

# INTERNAL CONTROL NEWS

## MARCH 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.

## Self-Assessment Reminder

The Department of Finance & Management (F&M) intends to distribute the 12<sup>th</sup> annual **Self-Assessment of Internal Control** questionnaire to departments in mid-April. As with past years, departments will have a minimum of 3 weeks to complete, certify and return the questionnaire to F&M. While we don't anticipate any significant changes to the process, there will be some new questions as well as edits to existing questions in order to provide greater clarity.



**Self-Assessment** aims to promote awareness of internal controls throughout state government and be a catalyst for strengthening Vermont's overall system of internal control. The questionnaire provides departments with a checklist to review and document their current internal control practices, while helping management to identify and address potential areas of risk and/or non-compliance within their operations.

## VISION by the Numbers



VISION\* is the statewide accounting system for Vermont State Government (State). The accuracy, timeliness and integrity of VISION transactions & data are critical to the State's operations as it drives the reliability of financial statements, monthly and year-end closings, audits, revenue reports, payments to vendors and employees, capital assets documentation, cash flow and funding availability, legislative and executive branch mandated financial reports, compliance with state and federal regulations, IRS and other federal reporting, etc.

Internal controls are people-dependent and all employees have a role in supporting the State's system of internal control, *which includes VISION*. While F&M staff perform numerous tasks to ensure the reliability of VISION data, the most crucial step is at the initial source...**it begins with you!** Following are some notable VISION statistics for 2015 that all State organizations participate in, contribute towards and share responsibility for:

- ❖ 461,031 Accounts Payable Vouchers
- ❖ 45,203 Deposits
- ❖ 33,968 Employee Expense Reports
- ❖ 9,604 New Vendors
- ❖ 5,521 Grants issued to 1,438 Grantees
- ❖ 4,000 IRS 1099-MISC forms (*estimated*)
- 
- ❖ 11,583 Customer Contacts (email & phone) received by VISION Finance Support
- ❖ 7,770 VISION-Users as of Sept. 2015 (vast majority for *employee expense reports* only)
- ❖ 56 VISION Training Classes attended by 367 employees

\* Vermont Integrated System for Information and Organizational Needs (VISION) is an Oracle-PeopleSoft enterprise financial management product.



## The 10-10-80 Rule

Among fraud prevention professionals there exists the **10-10-80 rule of employee fraud**:

- **10%** of employees will never steal (embezzle, pilfer, thief, misappropriate assets, etc.) under any circumstances, even if there was a guarantee they would not get caught;
- **10%** of employees will steal given any opportunity and will look to create an opportunity with very little motive or need;
- **80%** of employees are somewhere on the fence and could go either way depending on opportunity, need, reward, risk of being caught, probable penalty if caught, etc.



Does this mean 9 out of 10 employees are stealing (*or scheming to steal*) from your organization right now? Absolutely not! But it emphasizes that the potential for fraud exists in every organization and the risk is likely greater than many may think. **Opportunity** is what 'opens-the-door' to potential fraudsters and refers to situations within the workplace that may entice

and enable an employee to commit and conceal fraud. Opportunity is generally created through weak internal controls, poor management oversight, failure to enforce existing controls, and/or abuse of one's position & authority.

Organizations can deter the 'fence-sitters' by maintaining strong internal controls that eliminate (or reduce) their *opportunity* to commit fraud. Such controls include separation of duties (i.e., no single employee can perform an entire financial transaction), restrict access to & maintain security over assets (equipment, cash, data, property, technology systems, etc.), diligent review of financial documents (invoices, timesheets, expense reports, credit card statements, bank statements, etc.), reconciliations, surprise inspections/audits, alertness to fraud *red flags*, background checks for job candidates, and fostering a positive work environment ("tone at the top") that supports employees while also taking appropriate disciplinary action against wrongdoers.



## Staff Happenings

- **Jana Riddle** joined F&M on February 22 as Change Management Director. She previously worked in the Department for Children & Families (DCF) as an IT Project Manager and before that spent several years at National Life Group.
- **Aimee Pope**, former Senior Budget & Management Analyst, resigned from F&M on February 19 to accept a position in the Department of Human Resources' Classification Division.
- **Heather (Campbell) Hunt**, former Senior Budget & Management Analyst, resigned from State service on February 10 to accept a position in the private sector.
- In early April the **Statewide Reporting** and **Internal Controls** sections are moving from the 3<sup>rd</sup> to the 4<sup>th</sup> Floor of 109 State St, Montpelier, re-joining the Accounting and Finance Support sections. The VISION Training Room will remain on the 3<sup>rd</sup> floor.

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