

INTERNAL CONTROL NEWS

MARCH 2011

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.

Expense Reimbursement Fraud



Employee expense reimbursement fraud is estimated to account for nearly 20% of all workplace fraud cases involving asset misappropriation. Furthermore, experts believe this statistic may be on the rise in part due to economic conditions such as less staff to provide appropriate oversight, employees trying to offset reductions in their pay, and employees facing personal financial crises. While the individual amounts may be relatively small, collectively the amounts can be substantial.

Expense reimbursement fraud and abuse schemes include:

- **Mischaracterized Expenses:** Claiming personal expenses as work-related; concocting an unnecessary business trip to accommodate a personal travel need.
- **Overstated Expenses:** Claiming more than actual cost incurred (re: *items not requiring receipts*); altering receipts to inflate the amount; claiming reimbursement for a purchase and then canceling all or part of the purchase.
- **Fictitious Expenses:** Items not requiring receipts (e.g., meals, mileage, incidentals) are particularly vulnerable; submitting counterfeit receipts or obtaining receipts from relatives, friends, etc and submitting as if they were the employee's.
- **Duplicate Reimbursement:** Submitting the same expense, or slightly altered, on multiple expense reports; claiming reimbursement for the same expense through Payroll and VISION accounts payable; receiving reimbursement from the State for an expense that was separately paid or reimbursed to an employee by a third-party.
- **Collusion:** Conspiring with another employee to receive bogus reimbursements and splitting the proceeds.

Detection and Prevention

Be aware of red flags (*warning signals only - does not prove fraud*) that might indicate expense fraud or abuse. ***Does the employee...***

- Submit their expense report without original receipts or with documentation that appears to have been altered or forged?
- “*Inadvertently*” attempt to submit duplicate expense reimbursement claims?
- Submit expense claims that are much higher than other employees in similar positions (and without an obvious explanation)?
- Routinely submit their expense claims during the absence of their supervisor or at the last-minute when up against a submission deadline (to minimize scrutiny & review)?
- Consistently submit their expense reports late, long after the expense was incurred?

Employees who suspect their expense reports and reimbursement claims will be thoroughly reviewed are less likely to submit fraudulent claims (i.e., “*perception of detection*”). Taking the following steps can help to prevent expense fraud and abuse:

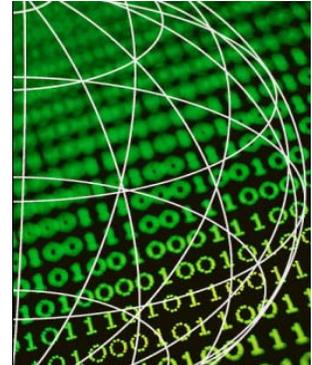
- ✓ Supervisors must diligently perform their review and approval responsibilities, probe items that are questionable or unfamiliar, require original receipts (where applicable).
- ✓ Remind and encourage employees to submit their expense reports timely – as more time elapses from when the expense was incurred to when it is claimed, the greater possibility for error and fraud, and the more difficult it is for supervisors to validate the legitimacy of the claim.
- ✓ Tone at the Top – employees often take their cue from management, when senior management displays a sense of entitlement or general disregard (“*it’s only small dollars*”) it emboldens staff to do the same.
- ✓ Reduce the opportunity for fraudulent expense claims by direct paying vendors whenever feasible.
- ✓ Insist that any third-party reimbursements be paid directly to the department, not the employee.
- ✓ Encourage and provide mechanisms (*including anonymously*) for employees to report fraudulent behavior.
- ✓ Periodically conduct after-the-fact detailed examinations of expense reports for samples of employees and let all employees know that this will become standard procedure.
- ✓ Take appropriate disciplinary action against employees who submit fraudulent claims.
- ✓ Ensure employees involved in the review, approval and processing of expenses are familiar with applicable policies and procedures including the Agency of Administration’s [*Bulletin #3.4: Reimbursement for Travel-Related Expenses*](#) and the Dept of Finance & Management’s [*Travel Expense Field Audit Guide*](#).

Article Sources: Association of Certified Fraud Examiners and Grant Thornton (“*No Free Lunch*”)

VISION Changes Coming This Spring

Improvements continue in an effort to keep all the parts and pieces of VISION functioning at their best. The VISION team has been busy for several months preparing for the upgrade of several components. These are not major upgrades, meaning that how users currently enter transactions, run reports, etc. will not change. There will be a difference in the way VISION screens look and the navigation menu functions. The new look is exactly like the changes to Employee Self-Service that took effect in October.

There are several driving factors for the changes being made. First, Oracle, the company that provides the software for VISION, is consistently issuing software updates to solve minor problems. Secondly, the State has identified server consolidation as an opportunity and part of this change is moving VISION software to a new data center at National Life. Lastly, while the Time & Labor project primarily impacts the State's Human Capital Management (HCM) system (*a sister application to VISION*), there are touch points with VISION and the changes being made prepare us for this project.



The biggest benefit will be faster processing speeds for many functions. Those testing the VISION changes have noticed a slight difference in some processes and reports, and a significant improvement in others. VISION availability will be better, meaning that the changes being made to VISION will allow for more seamless resolution when there are problems during the day. The number of times we take VISION down during the day should be minimized.

We expect this change to take effect in about two months. Certainly as we get closer we will notify VISION end users. We will be creating a page on the Finance & Management website that describes the difference between VISION today and VISION with the updates.

Internal Control Self-Assessment



The Dept of Finance & Management will distribute the 7th annual **Self-Assessment of Internal Control** to departments in April. Self-assessment aims to raise awareness of internal controls across state government and be a catalyst for improving the State's internal control system. The questionnaire provides departments with a tool to review and document current internal control practices, while helping management identify potential areas of risk or non-compliance within their operations. As in past years, departments will be given approximately 3 weeks to complete and submit the questionnaire.

Process Change for Employee Travel Expense Reimbursements

Starting with expenses submitted after April 6, 2011 the Department of Finance and Management- Payroll Division will be implementing the following changes to the travel expense reimbursement process. Our goal for implementing these changes is to make the process more efficient for supervisors who are responsible for approving travel expense reimbursement requests as well as assisting the Payroll Division in minimizing data entry errors and processing duplicate payment of reimbursements.

Changes:

- Departments submitting travel expense reimbursement requests must submit them with the specified Expense Certification Form which is provided by the Payroll Division at <http://finance.vermont.gov/forms#payroll>. Please replace the forms you may have been using with this new form. Travel expense reimbursements submitted without the new Certification Form will be returned.
- When there is an issue with an employee's travel expense reimbursement submission, the entire expense request (all pages) will be returned to the submitting department's expense contact. The Payroll Division will no longer be processing partial expense forms.
- All travel expense reimbursement forms must be computer generated or typed. Hand written and incomplete travel expense reimbursement forms will no longer be accepted or processed by Payroll. For your convenience, pre-populated and pre-formulated travel expense reimbursement forms are available for every employee on the Restricted Content portion of the DHR website. The Travel Expense Reimbursement form is one of the tabs in the time sheet file. If you believe that this requirement will cause your department undue hardship, please contact Mary Graves, Director of Payroll to discuss at 802-828-0666.
- We have added new documents to the Payroll website to aid employees and supervisors in understanding when an employee will be reimbursed for their eligible expenses after Payroll receives a properly completed form. Link to website at <http://finance.vermont.gov/payroll/expenses>
- Travel times must be included for all trips. A day with multiple trips can be summarized as one line, with start and stop time for the day. If the Travel Expense Reimbursement form does not show start and end times it will be returned as not complete.
- The Authorization for Out-Of-State Travel/Travel Advance form has been updated and is now provided by the Payroll Division at <http://finance.vermont.gov/forms#payroll>

For general expense reimbursement questions or questions regarding these changes, please email: Vision-payroll@state.vt.us

Information from VISION Support



Training: Usually in the spring the VISION Support Team releases a schedule for module classes. There will not be any formal training this spring; rather we encourage you to contact VISION Support should you have an individual or department training needs. The team is delighted to provide training for the topics you require whether it's for daily work or month-end or year-end processing.

Website: As a reminder, the Finance & Management website has links to both the Production and Reporting databases. These links, and current system status, can be found at http://finance.vermont.gov/state_systems/vision.

Let us know: Please call or email us when you are experiencing a VISION problem. The Support Team can be reached at VISION-helpdesk-FIN@state.vt.us or 828-0407, option 2, option 2. There have been problems with some queries during month-end processing. We do our best to resolve these problems. You can help by providing us information about the issue you are experiencing that can be used to troubleshoot.

Staff Happenings



- **Pam James** has been hired as a VISION Financial Analyst I. Pam has significant state experience in a variety of VISION modules and most recently worked as an Administrative Services Manager for the Tax Department.
- **Amy Connelley** has been hired as a Payroll-Personnel Admin Specialist II. Amy has experience with Paradox and VISION, having most recently worked as a Financial Specialist II in the Dept of Disabilities, Aging & Independent Living.
- **Bradley Kukenberger** has been hired as a Budget & Management Analyst. Bradley recently received a master's degree in economics from Syracuse University. His department/policy assignments will be K-12 Education, Higher Education, Agency of Administration and Dept of Labor.
- **Vicki Strobridge**, former VISION Maintenance Coordinator, has left F&M to accept a Benefits Program Specialist position in the Dept for Children & Families.
- **Jeannette Warn**, former Payroll Administrator, has left F&M to take a position in the private sector.

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