

INTERNAL CONTROL NEWS

JUNE 2014

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.

Five Things to Know about Expenses

Truly, there are more than five things to know, but in the interest of maximizing the amount of time to spend meeting year-end deadlines, this quarter's news focuses on five.

1. **Travel Authorizations for travel beginning after July 1st** cannot be entered before July 1st because of year-end closing requirements.
2. **June's rules are different.** Typically Expense Coordinators have the first five business days of each month to finish processing data in the month just ended. July is the exception; all transactions must be in the proper status on June 30th.
3. Please see the VISION Transactions section of the [Year End Closing Instructions](#) for more information on items 1 & 2.
4. It's the start of vacation season for many employees. Please remind supervisors to set an alternate approver for expense transactions during an absence. The [Alternate Approver Job Aid](#) provides instructions. (VISION Support is able to set an alternate upon request.)
5. If you have a need for Expense Coordinator-like access, without the security to approve transactions, we can help. Give VISION Support a call at 802-828-6700 or email VISION-helpdesk-FIN@state.vt.us and we can tell you more.



VISION Prior Year (**PY**) Payables

The Department of Finance and Management is responsible for presenting its Comprehensive Annual Financial Report (or CAFR) to the Governor and Legislature by December 31 of each year. This CAFR is prepared in accordance with generally accepted accounting principles for state and local governments (or GAAP) and is subject to independent audit in accordance with generally accepted auditing standards. These accounting principles require that the financial statements for each fund be prepared using what is called the modified accrual basis of

accounting, which means in part that expenditures are recorded as expenses (and accounts payable) when the liability is incurred, rather than when payment is made.



Departmental business managers generally enter expenditures into VISION when they are paying for a particular good or service. In order for us to identify which expenditures need to be reported as payables, we ask each department to identify all vouchers entered after each June 30 that pertain to the prior year (goods received or services performed prior to July 1) by using a **PY** prefix in the invoice id field on VISION Accounts Payable vouchers.

In prior years, we have experienced a repeat audit finding for the way that departments have been processing invoices. First, KPMG Auditors found instances where an invoice was clearly for the prior year but was not coded as such. Our department attempts to identify these invoices by running various queries, but this is not only time consuming, it also doesn't guarantee that we will find each instance where this occurs.

Second, KPMG Auditors found instances where invoices spanned multiple fiscal years and the portion attributable to the prior year had not been coded as such. This most commonly happens in construction contracts or consulting contracts, where invoices may cover expenses that were incurred partially in June and partially in July, but included in a single invoice dated July. Often it is not apparent on the invoice summary that it is necessary to make an allocation to the correct fiscal year, but the supporting documentation did contain the needed information. This is why it is very important to review the supporting information in addition to the invoice to determine the correct allocation across fiscal years. Invoices that cover a period including the fiscal year just ended and the new fiscal year that are clearly itemized by date and amount will require the preparation of a separate voucher for each fiscal year's amount. The voucher covering the goods received or services performed for the period prior to July 1 must have a prefix of PY in the invoice field.

If you find vouchers were entered that should have had a PY prefix but didn't, you can notify us of that correction by using the **Vouchers - PY Missing.xls** form available at: <http://finance.vermont.gov/forms#CAFR>, and email it to VISION-CAFR@state.vt.us.

If you have any questions regarding prior year payables, please contact John Becker by phone at 802-828-0678 or email at john.becker@state.vt.us. Thank you for your assistance in helping to ensure another successful year end closeout.

FAQ: Kitchen Appliances



Can we use State funds to purchase kitchen appliances (refrigerator, microwave, coffee-maker, etc.) for our office area?

Most generally State funds (general, transportation, federal, special, enterprise, etc.) are **not** available for the purchase of such items, unless the item

(equipment) was specifically budgeted and appropriated in the department's budget; this is the general requirement/expectation for all expenses [re: 32 VSA §462(a)]. While it may not be reasonable to expect **every** item of expenditure to be specified in the budget, appropriations are enacted to finance public purposes and any proposed expense that is not specifically budgeted must be in direct support of the department's mission and made within the overall availability of funds.

Whether appropriated State funds are available *or* the expense will be made from employees' personal funds, departments must coordinate in advance with BGS Property Management to verify whether there is an adequate power supply and no other building implications. If the planned location is in a leased building, departments should contact BGS Property Management to determine whether there are any provisions in the lease agreement regarding appliances. Departments must also adhere to BGS Office of Purchasing & Contracting requirements regarding the availability of items under statewide contracts and applicable energy star rating requirements.



SAVE THE DATE

The Agency of Administration, Department of Finance & Management and State Auditor's Office will be sponsoring a training by KPMG on the new Office of Management & Budget (OMB) "**Uniform Guidance**." The training session will be held in Montpelier's Pavilion Auditorium (109 State Street) on September 9, 2014 from 9AM – Noon. The new requirements will impact everyone who writes, manages and reports on federal awards; this training is not only for business office folks. OMB consolidated and superseded the 7 previous circulars (A-21, A-87, A-110, A-89, A102, A-133 and A-50) related to administrative, cost principles and audit requirements for all federal awards. The effective date for states is December 26, 2014.

Staff Happenings



- Joe Harris rejoined the Financial Reporting section in May as a Statewide Financial Reporting Analyst II. Joe comes to F&M after spending the past five years with the Agency of Administration's Financial Services Division, prior to that Joe worked in F&M's Financial Reporting section as a Statewide Financial Reporting Analyst.
- Bradley Kukenberger, former Senior Budget & Management Analyst and Vantage Administrator, has accepted a Financial Director II position with the Agency of Administration's Financial Services Division.

Internal Control News is published quarterly by the Dept. of Finance & Management.
Please contact [Kevin Gilman](#) with comments or suggestions.