

State of Vermont
Department of Finance and Management
Financial Operations Division

Financial Process:	Accounts Payable	Issue Date: Number:	November 2007 AP- 01
Topic:	Warrants	Revision Date:	N/A
Approved by:	Brad Ferland, Director of Financial Operations	Page:	1 of 5

Goal

To ensure payments are processed accurately and in an appropriate and timely manner.

Process Objective

Provide reasonable assurance that expenditures are made for authorized purposes in accordance with State laws and policies, and that responsible managers are provided with appropriate opportunity to review the transactions related to such expenditures prior to the disbursement of funds. Procedures are designed to provide a reasonable level of control relative to risk of improper disbursements and will be re-evaluated periodically based on experience.

Statutory Authority

In accordance with Title 32 VSA §182 and §461, the Dept. of Finance & Management Commissioner has the statutory authority and responsibility to draw warrants on the treasurer for all disbursements (*unless otherwise provided in statute*). Warrants are payment instruments drawn by the commissioner, on behalf of departments, directing the State Treasurer to pay specified amounts, from specified funds, to designated payees.

Process Overview

Warrant Processing: (Refer to Pay Cycle procedures for more detail)

Each business day warrants are processed by VISION Financial Analysts in the Accounting Section of the Division of Financial Operations under the direction of the VISION Financial Analyst Manager. Separate warrants are issued for the following payment and transaction types (*the first 5 occur each business day*):

- Checks & Inter-departmental payments.
- Wire Payments
Note: Payment to eFund Corp, fiscal intermediary for electronic benefits transfer (EBT), required daily.
- ACH Payments
Note: Payment to EDS Corp, fiscal intermediary for Medicaid, required each Wednesday (adjusted for holidays that fall on a Wednesday or Thursday).

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- Satellite Payments (re: warrant generated by DII for child support, public assistance, etc).
- Wire payment to CIGNA (re: SOV health insurance).
- Special check payment requests (e.g. salary advances, emergency payments...requests received *after* the daily warrant has been generated).
- Bi-weekly Payroll (warrant generated by Payroll Division).
- Other special warrants (occur throughout month).

VISION financial analysts execute the following primary steps to process each warrant. To meet daily payment processing deadlines, these are time critical activities.

- Tax diversion (run once at start of each business day).
- Pay Cycle process (payment selection and creation, trial payment register, approval, warrant report).
- Print warrant report (2 copies).
- Stamp warrant (both copies) with commissioner's approval.
- Warrants brought to authorized approver for signature (sign both copies).
- Signed warrant hand-delivered to State Treasurer's Office for payment issuance processing (copy retained in FinOps).

Warrant Approval:

At the start of each fiscal year, the Commissioner delegates his/her authority to approve warrants to specific Dept of Finance & Management senior managers via the VISION System Operator Request form. To provide assurances that payments will only be processed from appropriately approved warrants, the Commissioner issues a memorandum to the State Treasurer informing him/her of authorized approvers (with signature sample for validation purposes).

No warrant shall be delivered to the State Treasurer without the approval of an authorized employee. VISION financial analysts must obtain signature approval for each warrant from an authorized employee based on the following hierarchy (subject to employee availability).

- Director of Financial Operations
- Director of Statewide Reporting
- Assistant Director of Statewide Reporting
- Deputy Commissioner
- Commissioner
- Director of Statewide Accounting

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Risks and Controls:

Below are key controls designed to mitigate risks associated with improper or invalid warrants; these controls provide authorized approvers with reasonable assurance that warrants are valid and accurate.

- Unauthorized warrants.
 - Financial Operations (FinOps) procedures require warrants to be approved by an authorized employee before delivery to the State Treasurer’s Office.
- Unapproved vouchers.
 - Unapproved vouchers in VISION will not be picked up in the pay cycle process and thus will not be paid.
- Invalid/Incorrect Vendors.
 - Vendor enrollment and maintenance is managed centrally by FinOps.
 - Vouchers processed using purchase orders to make payments against contracts provide additional vendor controls.
- Improper payments/disbursements.
 - All vouchers must be approved and budget-checked in VISION prior to payment being issued.
 - VISION Procedure #2: Records Retention requires departments to maintain sufficient documentation to support each transaction and provide an audit trail.
 - In accordance with Best Practice #3: Account Payable, departments are responsible for maintaining adequate internal controls for their accounts payable processes.
 - As appropriate, FinOps *may* establish dollar value tolerance thresholds for warrants (based on historical experience) as a *possible* indicator of payment errors.
- Insufficient funds.
 - All vouchers must successfully pass VISION budget-checking before they will be picked up in the pay cycle process and paid.
 - Vouchers processed using purchase orders to make payments against contracts provide additional budgetary controls.
- Insufficient separation of duties.
 - While employees authorized to approve warrants have ample VISION security levels, none of these employees have duties or responsibilities involving the entry of vouchers in VISION.

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- Duplicate warrants.
 - While a warrant may be unintentionally (or intentionally) re-printed and/or delivered more than once to the State Treasurer, the payment data in VISION can only be processed once.
- Duplicate vouchers.
 - VISION has duplicate voucher checking functionality to minimize the risk of an invoice being paid more than once. *Note: Presently AP interfaces bypass this functionality but a supplemental control is under development.*
- Warrants not issued (timely) by F&M.
 - FinOps Accounting Section maintains a schedule of which specific employee is responsible for pay cycles and warrants each day.
 - FinOps staff is proactive in contacting departments to obtain missing or incomplete data (e.g. vendor payments for eFund or EDS) for warrants at risk of missing processing deadlines.
 - State Treasurer’s Office staff is proactive in seeking warrants from FinOps as payment processing deadlines approach.
- Warrants not processed (timely) by State Treasurer’s Office.
 - *This responsibility lies with the State Treasurer’s Office.*
- Decentralized voucher processing.
 - Departments are responsible for maintaining adequate internal controls for their accounts payable processes. To assist departments with this responsibility the following policies, guidance, and tools are provided: Administrative Bulletins, F&M Policies, VISION Procedures, Internal Control Standards & Best Practices, Internal Control Self-Assessments, operational reviews, and audits.
- VISION unavailability (e.g. technical malfunction, power outage, natural disaster).
 - The Dept of Finance & Management maintains a Continuity of Operations Plan for mission critical functions. Plans are in place to operate the VISION system from a remote location, or, if VISION is down and not accessible, manual checks can be produced for critical payments.

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Related Processes/Procedures

- VISION Pay Cycle Processing Instructions
- Internal Control Best Practices #3 – Accounts Payable

Impacted Departments

- The Office of the State Treasurer
- All state government entities that utilize VISION to process disbursements.

Flowchart

High-Level Flowchart of Accounts Payable and Disbursement Warrants

