

INTERNAL CONTROL NEWS

SEPTEMBER 2012

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.

New “Vantage” Budget System

by Matt Riven, State Budget Director

The new “Vantage” budget system was activated on August 3rd and is on track to produce the FY 2014 Governor’s Recommended budget to be introduced in January 2013. The system is currently open to the budget office only, and will be opened to field users as they get trained in the next few weeks.

During the spring and summer of 2011 the Office of Budget and Management conducted a Needs Assessment and Product Analysis to find a replacement for the aging Budget Development System (BDS). BDS is an inflexible and highly configured application that provides State financial offices with limited functional or analytical capability. Budget and Management conferred with many State representatives from DII and other departments, from across all three branches of government, and the Coeur Business Group, an IT and Management consulting firm. As a result of this advice and after an exhaustive RFP process, Budget and Management selected CGI’s Advantage Budgeting software, which we are branding as “Vantage” here in Vermont.

Vantage is a flexible, user-friendly tool that is capable of supporting all State budgeting processes out-of-the-box without customization. Some of the “Ad-vantages” that users will experience this year include:

- An integrated approach to the State-wide budget development and monitoring process, including real-time (daily) integration with VISION Financials and HCM applications to create the State’s first fully connected Enterprise Resource Planning (ERP) system;
- Automated budget-to-actual analysis capability at the appropriation level;
- Delineation of “current services” budget versus new initiatives;
- Instant query ability by account expense code, fund, and appropriation;

- More attractive and informative Governor’s budget books;
- Timely, accurate, and relevant reports, allowing staff, management and policy-makers to make informed decisions based on actionable intelligence;
- Streamlined processes and elimination of redundancy through the use of automation, including integration of various mandated budget forms (formerly in various spreadsheets) into the budget system;
- And many other new features.
 - In future years, the system will incorporate “program budget” data as well as performance measures.

As with any new system, there will be an “acclimation” process during which users adapt to the new system. The new functionality and analysis capability of the system requires that more – and better – data go into the system; which will in some respects put more burdens



on you as you build your budgets. (For instance, all budgeted expenses must be fully entered by expense and by fund as whole dollars.) So we ask all participants in the process – both field departments and the budget office –to be patient as we work our way through the first season. The end result, however, will be a better budget product – and over time, a budget tool that is both more informative and easier to use. As always, the budget office will be available to provide you all the customer support – although not necessarily all the General Funds—that you seek. ☺

ERP Expansion Project– Hopeful Realism

The ERP Expansion Project is on the verge of rolling out training to all employees. This milestone signals that we are just a matter of weeks away from changing the tools we use to report time and expenses, hire applicants, and a variety of other employee related tasks. There are all sorts of “project management” terms to explain which phase of the project we are in, but from a change perspective we are experiencing “hopeful realism”.



At this point, the skeptics who reported “I’ll believe it when I see it” are silent. However, this doesn’t mean that resistance is a thing of the past. The project team knows, and expects, that resistance still exists. Doubt and uncertainty are facts of any change. However, the team’s recent experience suggests that the tide has turned and there is acceptance of the new system and widespread commitment, (beyond the project team), to making “it” happen. This past

month, the new tools became more real. Many people got an early glimpse of the system and the keystrokes necessary for success. Employees have more specific information.

The great news is that there is a sense of hope. The amount of positive feedback is considerable and reassuring. In a world where it is much easier to criticize than complement, and a project where silence doesn't necessarily mean consent, unsolicited praises are a good sign. Below is a sample of responses. Our job is not yet done, but we ask that you join the determined in order to succeed.

- "I came away from the Major Change Presentations feeling confident."
- "It will be much easier to do all the routine things that can't be done now."
- "It's encouraging to see the State adopting newer technology and reducing fragmentation and paper-based forms."
- "This system seems very similar to one that I have used before. Many of the employees were not technically savvy in any respect; however it didn't take long for them to figure out how to enter their time so they would get a paycheck."

Blowing the Whistle on Workplace Fraud



Workplace fraud often starts out small and then as the illicit activity goes undetected or unreported the perpetrator gains confidence, further rationalizes their behavior, and moves onto larger, more expensive schemes. Despite experts estimating that businesses lose 3 to 5% of their annual revenue to fraud, most executives under-estimate the amount of fraud that occurs within their organizations as they *want* to believe their fraud controls are better and their employees more honest than in other organizations.

In government organizations the most common types of workplace fraud involve corruption, employee payroll & expense reimbursements, billing schemes (e.g., fictitious/inflated invoices) and non-cash misappropriations (e.g., theft/misuse of equipment or inventory). Fraud, especially the more costly schemes, can be hard to detect as it is frequently hidden among the supposedly more trustworthy employees for they are the ones with the authority and access to assets and information, and the capability to cover up the fraudulent activity. While strong internal controls and anti-fraud measures are essential to prevent and deter fraud, no system is bullet-proof. Anti-fraud controls include management setting the proper ethical tone ("tone at the top"), encouraging & informing employees *how* to report suspected fraud, anonymous hotlines, surprise audits/inspections, employee assistance programs, taking appropriate disciplinary action against wrong-doers, fraud training, and rotating job duties.

When fraud does occur it is far more likely to be detected by **tips**, usually from other employees, than by any other method (e.g., audits, reconciliations, by accident, law enforcement). Employees are encouraged to report suspected fraud to the appointing authorities within their organizations or in accordance with internal policies and procedures. Employees uncomfortable reporting suspected fraud internally or that believe executive management may be complicit, can file a report in confidence with the VT State Auditor's Office at 1-877-290-1400 or at http://auditor.vermont.gov/reporting_fraud. Under *Title 3 V.S.A., chapter 27, subchapter 4A. Whistleblower Protection*, Vermont State Employees are free to report suspected fraud, waste or abuse, in good faith and with candor, without fear of reprisal, intimidation or retaliation.

Staff Happenings



- **Shannon Aquino** joined the Financial Reporting section on August 20th as a Statewide Financial Reporting Analyst II. Shannon is a new employee to VT State Government but brings experience in accounting, auditing and financial reporting at state and local government levels.
- **Terri Tippetts** will join the VISION Finance Support Team on October 8th as a VISION Support Specialist II. Terri most recently worked as a Financial Administrator II with the Agency of Administration's Financial Services Division and brings a wealth of VISION experience across all modules, as well as HCM experience.

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