

Fall 2021 - 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 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 you implement and maintain effective controls.

<https://finance.vermont.gov> Volume 2, Issue 07

• Internal Control Standards - Helpful Web Links

A Guide for Managers 2.0 is available with other important linked resources:

Standards Guide:

https://finance.vermont.gov/sites/finance/files/documents/Pol_Proc/IC/FIN-Internal_Control_Standards_Managers_Guide_Master.pdf

Website Resources:

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

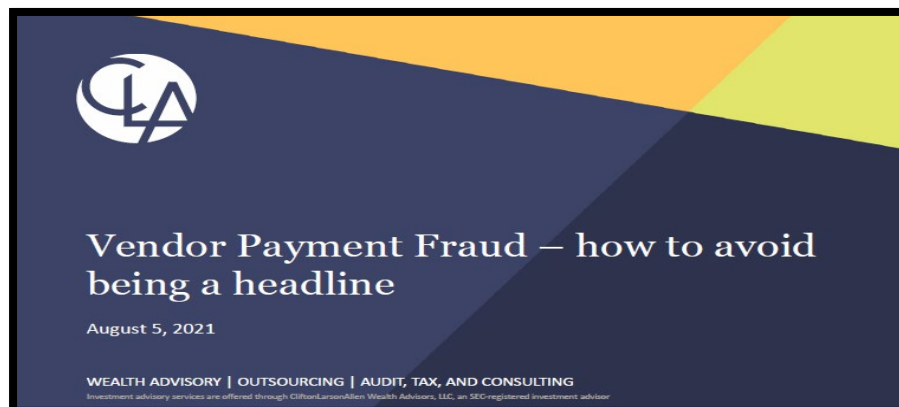
Quick Reference PDF Guide:

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

IC Questions? Contact:

fin.internalcontrol@vermont.gov

• Vendor Payment Fraud – A CLA PowerPoint Presentation



Recent Training Session presented by:

- Vermont State Auditor's Office and
- CLA, the State's External Auditors

Here are some of the highlights of topics from the presentation.



- What is internal control?
 - Internal control is a process determined by an entity's board, management, and other personnel, designed to provide reasonable assurance regarding the objectives in the following areas:
 - Effectiveness and efficiency of operations
 - Reliability of financial reporting
 - Compliance with applicable laws and regulations
- Process vs. Internal Control
 - Process: A collection of activities or tasks that produce an outcome
 - Control: An activity performed by an entity to assure the implementation of policy, safeguard assets, and avoid fraud and error. An activity is a critical step within the process that leads to success of the entire process
- What are examples of internal controls?



- Segregation of duties
- Access controls
- Standardized documentation
- Periodic reconciliations
- Approval authority
- Exception / edit reports
- Management review

- Importance of Internal Controls

- Prevention and detection of:
 - Fraud
 - Material misstatements
 - Material non-compliance
 - Operational mishaps
 - “Newspaper/Headline” risk



- Vendor Fraud: Types and Examples

- External Fraud – Electronic Vendor Payments

- External
 - Perpetrated by an individual outside of the entity
- Electronic Vendor Payments
 - Payments made by:
 - Automated Clearing House (ACH)
 - Electronic Funds Transfer (EFT)
 - Wire transfer



- Two Common Schemes

1. Submitting fraudulent paperwork to redirect approved payments
 - a. Changing banking information or type of payment
2. Email requesting payment impersonating a vendor, Board member, or Finance member
 - a. Relies on familiarity
 - b. May come from legitimate (hacked) email address
 - c. COVID-19 has only increased these schemes

- Email Phishing

- Goals: Convince target to do something
- Gain access to: Business email accounts (“BEC” or “Business Email Compromise”) including



- Financial accounts (payroll, AR/AP, e-Treasury management, etc.)
- Network resources and confidential/sensitive information
- Personal email accounts, cloud accounts, social media accounts
- Malware infection via:
 - Links to malicious website containing drive-by malware
 - o Email attachments ZIP, RAR, HTA, JAR, Office documents

- Resources

- CLA's website for state and local governments (articles, webinars, white papers): State and Local Governments: Industries: CLA (CliftonLarsonAllen) claconnect.com
- National Cybersecurity Alliance (NCSA): <https://staysafeonline.org/cybersecurity-awareness-month/>
- GFOA Advisory on Electronic Vendor Fraud: <https://www.gfoa.org/materials/electronic-vendor-fraud>

- References

- <https://auditor.vermont.gov/content/training>
- [PowerPoint Presentation \(vermont.gov\)](#)

A teal-colored business card with a black border. The text on the card reads: "Allison Slife, CPA", "Principal, State and Local Government", "303-439-6018", "Allison.Slife@CLAconnect.com". Below the text is the CLA logo (a circle with 'C' and 'A' inside) and the website "CLAconnect.com". Underneath are icons for LinkedIn, Facebook, Twitter, YouTube, and Instagram. At the bottom, it says "WEALTH ADVISORY | OUTSOURCING | AUDIT, TAX, AND CONSULTING" and a small disclaimer: "Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor."

• IC Quick Reference Website Guide

Your “Hyperlink Cheat Sheet” for Policies, Procedures, & Guidelines

- o [Finance/files/documents/Pol_Proc/IC/Guidelines.pdf](#)

Important: Download & Save the above PDF to your Desktop to use the IC Hyperlinks....

State of Vermont
 Department of Finance & Management
 Flowchart of Basic Policies, Procedures, and Guidelines
 (BPS # 15 General Overview)*(with Hyperlinks)*

AOA Administrative Bulletins <i>Hyperlink</i>	AOA Secretary's Directive Memos <i>Hyperlink</i>	DFM Policies and Procedures <i>Hyperlink</i>	DFM VISION Procedures <i>Hyperlink</i>	DFM VISION Closing, Jobs, & Ops <i>Hyperlink</i>	DFM Grant Guidelines Bulletin 5.0 <i>Hyperlink</i>	DFM IC & Best Practice Series <i>Hyperlink</i>
2.3 State Vehicles & Attachments	2021 Memos	# 1 Suspensions # 2 Federal Funds	# 1 Asset Management # 2 Rec Retention	Year End Closing	# 1 Pre-Award Eligibility	# 1 Cash Receipts & Bank Recons # 2 Petty Cash
3.3 Delegation of Authority & Addendums	2020 Memos	# 3 Pers Greetings # 4 Food & Refreshment	# 3 Purchases Orders, Contracts, BDA's	Month End Closing	# 2 Single Audit Review # 3 Grant Payments	# 3 A/P # 4 A/R
3.4 Employee Travel & Expense POV Mileage	2019 Memos	# 5 Payment Terms # 6 Voided	# 4 Control & Transfer # 5 Petty Cash	Closing Forms	Bulletin 5 Forms Grant Agreement Part 1 & 2	# 5 Ledger Review # 6 Capital Assets
3.5 Procurement & Contracting	2018 Memos	# 7 Audit Reports # 8 FFATA	# 6 Prior Year Refunds # 7 GL Transfers	VISION Forms	Attachment C Act 154 GS Insurances	# 7 Purchasing # 8 Emp Separation
5.0 Grant Monitoring & Guidance	2017 Memos	# 9 Single Audit Finding Responses	# 8 Void Checks # 9 Travel Cash Advances		Granting Plans & Bulletin Tools	# 9 Reserved #10 Emp T & E # 11 Fraud
7.14 Equipment Fund 10.0 ARRA Acct & Transparency	2016 & Prior Memos	# 10 Capital Assets	# 10 VISION Service Requests		Monitoring & Logs	# 12 SOC Rptg #13 Reserved
17.10 Employment of Legal Counsel	Other Policy Directives				Federal Guidance	# 14 SoV Org Charting # 15 BPS References

• DFM Staff Happenings:

Promotions:

Justin Kenney, Interim Chief Performance Officer, Agency of Administration. *We wish Justin the best of success in his new interim position.*

- Adam Greshin, Commissioner, Department of Finance and Management



Jamie Sheltra, VISION Support Manager, Department of Finance & Management. *Jamie has been promoted to VISION Support Manager. Jamie brings 13+ years of VISION transactional, configuration and project experience to the VISION Support team. We are excited to have him continue working in Financial Operations in this new role.*

- Ruthellen Doyon, Director of Statewide Accounting, Department of Finance and Management

Retirement:

Karen Symonds, VISION Support Manager, Department of Finance and Management. *Karen Symonds retired on 8/1/2021 after 28+ years of state service and 18+ of those with the Department of Finance and Management.*

- Ruthellen Doyon, Director of Statewide Accounting, Department of Finance and Management

Departure:

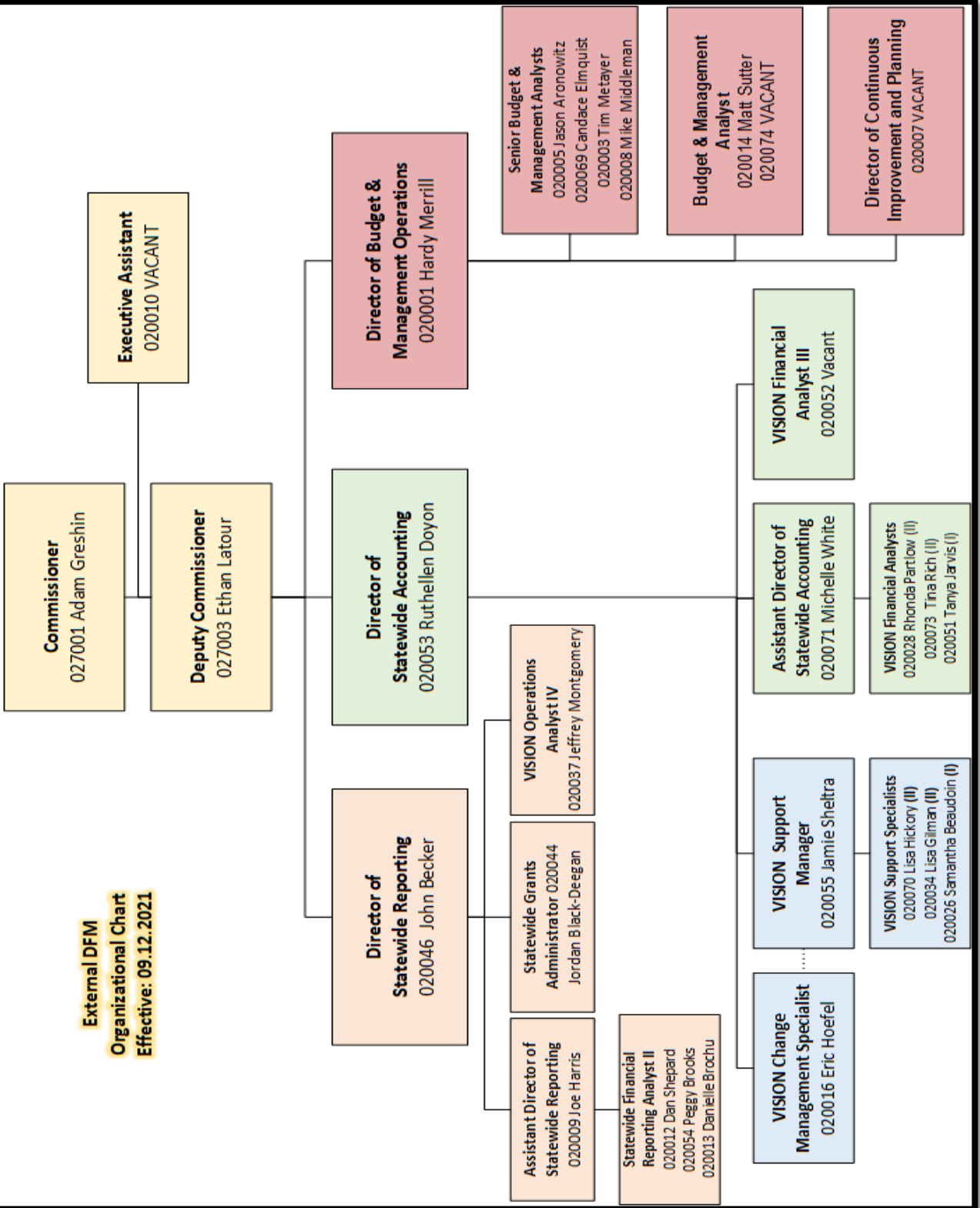
Ariel Murphy, Executive Assistant, Department of Finance and Management. *Ariel has left DFM as of Friday July 23rd to pursue her law school degree at UC Berkeley this fall. We wish Ariel all the best of success in California.*

- Adam Greshin, Commissioner, Department of Finance and Management

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 suggestions.

Agency of Administration (AOA), Department of Finance & Management (DFM)

External DFM
Organizational Chart
Effective: 09.12.2021



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