

Fall 2022 - Internal Control News



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The purpose of this quarterly newsletter is to provide agencies and departments with articles on good business practices, fraud prevention, and internal control responsibilities. Through articles intended to promote educational and professional development opportunities for state employees, this newsletter seeks to raise awareness across state government on the importance of internal control. We hope that by providing you this array of information, we can keep you informed of internal control related activities, and help your staff and division implement and maintain effective internal controls.

<https://finance.vermont.gov> Volume 3, Issue 11

DFM Standard Internal Control - Helpful Web Hyperlinks

Website Resources:

<https://finance.vermont.gov/policies-and-procedures/internal-controls>

Standard Internal Control Manager's Guide:

[Purpose of Guide \(vermont.gov\)](https://finance.vermont.gov/policies-and-procedures/internal-controls/guide)

Quick Hyperlink Reference Guide:

[Finance/files/documents/Pol_Proc/IC/Guidelines.pdf](https://finance.vermont.gov/files/documents/Pol_Proc/IC/Guidelines.pdf)

State Auditor's Fraud, Waste, and Abuse Hotline:

1-877-290-1400 or [Reporting Various Potential Fraud, Waste or Abuse](https://finance.vermont.gov/policies-and-procedures/internal-controls/reporting)

DFM, IC Questions? Contact:

fin.internalcontrol@vermont.gov

Vendor Credit Accounts *Agency's Compliance Requirements*

Recently the **Department of Finance & Management** (DFM) was asked to clarify how **Vendor Credit Accounts** should be handled by Agencies within the State of Vermont. **Agencies should not complete a credit application for any vendor without first consulting with the Vermont Attorney General's Office, the State Treasurer, and the Agency of Administration.** Per Building & General Services (BGS), there should be no need to complete a credit application. Companies' 'credit agreements' are generally lopsided in favor of the company, are generally built for or around private sector assumptions, and very frequently contain legal terms and conditions that would be strongly objectionable to the VT AG's Office. Please contact BGS **PRIOR** to applying to any vendor credit accounts.

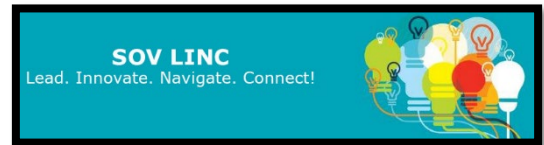


Will “VTBuys” impact how I use VISION today?

YES! The State of Vermont is implementing a new procurement system called VTBuys and it will change the procurement process across state government. VTBuys will impact the work you do today in VISION such as requesting procurement suppliers, contract management, requisitions, purchase orders and purchase order vouchers. Stay tuned for additional communication to be sure you understand the impacts to your Agency / Department. Please visit the [VTBuys site](#) to learn more about the system, review FAQ’s and subscribe to the VTBuys newsletter.

VISION Training Videos Move to SOV LINC

The VISION training videos have been relocated from YouTube to the state’s learning management system, SOV LINC. We made this change to make it easier for you to access VISION training aides and to better manage the content. You can access [SOV LINC](#) here or by clicking on the VISION Videos link on any of the support pages on the Department of Finance and Management [VISION Module Support page](#). Once logged in search on “VISION.”



VISION Service Request (VSR’s) **Attn: All VISION END Users:**

The Department of Finance and Management would like to remind everyone that it is still **not accepting** any new VSR’s until further notice. If you have an extremely urgent need, you can send an email to Vision.FinHelpdesk@vermont.gov and someone will get back to you ASAP.



SOC Reports - Understanding Them....

State of Vermont August 12, 2022 – Presented by:

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Recently CLA, our external Auditors, presented a web presentation on **SOC Reports** to the State of Vermont. The Department of Finance and Management’s Internal Control Unit would like to highlight some of the segments of their presentation on SOC Reports that could potentially impact our agencies.

What are SOC Reports 1, 2, and 3?

- SOC, an acronym, stands for “System and Organization Controls.”
- Simply put, a SOC report is an effective reporting option for entities (“service organizations”) to convey the effectiveness of their internal control environment for specific processes and / or service offerings.
- A SOC report’s scope can cover an entire organization or can be more limited:
 - A specific service line.
 - A specific application.
 - Scope flexibility is one of the main reasons for the SOC’s rising popularity.



- Important, SOC is first and foremost, an attestation report. So, what does that mean? It means that you can't just say, "we have effective controls" in the SOC report and call it a day! SOC reports themselves must meet disclosure and examination requirements completed by an independent auditor. The compilation and assessment requirements are governed by standards issued by the American Institute of Certified Public Accountants ('AICPA'). Overtime, SOC reporting requirements are becoming more stringent and auditor's testing procedures becoming more detailed and robust.
- The specific standard as evolved over the years:
 - SAS 70 - original standard.
 - SSAE 16 - adopted and superseded SAS 70 in 2011.
 - SSAE 18 - adopted 2017.
 - SSAE 21 - adopted 2022.

What is a SOC 1 Report?

- There are 3 different buckets that SOC reports are grouped in, each are different and have their own unique traits: SOC 1, SOC 2, SOC 3. Within the SOC 1 and SOC 2 buckets, SOC reports are further categorized as either a Type 1 or Type 2. For example, SOC 1 Type 1 or Type 2, SOC 2 Type 1 or Type 2. SOC 3 –This will always be a Type 2 report. Common SOC verbiage:
 - **"Service Organization"** - Company / Organization that is the one issuing the SOC report. Their processes and associated internal controls are in scope for the report.
 - **"Service Auditor"** - Independent assessor engaged by the service organization to conduct an assessment on the service organization's internal control. Their assessment results and audit opinion are included in the service organization's SOC report.
 - **"User Entity"** - The intended recipient(s) of the SOC report. The service organization is responsible for providing their SOC report to the user entity (not the auditor). They can be any stakeholder, such as customers, financial statement auditors, regulators, etc.
 - **"Subservice Organization"** - A key vendor of a service organization for which certain procedures or internal controls has been outsourced to by the service organization.
- Focus is on in-scope processes and services where key internal controls over financial reporting (IFCRs) are relevant. Financial statement auditors are the primary user entities of a SOC 1. We are not assessing the ICFRs relating to the service organizations' own financials. Controls in scope mostly involve ensuring the accuracy, completeness, and timeliness of financial data that is important to a service organization's user entities.



What is a SOC 2 Report?

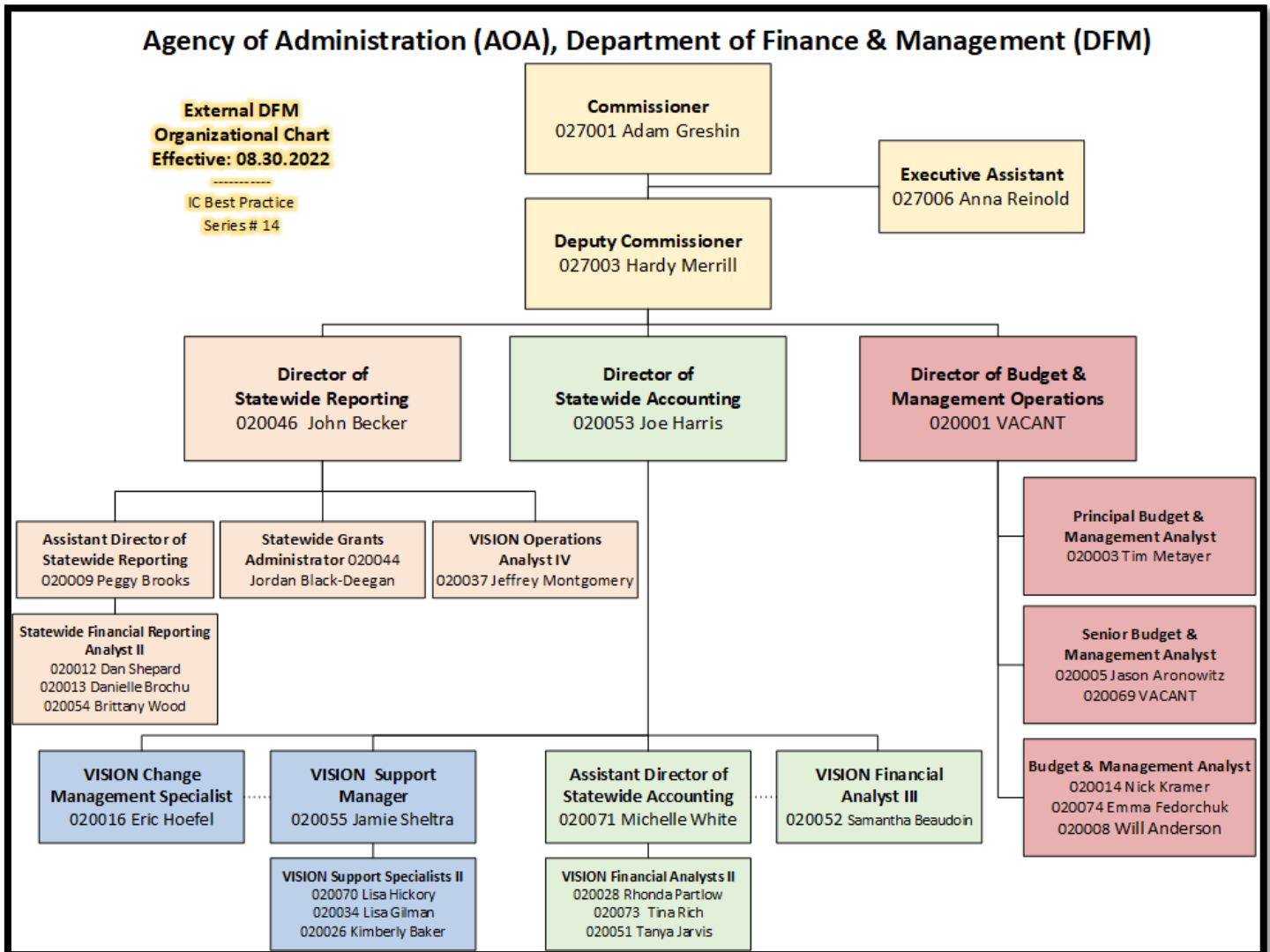
- SOC 2 is considerably different from a SOC 1. Instead of the accuracy, completeness and timeliness of financial data, SOC 2 specifically addresses the internal controls over the security, availability, confidentiality, processing integrity, and privacy of data. Controls specific to IT / Cybersecurity are the main show here. The intended users of SOC 2s are broader than a SOC 1. Focus is on key internal controls in place to meet defined criteria relating to the security, availability, confidentiality, processing integrity, and / or privacy of system data.

DFM Staff Happenings - Retirement & Rehire:

- **Lisa Gilman, VISION Support Specialist II.** After 33 years of public service, Lisa will retire from state government on October 21, 2022. Lisa has come full circle as she was originally hired by Finance and Management and will now retire as a member of that same department. Throughout her public service career, she also worked in Corrections, Mental Health, Office of State Treasurer, Agriculture, and DMV and her desire to help others made her a great mentor to many state employees. She has been an invaluable asset and she will leave behind a legacy of professionalism.
 - **Jamie Sheltra, VISION Support Manager, DFM**

- **John Becker, Director of Statewide Reporting.** John has rejoined Finance & Management as the Director of Statewide Reporting, the same position he held here prior to joining AOT as a Financial Director IV. Please join me in welcoming John back.
 - **Hardy Merrill, Deputy Commissioner, DFM**

Our Internal Control News is published quarterly in the *Spring, Summer, Fall,* and *Winter* by The Department of Finance and Management (DFM). Please contact fin.internalcontrol@vermont.gov with comments or future article suggestions.



<https://finance.vermont.gov/about-department>