

# Status Report

SCO's Review Report on  
BOE's Internal Accounting & Administrative Controls  
BOE Board Meeting  
December 16, 2015

# Retail Sales Tax Fund (RSTF) Timeline

2011

- State Funds Reallocation Adjustment

2013

- Initiated Internal Review of Public Safety Fund Allocation

2014

- State Fund Reallocation Adjustment
- Established Revenue Allocation Team
- Began quarterly reconciliation to daily remittance advices

January  
2015

- Initiated Revenue Cycle Management Analysis

# RSTF Timeline continued:



- Informal Issue Paper identified allocation issues and need for communications across business units & tax training for accounting staff

- Proposed simplified allocation process that adjusted for DMV and FTB and excluded suspense
- Identified that additional sales tax on diesel was not remitted and prepared analysis
- RCMA Report Completed

- Identified the need to correct allocation of prepaid sales tax on fuel (SG)
- Provided corrected allocation template to DMV and initiated discussions with DMV for an electronic solution

# RSRF Allocation & A/R Actions To Date

- ▶ Implemented reconciliation between cash remittances and information system reports (Beginning of FY 2015-16)
- ▶ Financial Management Division (FMD) designated owner of revenue fund allocations to facilitate process accountability
- ▶ Revenue Management Team, comprised of representatives from affected business units, meets regularly to address internal, RCMA and SCO findings and accounting implications of tax changes
- ▶ Provided updated state fund allocation templates to DMV and FTB
- ▶ Executed DMV allocation adjustment for two FY 2014/15 quarters in July 2015
- ▶ Implemented procedures to exclude suspense items, DMV and FTB use taxes from reconciliation of statistically factored revenues
- ▶ Identified diesel fuel adjustment amount
- ▶ Evaluated & corrected accounting staff's usage of three information system reports and requirement modifications submitted to TSD for implementation.
- ▶ Automated some reports to eliminate manual entry and improve accuracy of transaction entries

# RSTF Allocation Actions – Next Steps

- ▶ Complete determination of comprehensive fund reallocation adjustment (December 31, 2015)
- ▶ Collaborate with DOF to finalize reallocation adjusting entry
- ▶ Train accounting staff on legislative mandates and accounting implications
- ▶ Change A/R reports to include SCO approved write-offs to accurately reflect collectible amount
- ▶ Implement quality assurance program to ensure financial integrity and compliance with State policies and accounting principles
- ▶ Update process documentation, policies and procedures
- ▶ Engage Internal Audit staff to evaluate process changes and control activities of core financial functions
- ▶ Begin procurement of advisory services to provide a roadmap and implementation plan for accounting and reporting transformation solutions in compliance with State, GAAP and GASB standards
- ▶ Provide monthly briefings to Board

# Office Revolving Fund

- ▶ Internal Audit Preliminary Report, August 2015
- ▶ SCO Final Review Report, November 2015
- ▶ Implemented procedures that encompassed:
  - ▶ Implemented secondary approvals
  - ▶ Revised process flows; updated policies pursuant to SAM requirements, published and trained accounting staff
  - ▶ Revised roles & responsibilities regarding collection of employee receivables
- ▶ Next Steps:
  - ▶ Train managers, supervisors, and BOE employees on salary & travel advance policies and procedures
  - ▶ Implement quality assurance program to ensure compliance with State and BOE policies
  - ▶ Engage Internal Audit staff to evaluate process changes and controls of core financial functions