

Decentralized Records Program

- Eligibility
- Responsibility
- Accountability



Virginia Department of Accounts

Financial Accountability. Reporting Excellence.



Decentralized Records Program: Background

History

- All expenditure vouchers were prepared in multi-copy format and the originals were sent to DOA for:
 - Audit
 - Keying (to CARS – more recent history)
 - Storage
- DOA had a huge clerical force and a large records storage room to perform these functions for all Stage Agencies.



Decentralized Records Program: Background

History

- The Code of Virginia required the Comptroller to audit all transactions before issuing a disbursement warrant.
(CoV § 2.2-1822)
- Warrants are unsigned check stock with payment information that do not become official “checks” until they are signed by the State Treasurer.



Decentralized Records Program: Background

History - Transformation

- The Code of Virginia was modified to allow the Comptroller to use statistical or other acceptable audit techniques to audit all transactions.
- DOA used this change to delegate the audit, keying, and storage requirements to agencies with several internal control requirements.



Decentralized Records Program: Background

Internal Control Requirements

- Multiple eligibility requirements to participate in the program.
- Ongoing - appropriate control processes at the Agency.
- A Decentralized Records Review program to verify agency compliance.



Decentralized Records Program: Background

Voluntary Participation

- Agencies may choose to continue submitting original vouchers to DOA for Audit and Storage. Keying of vouchers can be done at the agency level but transactions cannot be released to CARS except by appropriate DOA personnel.
- About 75% of agencies meet the eligibility criteria and have agreed to participate in the program.



Decentralized Records Program: Eligibility

Eligibility

- A history of satisfactory voucher processing by the agency must be demonstrated using the following criteria officially known as the “Management Standards for Decentralization of Financial Records”:
 - An Unqualified (Clean) Audit opinion from APA
 - No significant accounts payable findings in the APA Management Letter Report
 - Prompt Pay compliance equal or greater than 95%
 - Full compliance with the monthly “Confirmation of Agency Reconciliation to DOA Reports / Exception Register” requirements.
 - Accurate reporting pursuant to the Comptroller’s Annual Financial Statement Directives.



Decentralized Records Program: Eligibility

Memorandum of Understanding (MOU)

- The Agency Head and Fiscal Officer enter into an MOU with the Comptroller addressing the following requirements:
 - Continued compliance with the five elements of the Management Standards for Decentralization of Financial Records.
 - Records management and storage in compliance with requirements prescribed by The Library of Virginia
 - An acceptable QAR report noting general compliance with CAPP Manual requirements.



Decentralized Records Reviews: Responsibility

Agency Responsibilities

- Transaction Processing Control Environment.
 - Separation of duties.
 - Documented processes
 - Well trained employees
 - Adequate supervision
 - Quality reviews and approvals
 - Etc.



Decentralized Records Reviews: Responsibility

Agency Responsibilities

- Documentation.
 - Approvals
 - Special approvals for exceptions
(example: Overnight lodging limitations)
 - Support – Original Documents
 - Purchasing document, invoice, receiving report
 - Explain unusual situations
 - Event dates (received, approved, payment due, etc.)
 - Audit Trail
 - Etc.



Decentralized Records Reviews: Responsibility

Agency Responsibilities

- Records Maintenance
 - Security
 - Organized Misfiled = Lost
 - Retention Schedules
 - Generally 3 years or until audited – whichever is later
 - Disposition – The Library of Virginia requirements
 - Records Officer
 - On-site and off-site storage (retrievability)
 - FOIA and Privacy issues



Decentralized Records Reviews: Responsibility

Benefits to the Agency

- Reduced copying and mailing costs
- Faster customer service by having access to original documents
- Faster processing for last minute payments (No prompt pay hold)
- More control over prompt pay issues
- More time to process payments before due dates



Decentralized Records Reviews: Accountability

Agency Fiscal Officers

- Certification statement on the “Batch Header” that each payment is:
 - Legal
 - Correct
 - Has not already been made (Not a duplicate payment)
- Batch Certifier **MUST** be on the “Authorized Signatories Form”



Decentralized Records Reviews: Accountability

Decentralized Records Reviews

- A degree of comfort to the Comptroller that their responsibility under the Code of Virginia is being met.
- Scope
 - CAPP Topic 20310 - Expenditures
 - CAPP Topic 20315 - Prompt Payment
 - CAPP Topic 20330 - Petty Cash
 - CAPP Topic 20335 - State Travel Regulations
 - CAPP Topic 20336 - Agency Travel Processing
 - CAPP Topic 20345 - Moving and Relocation
 - CAPP Topic 20355 - Purchase Charge Card



Decentralized Records Reviews: Accountability

Decentralized Records Reviews

- **Scope**
 - Past 12 months from the most recently completed quarter
 - Random and Statistical selections based on an expected error rate of 5% in each topical area.
 - Topical areas
 - Travel Vouchers
 - “Regular” expenditure vouchers
 - Petty cash
 - Moving and Relocation
 - Purchasing Cards (P-Card) – special selection criteria



Decentralized Records Reviews: Accountability

Decentralized Records Reviews - Process

- Selection for review is based on:
 - Time since last Review
 - Results of last Review
 - Special Requests
 - DOA Management discretion
- Sample selection is faxed and mailed to the agency along with an engagement letter.
- Original vouchers are due to DOA in 7 to 10 business days



Decentralized Records Reviews: Accountability

Decentralized Records Reviews - Process

- Upon arrival at DOA:
 - The documents are inspected to ensure all requested documentation is present – Discrepancies are addressed with the Agency.
 - Vouchers are divided between different members of the review team and audited.
 - The Review Team evaluates all significant deficiencies and re-evaluates the documentation and the findings noted to ensure consistency and accuracy.
 - The agency fiscal officer is contacted to resolve any questions, make them aware of potential findings, and determine if they have any additional information.
 - The findings are prioritized by materiality. Then a report is drafted and cross-referenced to the finding documentation.
 - Copies of key documents are made and the vouchers are returned to the agency after the report is approved by Senior DOA Management and issued.



Decentralized Records Reviews: Accountability

Decentralized Records Reviews - Process

- Overall reports state whether or not there was general compliance with applicable sections of the CAPP.
- Reports with significant non-compliance:
 - The Agency is asked to create a Corrective Action Plan (CAP) to address the specific issues noted.
 - A meeting is held (or Teleconference) to discuss the CAP and recommend adjustments if needed.
 - The agency notifies DOA when the CAP has been fully completed.
 - After 6 months of activity under the newly implemented processes, a follow up review will be conducted similar to a full review but focused on the significant deficiencies noted in the original report .



Decentralized Records Reviews: Accountability

Decentralized Records Review Reports

- Gone is the fixed scale of exceptional, good, satisfactory, marginal, and worse.
- Professional Judgment becomes a factor – Consistency addressed by two levels of DOA review at the finding and report levels.
- Emphasis on Materiality
- Focus on Positive Change
- Quality over Quantity of Deficiencies



Decentralized Records Reviews: Accountability

Comptroller's Quarterly Report

- List compliant agencies.
- List of agencies requiring corrective action AND **specific** area(s) requiring correction.
 - May focus on only one issue if sufficiently material to ensure issue is corrected.
- Results of follow-up reviews to determine if corrective actions were implemented and are effective.



Decentralized Records Reviews: Accountability

Decentralized Records Reviews

- DOA may question any State expenditure per Section §2.2-1822, of the Code of Virginia.
- Agency purchases must be essential to the agency operation and support the agency's mission.
- Adequate documentation for unusual purchases should always accompany vouchers.
- Two Words: Necessary and Reasonable



Decentralized Records Reviews: Typical Findings

General

- **Completion mistakes**
 - Dates with signatures
 - Check employee or vehicle boxes
 - Purpose of trip or purchase
 - Mathematical accuracy
 - Due dates that assume all months have only 30 days
 - Travel – Combining all expenditures for the week into one amount
 - Not explaining unusual situations



Decentralized Records Reviews: Typical Findings

Travel

- POV reimbursement rates
- Enterprise Vehicle Rental contract
- Correct Rates: Lodging and M&IE
 - Get a free VDOT Map
 - NACO City and County locator
 - ASK !
- Itemized receipts
 - No credit card receipts allowed !!!!



Decentralized Records Reviews: Typical Findings

Travel

- Lost or missing receipts
- Justification to support exceeding lodging limits
- Missing approvals for exceptions
 - Agency authorized approvals (lodging etc.)
 - DOA required approvals
- M&IE reductions (75%) on travel days
- No documentation for Overtime Meals



Decentralized Records Reviews: Typical Findings

Travel

- Failure to reduce M&IE for meals provided by a conference
- Justification for a rental car
 - Air travel and staying at the conference hotel
- Supervisor approves travel voucher before employee submits the TERV (Based on dates by the signatures)
- Personal convenience over agency benefit



Decentralized Records Reviews: Typical Findings

“Regular” Expenditure Vouchers

- Copies of documents (usually faxes) are used to process payments and are not stamped “Certified Copy”.
- Not due dating utility payments
- Reasonable and Necessary !!!
- Proper Amount



Decentralized Records Reviews: Typical Findings

Petty Cash

- Improper Receipts and Documentation
 - Credit Card “Tissue Receipts”
- Reasonable and Necessary !!!
- Purchase “gift cards” to hide ultimate expenditure purchase.



Decentralized Records Reviews: Typical Findings

Moving and Relocation

- Tenure Agreement not signed before expenditures are incurred
- Reasonable and Necessary !!!
- Original invoices
- Signatures and Dates
- See Travel Typical Findings



Decentralized Records Reviews: Typical Findings

Purchasing Charge Cards

- Properly completed cardholder Log
- Lost or missing supporting documents
- Reasonable and Necessary !!!
- Monthly reconciliations
- Supervisor approval



Decentralized Records Reviews: Future Issues to be Addressed

Behind the Scenes

- Evaluating our review processes.
 - More Current MOUs.
 - Focus on greatest needs.
 - Automation: Paperless processing by agencies
 - Electronic Document storage and usage
 - Simplify and streamline where possible
 - Updating our process documentation.
 - Agency automation of control processes



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