

INTERNAL CONTROL NEWS

SEPTEMBER 2010

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.

Paycycle News from F&M

Paycycles are the daily processes run by Finance & Management in VISION to generate payments that are scheduled to be paid to vendors. Making timely payments to all State Vendors (including employees) is very important to us. In an effort to create a centralized communication platform and provide more consistent service across all State Government, **we have developed a new mailbox called VISION-Paycycles@state.vt.us**. Please use this new address to send all paycycle related communications to Finance & Management. Financial Operations-Accounting staff will monitor this mailbox throughout each business day to ensure timely responses and prompt service.

Examples of the types of communications that should be sent to this mailbox are:

- Special check requests
- Verification that EDS vouchers are entered/approved/budget checked
- Verification that the daily CIGNA voucher is entered/approved/budget checked
- Confirmation that special interfaced vouchers have been loaded (Education)
- Communication about diversion files from Tax (when necessary)



NOTE: Please note that new vendor requests and vendor and chartfield maintenance requests should continue to be sent to vicki.strobridge@state.vt.us and should not be sent to this newly developed mailbox.

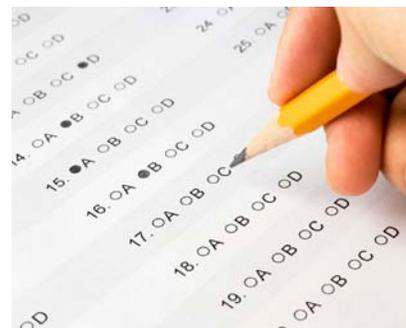
Electronic Signatures



In April 2010, the VT State Archives & Records Administration (Office of the Secretary of State) and the Dept of Information & Innovation issued a set of statewide recommendations on best practices for electronic signatures. This document, entitled *Electronic Signatures Best Practice for All Public Agencies*, can be found on their respective websites, [VSARA](#) or [DII](#).

Internal Control Quiz

- 1) The least expensive method to issue payment to a vendor is:
 - a. Paper Check
 - b. Wire Transfer
 - c. Automated Clearing House (ACH)
 - d. No Difference
- 2) Occupational fraud was most commonly detected by: *
 - a. Informant tip
 - b. External audit
 - c. Internal audit
 - d. Accident
- 3) Of the top four behavioral red flags exhibited by fraud perpetrators listed below, which one was the most prevalent? *
 - a. Control issues, unwilling to share duties
 - b. Living beyond one's means
 - c. Personal financial difficulties
 - d. Unusually close relationship with vendor/customer
- 4) When a department is in possession of a VISION vendor check that is no longer needed (e.g., issued in error, returned by vendor, order canceled, etc.), the department must:
 - a. Deposit the check and process a refund of expenditure.
 - b. Return the check to the Office of the State Treasurer for voiding.
 - c. Deface the check and discard it so no one else can cash it.
 - d. Either A or B is acceptable.
- 5) The State of Vermont's standard payment terms for most vendors and contractors is:
 - a. NET00
 - b. NET15
 - c. NET30
 - d. Whatever the vendor requests.
- 6) BDA-1 authorizes departments to make direct purchases up to \$3,500 from suppliers under the following condition(s):
 - a. The item is not available under an existing state contract.
 - b. The item is not restricted by statute or administrative bulletin (e.g. file cabinets, paper).
 - c. The item is not an ongoing need of the department that is likely to be purchased on a regular basis.
 - d. All of the above.
- 7) Having one employee receive cash & checks and a different employee post the payments to the accounts receivable records is an example of:
 - a. Inadequate internal control
 - b. Duplication of effort
 - c. Fraud risk
 - d. Segregation of duties



* Association of Certified Fraud Examiners' 2010 *Report to the Nation on Occupational Fraud and Abuse*

Protecting Confidential Information in VISION



When processing VISION vouchers (*and other transactions*) departments must take reasonable precautions to safeguard confidential and protected health information from unnecessary disclosure. Generally, the following guidance applies to transactions for healthcare services but may apply to other information classified as confidential based upon state or federal law (departments should consult their legal counsel as necessary). In all cases an individual's social security number should be treated as confidential information and not entered into the VISION voucher record.

- Information entered on a voucher by a department becomes part of VISION's electronic data record. This data is potentially accessible to other VISION users through reports and queries, as well as to external users through public information requests.
- To minimize the risk of unnecessary disclosure of confidential or protected health information, departments **must avoid** entering any confidential or individually identifying information such as the **recipient's name** and/or **social security number** into the VISION voucher fields {i.e., 'Invoice Number', 'Payment Message', 'Description' or 'Voucher Comments'}.
- If the healthcare provider uses the recipient's name and/or SS# as an "invoice number", the department should contact the provider to discuss an alternative method.
- Remember this guidance applies to confidential or protected health information. For example, including an employee's name in the invoice number field of a VISION voucher for a conference registration would not be considered confidential and is acceptable.

Staff Happenings



- **Otto Trautz**, Director of Budget & Management Operations, has retired after nearly 40 years of state service.
- **Joanne Cyr**, former Payroll Administrator, has left F&M to accept a senior accountant position in a school supervisory union.
- **Cathy Deyo**, former VISION Help Desk Specialist II, has left F&M to accept a Financial Administrator II position in the Agency of Transportation.

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

Answers to Internal Control Quiz:
1 - C; 2 - A; 3 - B; 4 - B; 5 - C; 6 - D; 7 -D