across different modules! The different modules in VISION are Purchasing (contracts, purchase orders, requisitions), Accounts Payable (vouchers, payments), Accounts Receivable (deposits, pending items), General Ledger (journal entries), Asset Management (assets), Billing (invoices), and Inventory (put-a-ways, issues). For example, do not use a Run Control created to Budget Check purchase orders in Purchasing to Budget Check vouchers in Accounts Payable. Doing so can cause processes to run unsuccessfully.

## **Federal Funding Accountability and Transparency Act**



In 2006, Congress passed the Federal Funding Accountability and Transparency Act (FFATA) which requires the federal government and its recipients to publish information pertaining to grants, contracts, loans, etc. on a public, searchable, website. Draft federal regulations have recently been published in the [federal register](#) (Federal Register Vol. 73, No. 110, Page 32417). All State of Vermont departments receiving federal funds are

encouraged to review these regulations and to contact their own federal agencies for guidance related to their programs. It may be necessary for standard grant/contract/loan agreement documents to be modified to comply with the final regulations pertaining to the FFATA. Once final regulations are published, the Agency of Administration will review boilerplate agreements associated with Bulletins #3.5, #5, etc. and may make modifications, if necessary.

## **Operational Guidance - FAQ**

**Q:** An employee has requested our department to pay for the renewal of his/her professional license; is this an allowable expense?

**A:** Obtaining and maintaining professional licensure required for the position is the responsibility of the employee. The Agency of Administration's [Bulletin #3.4: Reimbursement for Travel-Related Expenses](#) states:

**Licenses:** The State is not obligated to pay for the cost of any employee licenses, except Commercial Driver's License (CDL) as outlined in the State/VSEA contract. Therefore, no request for payment or reimbursement for such license costs will be approved, unless a Department can provide documentation to the Commissioner of Personnel [*Human Resources*] that there is a valid and binding past practice.

The specific intent of this provision (*promulgated in 1993 by the Secretary of Administration*) was to disallow payment for any required professional licenses (e.g., lawyer's licenses, professional engineer licenses, nursing licenses, doctor's licenses, or any other occupational license) except in certain limited and specified instances.

[Source: DHR Labor Relations Division]

## Training Opportunities

The following offerings may be of interest to those seeking training to help improve their department's internal control system. To view the complete course descriptions and other relevant information click on the provided [hyperlinks](#).

### The Summit - Center for State Employee Development (VT Dept of Human Resources):

- [Fundamentals of Process Management](#) (Sept. 18<sup>th</sup> & 19<sup>th</sup>)
- [Introduction to Measuring & Controlling Operations Processes](#) (Oct. 9<sup>th</sup>)
- [Writing that Gets Results](#) (Nov. 6<sup>th</sup>)

Link to [Summit Course Descriptions](#)

### The Institute of Internal Auditors:

- [Value-added Business Controls: The Right Way to Manage Risk](#) (multiple dates and out-of-state locations)

Link to [IIA Training](#)

## F&M Staff Happenings



- **Cathy Deyo** has joined the Customer Services Division as a VISION Help Desk Specialist. Previously, Cathy worked as an accountant at the Agency of Transportation.
- **Joanne Cyr** has joined the Payroll Division as a Payroll Administrator. Previously, Joanne worked as the lead staff bookkeeper for the Barre Supervisory Union.
- **Kim Pearsons**, former VISION Financial Analyst, was recently appointed Business Manager for the Dept of Finance & Management.
- **Mary Andes** has joined the Budget & Management Division as a Budget Analyst where her primary departments are the Agency of Human Services (*excluding Corrections*), BISHCA, and the Veterans' Home. Previously, Mary worked as a Community Correctional Officer at the Dept of Corrections and before that was involved in other human services programs, management and evaluation. Her educational background is in finance.