

# INTERNAL CONTROL NEWS

## DECEMBER 2017

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.

## Extension of Benefits – Mileage Reimbursement

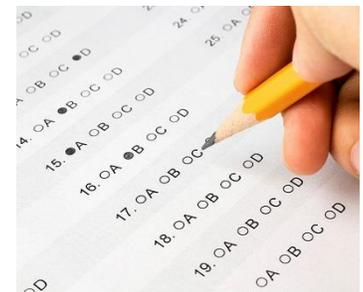


Per the [Extension of Benefits](#) authorized by the Secretary of Administration, this is a reminder that **Designated Managers** and **Exempt** employees in the Executive Branch are only allowed to claim mileage reimbursement at the **reduced rate** (re: “if a State-owned or leased vehicle is reasonably available”) for official travel in a privately-owned vehicle. When filing an expense report in VISION, the two applicable expense types are “IN MILES REDUCED RATE” and “OUT MILES REDUCED RATE” (for mileage related to out-of-state travel).

For all other employees, departments must adhere to the Agency of Administration’s [Bulletin 3.4: Employee Travel & Expense Policy](#) and the Collective Bargaining Agreements, as applicable, to determine whether mileage reimbursement claims are eligible at the **full** or **reduced** rate. Please contact [VISION Support](#) with questions about expense report processing or the Department of Human Resources’ Labor Relations Division for questions regarding mileage reimbursement.

## Internal Control Quiz

1. Senior management’s commitment to establishing the “tone at the top” regarding the importance of internal controls and expected standards of conduct falls under which of the five integrated components of the COSO Internal Control framework?
  - a. Control Environment
  - b. Risk Assessment
  - c. Control Activities
  - d. Information & Communication
  - e. Monitoring



2. Patents, easements, software and timber rights are all examples of:
  - a. Capital Assets
  - b. Infrastructure Assets
  - c. Intangible Assets
  - d. Non-Capital Assets
  
3. The IRS form “Request for Taxpayer Identification Number and Certification” is commonly referred to as a:
  - a. 1099-MISC
  - b. W-2
  - c. W-4
  - d. W-9
  
4. Per the Agency of Administration’s Bulletin 3.4: Employee Travel & Expense Policy, out-of-state employee travel requiring an overnight stay must be authorized in advance via an official Travel Authorization form.
  - a. True
  - b. False
  
5. Which of the following control activities is not a preventative control?
  - a. Approving a purchase order prior to the commitment of funds
  - b. Performing a physical inventory of fixed assets
  - c. Securing cash receipts in a locked safe
  - d. Verifying a participant’s eligibility before authorizing services
  
6. The “Fraud Triangle” (*re: Donald Cressey, criminologist*), a model for explaining the factors typically present in occupational fraud cases, consists of the three elements: Pressure, Opportunity and \_\_\_\_\_.
  - a. Authorization
  - b. Collusion
  - c. Deception
  - d. Rationalization
  
7. Per F&M’s VISION Procedure #8: Void Check, when in possession of a VISION vendor check that is invalid (e.g., *error in payee*) or no longer needed (e.g., *purchase cancelled*) departments shall:
  - a. Deposit the check and process a refund of expenditure.
  - b. Destroy the check and notify Finance & Management.
  - c. Return the check to the State Treasurer’s Office for processing.
  - d. Any of the above methods are acceptable.

8. The most negative opinion that an auditor can express on the financial statements is a/an:
- a. Adverse opinion.
  - b. Disclaimer.
  - c. Qualified opinion.
  - d. Unqualified (unmodified) opinion.

## Internal Controls à la Yogi Berra

The article below is re-printed (in-part) with permission of the Minnesota Management & Budget's Internal Control & Accountability Unit.

New York Yankees legend and baseball hall of famer Yogi Berra [1925-2015] is famous for his remarkable sports career and for his many paradoxical expressions that became fondly known as “Yogi-isms”. Here are some well-known **Yogi-isms** with an internal control twist:



***“If you don’t know where you are going, you might wind up someplace else.”***

How do you know how strong and robust your internal control system is? Doing a risk assessment provides a baseline of current controls and identifies control gaps. It also will help you pinpoint the key control activities. Assessing risk shows you where you are going and what you need to do to get there.

***“You can observe a lot by just watching.”***

All employees must be control conscious. Supervisors should be aware of key control activities and actively review to ensure employees are consistently performing those key activities. Front-line employees are in the best position to identify and mitigate vulnerabilities as they go about their day-to-day activities. As a result, supervisors should listen to and follow up on employee comments about potential problems and weaknesses in their processes and programs.

***“Pair up in threes.”***

An important internal control activity is separation of duties. One person should never have complete control over an entire business process. Instead, you should build in independent checks and balances. The most effective segregation of duties separates three functions: recording, custody, and authorization. If this is not possible, the process should include at least two people, to provide an independent “second set of eyes.”

***“It’s like déjà vu all over again.”***

You must monitor your internal controls. Systems, personnel, and legal changes can introduce new risks or make existing control activities ineffective or obsolete. If not reviewed and reassessed, control systems degrade over time and become less effective, leaving your programs vulnerable.

***“We make too many wrong mistakes.”***

Internal controls not only guard against intentional employee misconduct and fraud, but they also provide employees with protection against unintentional errors. Authorizations, approvals, and reconciliations are all control activities that help catch honest mistakes before they become big problems. Finally, remember that internal controls are a work in progress. While we are constantly striving to improve our control systems, we know that they give us only reasonable, rather than absolute, assurance. As Yogi said it best:

***“If the world were perfect, it wouldn’t be.”***

Suggested action steps: The importance of internal controls should be a part of the ongoing conversations within your work units. Consider using one of these Yogi-isms to get the conversation going!

## F&M Happenings



- **Karen Symonds**, former VISION Support Specialist III, was promoted in October to the position of VISION Support Manager.
- **Danielle Brochu** joined F&M on October 30 as a VISION Support Specialist I. Danielle previously worked for National Life as a team leader in the Compensation Department.
- **Eric Hoefel** joined F&M on November 13 as a VISION Change Management Specialist. Eric has a strong background in organizational change management including experience as a Communications and Change Management Analyst at the University of Vermont during the implementation of their PeopleSoft Financial/HCM system.
- **Jean Stetter**, former Budget & Management Analyst, left F&M on December 8 to become the Administrative Services Director at the Green Mountain Care Board.

**Internal Control News** is published quarterly by the Dept. of Finance & Management. Please contact [Kevin Gilman](#) with comments or suggestions. For past issues please visit: <http://finance.vermont.gov/reports-and-publications/internal-control-newsletters>

Quiz Answers: 1. a; 2. c; 3. d; 4. a; 5. b; 6. d; 7. c; 8. a