

INTERNAL CONTROL NEWS

JUNE 2016

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 in your department's business office generally enter expenditures into the VISION Accounts Payable module 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 require employees 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.

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 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.

Additional information can be found on page 19 of the [VISION Year-End Closing Instructions](#). 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 [VouchersPYMissing.xlsx](#) form and email it to: Vision.Cafr@vermont.gov

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

Budget Development Changes

There is no better time to re-examine the budget development process than immediately after the most recent one concluded. Budget and Management has begun re-evaluating how the budget office works with Agencies and Departments in the development of the annual State budget. We have been thinking about what processes and procedures are used, what tools are utilized and to what end, what could we do to make it run smoother, how can we do a better job to provide the best information to the Governor, Legislature, and citizens, and how does what we do ensure that we allocate resources efficiently and effectively to give departments the ability to provide services to Vermonters.



This will be a continuous improvement process and we welcome input from departments on how we can do things better and differently to improve the budget development process. Many of you have been engaged by Budget and Management to discuss the use of Vantage and the role it currently plays in the budget development process. Through feedback from departments and conversations within Budget and Management we have determined that we are going to begin to use the Vantage system to influence the decision making in Finance and Management. We are going to ask that all departments enter their budgets into Vantage prior to meeting with the Commissioner of Finance and Management in the fall. The goal of this change is to eliminate some of the last minute pressure to enter information into Vantage during the Holidays while providing Finance and Management with data to analyze and sufficient time to analyze it. The budget development process should be dynamic, not static; this change will give budget analysts tools to make the process more interactive.

Budget and Management is going to work to develop more instructions on using Vantage and more reports to give departments access to more information in the coming years. To this end, we will issue budget instructions that are more robust and include more statewide budgeting guidance to help departments budget certain costs, such as internal service funds, fuel, and vacancy savings to name a few.

The budget development process we will all be working through starting this fall will be exciting, with new processes, new budget analysts, and anticipated new leadership in most, if not all, departments including Finance and Management. Please do not hesitate to send any additional feedback, thoughts, or suggestions to the budget office as we work to continuously improve our processes.

F&M Releases Bulletin 5 Procedure #2

Finance & Management is releasing Bulletin 5 Procedure #2-*Single Audit Review and Coordination* to be effective July 1, 2016. This procedure is to be used by both primary and secondary pass-through entities when reviewing their subrecipients' single audit reports and it builds upon procedures in effect under the previous version of Bulletin 5. The appendices in the document contain tasks laid out in a timeline format which is designed to be a reference tool throughout the review process. Contact Karen Jaquish, Statewide Grants Administrator, at karen.jaquish@vermont.gov with any questions pertaining to this procedure or to Bulletin 5 in general.



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**. 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.

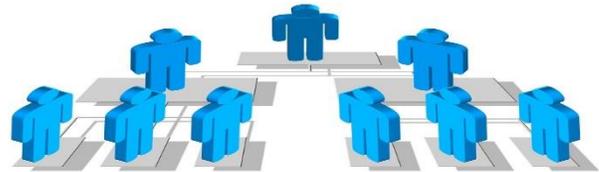
One area related to the audit testing of the CAFR-1 that has caused audit findings is Departments/Agencies not being able to provide the auditors with sufficient back-up information to support the amounts entered on the CAFR-1. This year we would like to see these

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.

Additional information can be found on page 28 of the [VISION Year-End Closing Instructions](#).

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@vermont.gov.

Staff Happenings



- **Nick Foss** has accepted the position of Budget and Management Analyst within the Department of Finance and Management. Nick's assigned departments will fall primarily within the areas of Protection and General Government. Nick is coming to Finance and Management from the Treasurer's Office where he has served as an Investment Analyst for two years. His educational background is in Finance and Accounting. Nick started on June 13th.
- **Jean Stetter** has accepted the position of Budget and Management Analyst within the Department of Finance and Management. Jean's assigned departments will fall primarily within the Agency of Human Services. Jean will be coming to Finance and Management after a brief stint in the Office of Health Care Reform. Prior to joining state government, she spent 13 years as a Financial Analyst for Ben and Jerry's, in addition she has held positions in Montpelier schools and at Keurig Green Mountain. Jean starts on June 27th.

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