SCO Review Report Matrix
Status Report - Financial Management Division
February 16, 2016

STATE BOARD OF EQUALIZATION

Appeal Name: Update (SCO) Review
Case ID: ITEM #. P1.4
Date: 2/23/16 Exhibit No: 2.14

Finding	Description	Action Steps	TP FTB DEPT Status	PUBLIC COMMENT Comment
		Retail Sales Tax Fund		
1	a. Develop Monitoring Activities that reconciles daily remittances to information system reports.	- Daily remittance advice reconciliations completed. - Revised data requirements for system reports used in revenue accounting reconciliations. - Vett TSD resource requirements.	C 4/30 3/31	BVA will be required. An initial costing meeting has been conducted with TSD. TSD is reviewing the requirements for the changes to the 6 FAC reports and the creation of the 2 new FAC reports
	b. Internal review and separate evaluations to strengthen internal controls and timely detect weaknesses.	- Modifying FMD operating procedures and desk manuals. - Require multiple peer reviews and supervisory/manager involvement where appropriate. Evaluate the applicability of reports to analyze trends, etc. - Update delegation of authority.	4/30 4/30 3/31	This function will be considered for QA review if authorized. Compliance will be reviewed on periodic basis and compliance levels reported.
	c. Promote and establish open and effective communication channels among the units involved and develop reports that are useful, reliable, detailed, and up-to-date.	- Revenue Team led by Acting Chief holds monthly meetings with business partners to ensure revenue accounting requirements reflected in all BOE enterprise projects. - FMD reviews all program changes for financial system impact. - Enhance financial reports	ongoing ongoing 4/30	TSD is reviewing the requirements for the changes to the 6 FAC reports and the creation of the 2 new FAC reports
	a. Exclude suspense items from the true-up process.	- Discontinued the inclusion of suspense items in the quarterly reconciliation process.	C	

Completed

SCO Review Report Matrix
Status Report - Financial Management Division
February 16, 2016

Finding	Description	Action Steps	Status	Comment
	b. Develop reports that identify FTB use tax separately from total returns to remove these amounts from the true-up process.	- Modified system report "requirements" to exclude FTB use tax during the quarterly reconciliation (true-up) process. - Confirm list of reports most beneficial for financial management oversight. - Resource requirements for system report modifications under review.	C 4/30 4/30	Significant technology changes required and discussions underway to determine priorities. TSD is reviewing the requirements for the changes to the 6 FAC reports and the creation of the 2 new FAC reports
	c. Develop reports that identify SG revenue included in the total returns.	- Confirm use of existing reports or develop data requirements for supplemental reports.	4/30	TSD is reviewing the requirements for the changes to the 6 FAC reports and the creation of the 2 new FAC reports
	d. Perform reconciliations between daily cash statistically factored during the quarter and amounts on System reports.	- Continuing to reconcile to daily remittance advices. (Variances appear to relate to the FAC100 and will be vetted in conjunction with 2c.)	10/14 4/30	
3	a. Correct the allocation percentages for statewide sales tax on diesel fuel to ensure that the State's General Fund is receiving the correct allocation to fund the PTA and calculate the misallocation since inception and adjust accordingly.	- The Diesel Fuel misallocation and a correction adjustment have been identified. - Procedures are currently being updated to incorporate quarterly adjustment during the true-up process. - Proposed adjustment for Diesel Fuel allocation ready for review. - Summary adjustment for all misallocations (FTB, DMV, Diesel Fuel, SG, etc) being prepared for review by independent third party prior to making the adjustment.	C 4/30 C 3/31	The adjustments recommended by the SCO audit process are available and auditing standards requires the SCO to review the adjustments in the Review follow-up process. However, a third-party review has been requested prior to making the adjustments cited in the audit.

C=Completed

SCO Review Report Matrix
Status Report - Financial Management Division
February 16, 2016

Finding	Description	Action Steps	Status	Comment
	b. Ensure revenue accounting staff is trained on Diesel Fuels statutory provisions and laws on new legislation.	- Train revenue accounting staff on Diesel Fuel provisions by January 31, 2016. - Develop annual training plans for staff to include a legislative update and review of existing statutes impacting fund allocations.	C 4/30	Training completed 1/20/16 Annual Training Plans are in process. Staff will develop a legislative class as well as incorporate legislative updates into regular staff meetings.
4	a. The BOE should perform monthly reconciliations on DMV Use Tax Allocations to ensure accuracy.	- Reconciling monthly collections to the corresponding quarterly report. - Updated revenue accounting procedures.	C 4/30	Procedures updated December 2015
	b. Correct allocation templates provided to DMV to avoid manual adjustments.	- Provided a corrected template to DMV to use with the July 2015 collections.	C	BOE is also working with DMV on an electronic data interchange to reduce the possibility of manual keying errors.
	c. Determine misallocation of DMV Use Tax and make adjustments accordingly.	- Adjustments made in June 2015. - Supplemental adjustments ready but subject to 3rd party review.	C C	See 3a for third-party review discussion.
5	a. BOE should verify whether the FTB Use Tax allocations are correct by performing monthly reconciliations.	- Reconciling monthly collections to the corresponding quarterly report. - Updated revenue accounting procedures.	C 4/30	This should be considered for the proposed QA Program for ongoing verification and management reporting.

C=Completed

SCO Review Report Matrix
Status Report - Financial Management Division
February 16, 2016

Finding	Description	Action Steps	Status	Comment
	b. Templates should be provided to the FTB to avoid manual adjustments that can be prone to error.	- Provided a corrected template to FTB to use with the September 2015 collections.	C	
	BOE should determine the misallocation of FTB Use Tax and make adjustments accordingly.	- The misallocation and correction adjustments have been identified. - 3rd party review/verification pending	C 4/30	See 3a. Subject to third-party review process
		Accounts Receivable		
6	BOE to work with the Data Analysis Section to determine a more accurate amount of A/R's that are collectible. The FMD Revenue Section also should have policies and procedures in place to ensure that A/R's are properly recorded and that balance is reliable and accurate.	- Accurate and verified "collectible amount" available 1/31. - Policies and procedures updated. - Strategic Directive under development to maximize collectibles.	2/16 C	DAS, accounting and TSD are vetting through documentation captured on the FAC 506 Accounts Receivable report used by accounting with the intent of redesigning the report for accounting's use once the data components of the report are fully identified.

C-Completed

SCO Review Report Matrix
Status Report - Financial Management Division
February 16, 2016

Finding	Description	Action Steps	Status	Comment
		Revolving Fund		
7	a. BOE should comply with SAM requirements and ensure that: Collection letters are sent in accordance with SAM section 8776.6.	- A database was developed to track the receivables 1/07. - Accounting began sending all overpayment and collection notices to employees for payroll and salary accounts receivable on January 1, 2016. - Updating procedures.	C C 4/1	Additional reports will be created to assist staff and management on status of ARs. Enhancements to the database will continue to be implemented as opportunities for process improvements are recognized. Procedures are being completed and enhanced.
	b. Perform written analyses to determine what collection efforts will be made if the three collection letters are unsuccessful in recovering the receivables.	- Accounting is developing an analysis based on historical data and collaborating with the Legal Department on alternative legal options to pursue uncollectable receivables. - Accounting procedures updated and implemented.	4/1 3/15	Staff is working with Legal and Internal Audits to determine next steps for uncollected receivables. Items identified: placing individuals on FTB offset list, if the individual has filed for bankruptcy – ensure write off process complete, working to get Lexus-Nexus for staff to enable BOE to get the most current address.

C=Completed

SCO Review Report Matrix
Status Report - Financial Management Division
February 16, 2016

Finding	Description	Action Steps	Status	Comment
	c. Develop a cohesive collection function process for both the Accounting Services Unit and Personnel Offices.	- Accounting Branch now sending all collection/overpayment notices to employees for payroll and salary acct receivables. - Database created and implemented for Accounting staff. - Accounting staff trained Human Resources staff on the HR portion of the database. - Updating written procedures and process maps.	C C C 4/1	Transition of the notices from Human Resources to Accounting has been completed. Accounting and HRD continue to have weekly meetings to see if process improvements and streamlined processes can be identified and implemented. Working through draft process maps and procedures. Adding more detail.
8	Ensure that the ORF claims are scheduled promptly to the SCO for reimbursement.	-Modified the process for scheduling claims for reimbursement by submitting after the invoice was paid (daily/monthly) in lieu of waiting for confirmation of expense. Also, modified the databases for processing the American Express vendor accounts used exclusively for airfare and rental cars.	C	Completed claim schedules to the SCO for reimbursement of vendor account balances through January. Database enhancements completed in February 2016. Accounting management will continue to perform a monthly review of the reconciliation. Weekly updates are provided to the Chief Accounting Officer.

C Completed

SCO Review Report Matrix
Status Report - Financial Management Division
February 16, 2016

Finding	Description	Action Steps	Status	Comment
9	The BOE should adhere to GC section 16401 and SAM section 8110 for ORF payments and ensure that BOE staff understands the permissible uses for office revolving funds. In addition, the BOE should uphold internal control guidelines per GC Section 13403 and SAM section 20050 and maintain adequate supporting documentation for all ORF payments.	- Procedures updated requiring Accounting supervisor to review all ORF requests before processing and includes all required supporting documentation. - Update approval form to require supervisor signature. (The following is not needed if the form requires the signature) -Additionally, a post-processing review by management is conducted weekly to ensure the request is permissible and is accompanied by adequate documentation.	C C C	Supervisors perform a weekly sample review of ORF request processed for completeness and compliance. If any changes to the ORF process are received, Accounting will complete an immediate review and include changes/revisions to policies, procedures and process maps to ensure compliance.
10	The BOE will inform staff about the procedures, which must be followed to ensure compliance with SAM and internal policies regarding salary advances. FMD, in conjunction with HRD, will update procedures and train their staff regarding SAM requirements and internal controls.	- Accounting and Human Resources have revised procedures and trained staff. - Determinations will be made regarding lack of follow-up and documentation and appropriate action taken. - Revise salary advance form.	2/1 C 3/15	Staff verifies that the salary advance calculation is attached to the advance request. Any request received without complete calculations included are returned to HRD for completeness. Salary advance form currently in final stage of revision with Forms and Publications. Process maps: see 7c above.
11	a. The BOE should comply with SAM and CalHR requirements as well as its own internal travel policies to ensure that employees who are issued travel advances but who have not submitted travel expense claims, substantiate their expenses.	- Develop and distribute to all staff and/or managers/supervisors Take 5 videos on: How to Create a Travel Advance How to Approve a Travel Advance How to Process Your Claims - Investigate reasons why internal policies were not followed and take appropriate corrective actions as required.	4/1 C	Tale 5 videos will help train staff and managers/supervisors on processes; executive management will take appropriate action with managers/supervisors on recurring advance requests denied for outstanding claims. Accounting management meets monthly with staff to remind them of procedures and expectations. If it is noticed that SAM was not followed, management takes appropriate actions if recurring.

C=Completed

SCO Review Report Matrix
Status Report - Financial Management Division
February 16, 2016

Finding	Description	Action Steps	Status	Comment
	b. The BOE should establish appropriate accounts receivable procedures to reimburse the State for unallowable expenditures.	- Accounting is developing procedures which will be part of the Accounts Receivable process for all collectable accounts. - Accounting procedures will be updated and implemented by May 2016.	5/1 5/1	