

INTERNAL CONTROL NEWS

JUNE 2015

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.

VISION Prior Year (PY) Payables



It is absolutely critical that vouchers entered after June 30th for prior year expenditures use the prefix **PY** in the invoice id field. This requirement has been the subject of repeat audit findings and most commonly happens with construction and consulting contracts where it's not always obvious that the invoice is for work completed in June (or earlier).

Employees enter expenditures into the VISION Accounts Payable module when they are paying for a particular good or service. Employees must identify all vouchers, *entered after 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. This requirement is critical in order for us to identify which expenditures need to be reported as prior year payables.

Each year the Department of Finance and Management prepares the Comprehensive Annual Financial Report (CAFR) in accordance with generally accepted accounting principles (or GAAP) and is subject to independent audit in accordance with generally accepted auditing standards.

We have experienced a repeat audit finding for failure to meet this requirement. First, KPMG Auditors found instances where an invoice was clearly for the prior year but was not coded as such. We attempt to identify these invoices by running various queries, but this 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.

- Review supporting documentation for the invoice when entering a voucher as the invoice summary does not indicate that it is necessary to correctly allocate across fiscal years.
- An invoice that crosses fiscal years must be split into two vouchers, one for each year. 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 form "**Vouchers - PY Missing.xls**" 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.

Year-end Reporting of Accounts Receivable

You too can prevent repeat audit findings by diligence in reporting accounts receivable on the CAFR-1 form.

Accounts receivable, unearned revenue and cash on hand information is collected by Financial Reporting for CAFR reporting and audit purposes. The State's CAFR reports all accounts receivable net of any allowances for uncollectible amounts on its balance sheet at year-end. The accounts receivable information is collected on the **CAFR-1 form** (<http://finance.vermont.gov/forms#CAFR>). The CAFR-1 form includes information about amounts that were owed to the State on or before June 30, and for which payment has not yet been received by the State by June 30.

One area related to the audit testing of the CAFR-1 that has caused audit findings is Departments/Agencies not being able to provide the auditors with sufficient back-up information to support the amounts entered on the CAFR-1. This year we would like to see these audit findings not be repeated. When preparing this year's CAFR-1 please remember your department is required to maintain a detailed listing to support the amounts reported on the CAFR-1. This listing should be readily available should the amount be selected for testing by the auditor and/or the Department of Finance & Management.



If you have any questions regarding accounts receivable or the CAFR-1 form, please contact John Becker by phone at 802-828-0678 or email at john.becker@state.vt.us.

Third-Party Travel Reimbursements

All executive branch departments must comply with the requirements of [Bulletin 3.4: Employee Travel & Expense Policy Section 18–Third-Party Payments/Reimbursements](#) whenever a third-party will be providing reimbursement of, or directly paying for, an employee’s expenses to attend an event (conference, meeting, training, tradeshow, etc.). Key objectives are prior authorization to avoid any real or perceived conflict of interest and controls to minimize the risk of duplicate payments and/or fraud. While nearly all departments acknowledged compliance on their most recent self-assessment of internal control, a recent public records request found that in practice not all conditions were being followed, specifically use of the form (*when applicable*) “**Authorization of Employee Expenses to be Paid by a Third-Party Organization**”; this form can be found on the F&M website at: <http://finance.vermont.gov/forms#VISION>

Staff Happenings



- **Kelly Murphy** has accepted the position of Budget and Management Analyst within the Department of Finance and Management. Kelly’s assigned departments will fall primarily within the Agency of Human Services. Kelly is a graduate of the UVM Master of Public Administration program and brings policy, planning and budgeting experience from both large and small municipal environments. Kelly will be starting on July 20th.
- **Karen Jaquish** received a Public Service Recognition Award for her efforts on the rewrite of *Administrative Bulletin 5, Policy for Grant Issuance and Monitoring*.
- The Government Finance Officers Association (GFOA) has awarded Vermont’s 2014 Comprehensive Annual Financial Report (CAFR) with their **Certificate of Achievement for Excellence in Financial Reporting**. This is the highest form of recognition in the area of governmental accounting and financial reporting. We thank the many state employees from all departments that provide the information needed to create this report each year.
- **Bill Hall** was recently elected to a 3 year term on the GFOA’s Executive Board by the GFOA membership.

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/newsletters