

# INTERNAL CONTROL NEWS

## SEPTEMBER 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.

### ACH Project Update

In June 2010, former State Treasurer Jeb Spaulding (*current Secretary of Administration*) and Department of Finance & Management (F&M) Commissioner Jim Reardon wrote to departments seeking their assistance in promoting the use of automated clearing house (ACH) payments for VISION vendors. We appreciate everyone that has contributed to the success of this initiative as VISION data for the past year reveals a substantial 69% increase in ACH payments:

➤ **Number of VISION Vendor Payments Issued by ACH or Check**

	ACH		Check		Total	ACH Growth Over Prior Yr	
	Count	%	Count	%			
<b>FY 2011</b>	59,764	27%	163,638	73%	223,402	<b>24,441</b>	<b>69%</b>
Spring 2010: ACH Outreach Project							
<b>FY 2010</b>	35,323	15%	193,837	85%	229,160	4,097	13%
<b>FY 2009</b>	31,226	13%	200,422	87%	231,648	2,762	10%
<b>FY 2008</b>	28,464	12%	213,153	88%	241,617	3,757	15%
<b>FY 2007</b>	24,707	10%	234,717	90%	259,424		



Please continue to urge vendors, contractors and grantees to sign-up for ACH payments as a more convenient, secure and timely method of payment than traditional paper checks. Enrollment forms and an ACH brochure can be found on the [forms](#) page of the F&M website. Also, a key benefit to vendors using ACH is the availability of the State Treasurer’s Office [vendor portal](#), a secure website for vendors to view their electronic payments.

This ACH initiative along with direct deposit for employee pay has yielded a significant reduction in the number of paper checks issued...resulting in cost savings and a more efficient state government. Thanks again for your efforts and continuing cooperation.

# Internal Control Quiz

[Answers at end of newsletter]

1. Trademarks, easements and software are examples of:
  - a. Fixed assets
  - b. Intangible assets
  - c. Infrastructure assets
  - d. None of the above
  
2. Effective internal control begins with a:
  - a. Well-documented set of policies & procedures
  - b. Strong control environment
  - c. Competent auditor
  - d. Thorough risk assessment
  
3. In general the best way to prevent fraud is to:
  - a. Implement harsh penalties for perpetrators
  - b. Outsource all possible functions
  - c. Increase the perception of detection
  - d. Conduct covert audits
  
4. Which of the following steps would be most helpful in determining whether reported revenue includes fictitious amounts?
  - a. Analyzing credits to accounts receivable recorded during the subsequent period
  - b. Examining vendor complaints
  - c. Consulting with management about the validity of the revenue
  - d. Performing a search for unrecorded liabilities
  
5. Controls to minimize the risk of duplicate payments include:
  - a. Not altering the vendor's invoice number during voucher entry
  - b. Not splitting an invoice into multiple vouchers
  - c. Paying from original invoices
  - d. All of the above



6. Which of the following best describes the primary objective of “segregation of duties”?
  - a. Provide for an equitable distribution of the workload among staff
  - b. Audit trail to detect where errors were made and by whom
  - c. Ensure a single individual cannot complete all key aspects of a transaction
  - d. Cross-training to minimize disruptions during employee absences
  
7. Per Dept of Finance & Management Policy #7: External Audit Reports, departments are required to report any substantiated fraudulent activity to the Commissioner of Finance & Management:
  - a. True
  - b. False
  
8. When processing a VISION voucher to a board member for per diem, meals and mileage reimbursement, departments must click on the withholding link on the voucher and perform the following action (*to ensure accurate preparation of the IRS 1099-MISC form*):
  - a. Uncheck the “per diem” line - it is not reportable income
  - b. Uncheck the “mileage” line - it is not reportable income
  - c. Uncheck the “mileage” and “meals” lines - they are not reportable income
  - d. Nothing - all 3 items are reportable income
  
9. Per the Dept of Finance & Management’s Policy 4: Dept Provided Food & Refreshments, which of the following situations is **not** an appropriate use of state funds to purchase food / refreshments?
  - a. Staff kept on-duty past normal work schedules to maintain mission critical operations
  - b. Weekly staff meeting of senior department management
  - c. Department sponsored event where members of the public are invited
  - d. All of the above
  
10. When purchasing an item not available under an existing contract or blanket delegation of authority (BDA), what is the standard transaction sequence?
  - a. Purchase Order – Purchase Requisition – Accounts Payable (AP) Voucher – Vendor Invoice
  - b. Vendor Invoice – Purchase Order – AP Voucher – Purchase Requisition
  - c. Purchase Requisition - Vendor Invoice – Purchase Order – AP Voucher
  - d. Purchase Requisition – Purchase Order – Vendor Invoice – AP Voucher



# Payroll Division News

## ❖ **Special Check / Salary Advance Request Forms:**

These two forms have been updated and are now available on the Finance and Management [website](#) as a “fillable” form. Please use the new version.

## ❖ **Employee Involuntary Terminations and Deaths:**

Please remember to notify your DHR Partner and the Payroll Division as soon as you receive information pertaining to an employee termination or death. Along with the employee’s final timesheet, the Payroll Division requires the submission of a fully completed Special Check Request Form. For Involuntary Terminations the Special Check Request Form should include the employee name, employee number, where final wages are to be sent, pay group number, and last four of the social security number, as well as the vendor number if it is known. If there are special circumstances surrounding the action, please include that information in the notification. These notifications can be scanned to email address: [VISION-Payroll@state.vt.us](mailto:VISION-Payroll@state.vt.us) or faxed to Payroll at 828-2435. Please remember that with any time sensitive data, it is imperative we be alerted with an e-mail message to the Vision-Payroll address.

## ❖ **Access to Payroll Division:**

After reviewing our current operating practices and risks, the door to the Payroll Division will soon be locked 24/7. In preparation of this measure, we have added a mail slot for your convenience when dropping items off and a door bell to ring should you require personal assistance from one of our staff.

## Staff Happenings



- **Nathalie Browning** has joined the Payroll Division as a *Payroll Specialist*. Nathalie’s previous work experience includes as a *Payroll Technician* in 2007 in the Payroll Division and most recently as a *Tax Compliance Officer* for the Tax Department.
- **Aaron Brodeur**, former *Principal Budget & Management Analyst*, left Finance & Management on July 1<sup>st</sup> to accept a position with the Department of Education.

### Internal Control Quiz Answers

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

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