

# INTERNAL CONTROL NEWS

## MARCH 2012

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.



## Important Payroll Reminders

The Payroll team would like to take this opportunity to thank everyone in the field for their dedication and support. Tropical Storm Irene did not stop us from working together to ensure that all State of Vermont employees received their pay. Thank you! Now that most of you are relocated in your new working environments, there are a few important reminders we would like to share.

**Corresponding with Payroll** – We have established a general email box which is our preferred method for correspondence. [VISION-Payroll@state.vt.us](mailto:VISION-Payroll@state.vt.us) is assigned to our Specialists to be reviewed daily and is now set up to provide an auto reply to validate receipt of each email request sent. We would like to encourage using this for scanning forms, requests and questions.

**Payroll Forms** – Our forms are located on the Department of Finance & Management's website at <http://finance.vermont.gov/forms#payroll>. We have made changes to some of our forms along with making them "fillable", including an employee address change option where the new employee address information is typed in and then submitted directly to Payroll's VISION-Payroll mailbox where the employee receives an immediate acknowledgement and Payroll gets the information needed to correctly update an employee's record. Use of our latest forms is appreciated.

**Involuntary Terminations** – Definition: An employee is terminated for any reason, whether during original probation or as part of an investigation. Per **Vermont Statute, 21 V.S.A. § 342 Weekly payment of wages - (b) An employee who: (2) Is discharged from employment shall be paid within 72 hours of discharge.** This does *not* apply to employees who resign or retire.

*What this means...* In order to pay an employee 'earned wages' up through the close of business of their last day within 72 hours, requests must be promptly sent to Payroll for processing. This includes a Special Check Request Form ([click here for form](#)) completed and

signed and a Time Report for the employee which positively reports hours for each day of the pay period up through their last day. An action should be entered immediately to record the termination.

Payroll will calculate the exact amount of pay due the employee, less taxes and deductions and request a Special Check be processed by the Treasurer's Office and mailed to the employee. The special check will only include wages for actual time reported. Any leave balances or pay in lieu of notice will be processed through the normal payroll process. Also, please be sure to submit expense reports timely for reimbursement of expenses.

**Deceased Employees** – Should your Department be faced with this unfortunate event, please be sure to notify Payroll as soon as possible. Depending on when the death occurs within a pay cycle determines the necessary action. Initially, we will need the employee's name, ID#, date of death, a phone number or contact information for the family. Please send all notifications and correspondence to our general mailbox, [VISION-Payroll@state.vt.us](mailto:VISION-Payroll@state.vt.us).

## FAQs: VISION Vendors & 1099-Misc

The Department of Finance & Management recently distributed to all VISION users an important reference guide on VISION vendor set up, W-9 forms and reportable payment processing. Adhering to these requirements and the cooperation of all VISION users is crucial to ensuring vendors are properly set-up and maintained, vouchers are processed in accordance with IRS requirements for reportable income and the accuracy of 1099-MISC forms issued by the Dept of Finance & Management. This job aid can also be found on the **VISION Procedures** page of the [F&M website](#); please email [ruthellen.doyon@state.vt.us](mailto:ruthellen.doyon@state.vt.us) if you have any questions or need additional information.



## Internal Control Self-Assessment

In April, the Department of Finance & Management plans to distribute the 8<sup>th</sup> annual **Self-Assessment of Internal Control** questionnaire to departments. Self-assessment aims to raise awareness of internal controls across state government and be a catalyst for improving the State's internal control system. The questionnaire provides departments with a tool to review and document current internal control practices, while helping management identify potential areas of risk or non-compliance within their operations.

As in past years, departments will be given approximately 3 weeks to complete, review, certify and submit the questionnaire.

# Mileage Reimbursement Rate

The U.S. General Services Administration (GSA) announced in December that as of January 1, 2012 there will **not** be a change to the current mileage reimbursement rate of **51 cents per mile**. GSA stated they will continue to monitor fuel costs and will adjust the reimbursement rate in the future if warranted.



It's important to note that the GSA and Internal Revenue Service (IRS) do not necessarily have the same mileage rates. In June 2011, the IRS announced an increase in the standard mileage rate used for tax deduction purposes to 55.5 cents/mile, but this does not affect the mileage reimbursement rate paid to State employees which is tied to the GSA rate.

## COSO Updates Framework

On December 19, 2011, the Committee of Sponsoring Organizations of the Treadway Commission (COSO) released for public comment an updated “**Internal Control - Integrated Framework**”. COSO, originally formed in 1985, is a joint initiative of five private sector organizations providing thought leadership through the development of frameworks and guidance on internal control, enterprise risk management and fraud deterrence. The *COSO Internal Control Framework* is the foundation for the Dept. of Finance & Management’s [Internal Control Standards: A Guide for Managers](#).

The proposed update retains the core definition, 3 primary categories of objectives (Operations, Reporting, and Compliance) and 5 inter-related components (Control Environment, Risk Assessment, Control Activities, Information & Communication, and Monitoring) of internal control from the original framework issued in 1992. The two most significant enhancements to the framework are:

- i. Key concepts introduced in the original framework have been codified into **17 principles** in order to facilitate the development and evaluation of the effectiveness of internal control;
- ii. Expanding the **Reporting** objective to include internal and external, financial and non-financial sub-categories.

Information on the proposed framework update can be found on the COSO [website](#) and is open for public comment through March 31, 2012, with final publication estimated for late-2012.

## ERP Expansion Project Update:

# Are the Rules Really Made to be Broken?

Rules are an important part of operating any large organization. An adequate system of internal controls, i.e., processes that provide reasonable assurance of achieving objectives (including following the rules), is among the more important responsibilities managers have. For example, State employees are compensated based on a number of rules – such as collective bargaining agreements (contracts), federal laws, State statutes, and personnel policies. Today, applying internal controls can be a cumbersome task for the State because of the many standalone practices that are used. Fortunately, the [ERP Expansion Project](#) will integrate many of the disparate practices and provide a tool that can help ensure compliance with rules.

The ERP Expansion Project Team will upgrade the State's current HCM system and implement new tools to manage workforce data. (The Time & Labor module is one of these tools.) By design, ERP systems (such as VISION and HCM) incorporate some internal controls. While managers will still be entrusted to know the rules, the ERP enhances the system of internal controls. When the new HCM is in place, many of the avenues to work around the rules and result in errors will no longer be available. The result will be improved efficiency and reliability.

The objectives of using internal controls include having efficient operations and access to reliable information. An example of how the ERP Expansion Project will help the State move toward these objectives will be to have employees directly enter information into the system. Direct entry increases efficiency – information gets entered once, in one place, at the source. The integration of the ERP improves reliability – built in rules apply to specific employee data at the time of entry. For example, an employee will not be able to code annual leave when he or she does not have annual leave to take.

Rules are not made to be broken and the ERP Expansion project will support managers in the internal controls that are needed to operate an effective state government.

## Staff Happenings



- **Emily Byrne** joined the Dept. of Finance & Management on March 12<sup>th</sup> as a Budget & Management Analyst. She has a B.A. in economics and international relations, and is completing a dual master's degree program this spring. Emily's primary focus will be health care and assigned departments include Health Access – Health - Mental Health - Disabilities, Aging & Independent Living – Banking, Insurance, Securities, & Health Care Administration, and the VT Veterans' Home.

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