

INTERNAL CONTROL NEWS

JUNE 2013

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.

VISION Prior Year (PY) Payables

With the upcoming start of the new fiscal year, all vouchers and journals entered in FY 2014 that 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 in FY 2014 for goods or services that were received or performed prior to July 1, 2013.



The proper coding of prior year payables in VISION is necessary to help ensure the State accurately prepares its financial statements in accordance with generally accepted accounting principles (GAAP). All known prior year payable transactions must be posted in VISION by **August 23, 2013**. However, even after the August 23rd deadline, departments must continue to use the **PY** identifier when processing any prior year payable in VISION. Please refer to the VISION [FY 2013 Year End Closing Instructions and Requirements](#) for more information.

- ❖ **Business Managers:** Please review the VISION coding requirements for prior year payables with your staff **before** the start of the new fiscal year.

COSO Internal Control Framework

In May 2013 the Committee of Sponsoring Organizations of the Treadway Commission ([COSO](#)) released its updated **Internal Control-Integrated Framework** (Framework). While much of the Framework remains the same (e.g., core definition, 3 primary categories of objectives and 5 integrated components), a key enhancement is the formalization of underlying concepts embedded in the original 1992 Framework into **seventeen principles**

(below) in order to clarify requirements and facilitate the development and evaluation of effective internal control.

Control Environment component

1. **Commitment to Integrity and Ethical Values** - The organization demonstrates a commitment to integrity and ethical values.
2. **Exercises Oversight Responsibility** - The board of directors demonstrates independence from management and exercises oversight for the development and performance of internal control.
3. **Establishes Structure, Authority and Responsibility** - Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
4. **Commitment to Competence** - The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
5. **Enforces Accountability** - The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

Risk Assessment component

6. **Specifies Suitable Objectives** - The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.
7. **Identifies and Analyzes Risk** - The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
8. **Assesses Fraud Risk** - The organization considers the potential for fraud in assessing risks to the achievement of objectives.
9. **Identifies and Analyzes Significant Change** - The organization identifies and assesses changes that could significantly impact the system of internal control.

Control Activities component

10. **Selects and Develops Control Activities** - The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
11. **Selects and Develops General Controls Over Technology** - The organization selects and develops general control activities over technology to support the achievement of objectives.
12. **Deploys Through Policies and Procedures** - The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

Information and Communication component

13. **Uses Relevant Information** - The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.
14. **Communicates Internally** - The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
15. **Communicates Externally** - The organization communicates with external parties regarding matters affecting the functioning of internal control.

Monitoring Activities component

16. **Conducts Ongoing and/or Separate Evaluations** - The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
17. **Evaluates and Communicates Deficiencies** - The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.

Staff Happenings



- The **Payroll** section is now located on the 4th floor of 109 State St, Montpelier, while the **Statewide Reporting** and **Internal Control** sections have moved to the 3rd floor.
- **Tanya Jarvis**, former VISION Support Specialist II, has joined the Accounting section as a VISION Financial Analyst I.
- **Doreen Chambers**, former VISION Financial Analyst II, has left the Department of Finance & Management.
- **Mary Graves**, former Payroll Director, has left the Department of Finance & Management.
- **Pam James**, former VISION Financial Analyst I, has left the Department of Finance & Management.

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Please contact [Kevin Gilman](#) with comments or suggestions.