

**Large Agency  
Chief Financial Officers Meeting Minutes  
January 30, 2007**

***PARTICIPANTS:***

Pat Mah, DOA/TPO  
Joe Whitmer, DOA/MSD  
Megan Darian, DOA/SBO  
Tom Marshall, DCA  
Annabelle Sevilla, DCA  
Tim Newton, DEA  
Angela Calles, EDA  
Michael Clark, EVA  
John Moorman, HCA  
Dona Markley, HSA  
Kim Smith, DJA  
Chuck LeBlanc, PSA  
Reed Spangler, RVA  
Craig Rudolph, DTA  
Syndi Reeder, WCA  
Mike Smarik, DOA/GAO  
Kim Syra, DOA/GAO  
Angela Dillard, DOA/GAO  
Shannon Landis, DOA/GAO  
Joanna Greenaway, DOA/GAO  
Donna Cornella, DOA/GAO  
Anita Kleinman, DOA/GAO  
Diane Gorham, DOA/GAO  
Larry Adams, DOA/GAO

***ITEMS COVERED***

*Mike Smarik – Welcome & Introductions*

**TPO – Pat Mah**

\*\*Pat Mah from the ADOA/TPO gave an update regarding the 2008 AZNet budget. The FY 2008 AZNet budget request for all State agencies was submitted in October 2006. The Governor adopted the FY 2008 AZNet budget request in her recommendation. The JLBC recommendation modified the request to eliminate General Fund dollars added in FY 2007 for on-going operational costs. The TPO has been working with OSPB to get the funding restored. If you have any concerns, Pat recommends that you contact your OSPB analyst and let them know you need that money.

\*\*If anyone has any telecommunications concerns, please contact Pat Mah by phone at (602) 364-0558.

### **Annual Financial Report (AFR) Issued**

Anita Kleinman reported that the Annual Financial Report (AFR) was issued for FY06 under the new format required by statute. The AFR is the cash basis financial report that is used as a starting point in the budget process. This new statute change required that for FY06, five pilot agencies were to have their non-appropriated funds shown on the AFR at the same level of detail as that shown for the General Fund. In addition to the five pilot agencies, an additional 38 agencies were included as well. The report actually contained ALL funds, though not all of them were at the level required by the new statute. This year, the GAO will be working to pull in the large agencies and the goal is to have all agencies in the new format for the FY08 AFR (if not sooner). Barbara Stephens, Mary Miller or Judy Kilgus will be contacting the large agencies with suggested changes to the current Type 3 appropriations titles and grouping to accommodate the reporting requirements. They would like the discussions to take place BEFORE the start of the 2008 fiscal year, and therefore, have the new changes before the new fiscal year's activity begins.

### **Travel Card Update**

Angela Dillard gave an update and fielded questions on the travel card. A travel card contract with American Express will not take place as the contract language could not be resolved. The language American Express presented did not meet Arizona statutory requirements. The GAO is looking at other options and reviewing other state's programs. The current American Express P-Card contract expires at the end of February 2008. The GAO is working with SPO on a new RFP to include a combined travel card (State and employee liability accounts) and P-Card contract. Hopefully, the new travel card can be used for airfare, hotels, conference fees, and car rental. Meals would have to be purchased with a personal liability travel card or on another personal card and not a State liability travel card or P-Card. If an existing contract with another state can be utilized, we may see the travel card ready for use in a few months. If a new contract is required (an RFP process), it will be later in the year before we see a travel card program. It is always recommended that a traveler carry a personal card as backup in case the agency card can not pay for the hotel or rental vehicle. A question was asked if State rates could be negotiated with the hotels. Currently there is an agreement with the Arizona Hotel & Lodging Association. Any other types of agreements would have to be done through contract negotiations by SPO.

### **Travel Policy**

Angela Dillard gave a travel policy update. Several of the potential policy changes concern meals and incidentals.

\*\*If there is no overnight stay, the meals and incidental reimbursements will be sent to the HRIS as non-pay taxable wages.

\*\*The current policy for determining which meals and incidental expenses qualify for reimbursement is confusing for many State employees and agencies. The

policy will be revamped to help simplify the process. Hopefully, the revised policy will be based on a grid system similar to what DPS has in place. This is a different concept than what was discussed during the presentations held the beginning of December. The grid system will be based on the number of hours an employee is in travel status as well as the time they consumed their meals. Right now, we are looking at six, twelve, and eighteen hours as the cutoffs for breakfast, lunch and dinner. If an employee is in travel status for 24 hours then they would receive all three meal reimbursements. This would hopefully simplify the current policy and comply with the IRS requirements.

The following potential policy changes were discussed during the January 23<sup>rd</sup> Small and Medium CFO Meeting.

\*\*The rule that a traveler must be 35 miles or more from home and duty post to be reimbursed for meals and incidentals may be changing to 50.

\*\*Currently, for travel advances, if the first night's hotel gets charged upfront (100% of the first night's stay), then it can be included in the travel advance to the employee. This policy may be eliminated if travel cards are implemented.

\*\*The GAO-509S "Out-of-State Travel Approval Request Supplement" form that went along with Technical Bulletin 05-16 "Out-of-State Travel Approval Requirements" may be eliminated with the implementation of the new Travel Management Subsystem. The new subsystem would still require justification and supporting documentation for the trip. Reports may be run from the new system to monitor the three or more people and/or \$5,000.00 or more travel activity in lieu of the forms being submitted to the GAO for approval.

### **Travel System Management Subsystem (TMS)**

\*\*One of the goals of the new TMS is to help agencies manage and track their travel expenses. Some agencies attended the TMS presentations held in December. These initial presentations were designed for the large and medium agencies that have a great deal of travel. There will be a full demonstration of the new TMS further along in the development that all agencies may attend and are highly encouraged to do so. A pilot of the TMS will be done around August with an anticipated live implementation date for all agencies in December of this year. Information will be communicated in the CFO meetings and through the GAO website.

\*\*A new category has been added to the GAO website titled "Travel Mgmt Subsystem." Angela will be posting an updated version of the PowerPoint presentation (which will also be available in Adobe format) from December and any new information on the TMS to this section of the website. The presentation has a good overview of the TMS and can be used as a good reference until more in-depth presentations and training sessions are held.

\*\*The new TMS will be a web-based system. The tentative deployment date is scheduled for December of this year. There will be multiple phases of the project. Currently, the TMS is in the design phase and the profiles are being developed. One of the goals of the TMS is to consolidate all State travel into one system and automate travel requests, travel advances, approvals, and

reimbursements. Travelers will be able to go online to submit their own reimbursements. When the traveler fills in the necessary information, the TMS will determine what they are eligible for. The TMS will allow for travel coordinators to submit travel reimbursements on behalf of any traveler they are authorized to submit for.

\*\*Security of the TMS will be similar to the process of utilizing job rules that the HRIS uses. The job role will determine what functions the user will be able to perform.

\*\*The system will allow up to eight levels of approval for pre-travel approvals as well as travel advances and travel reimbursements. Most of the smaller agencies may not require that many levels of approval. There will be three separate chains of approvals in the TMS system; travel requests, travel advances, and travel reimbursements. The agencies will also be able to establish default approvers. This will allow the system to establish the HRIS supervisor hierarchy by default so that traveler's approval information does not need to be individually input. A position can be excluded from the approval hierarchy obtained from the HRIS. Vacation designation can be established so that approvers may be skipped when an approver is out of the office. All of the approvers will not have to verify and certify receipts for each request. The TMS will only require one electronic signature for receipt certification if the agency chooses. The electronic signature process will have to be approved by the Secretary of State's Office. TMS will also allow one agency to approve another agency's travel requests when authorized. Dollar amount thresholds for approvers will not be included in the TMS.

\*\*The travel policies will be built into the TMS including the State's maximum lodging and meal rates which are located on the GAO website. There will also be an ability to request pre-approved exceptions to policy. This will automate the exception process and eliminate letters to Clark. Clark will electronically receive the exceptions through the TMS. Some travel issues can be identified upfront and exceptions requested before the trip takes place to speed up the reimbursement process on the back end. Travelers will only be eligible for what they spent on their meals and incidentals.

\*\*Travel advance and reimbursement entries in TMS will be linked to AFIS in a real-time mode. This will allow for generation of the payments in the next nightly batch run in AFIS (if no errors exist).

\*\*The meals and incidental reimbursements that are identified as taxable wages will be sent to the HRIS via an interface file as a non-pay time record. The criteria for taxable wages consist of meal and incidental reimbursement requests without an overnight stay. To comply with the IRS requirements, the implementations of the taxable wages need to be in place by January 1, 2008.

\*\*Multiple grants can be identified with index codes on the accounting distribution screen in the TMS. AFIS coordinators at the agency will be able to go in and assign all the accounting elements. Approvers may assign accounting elements as well.

\*\*The TMS should be able to produce numerous reports. The reports can be used for procurement purposes along with managing agency travel. Detailed

travel information should be available to export into Excel or Access.

\*\*If they choose to do so, an agency will be able to auto-release travel batches in AFIS. Each trip is considered a separate entry (batch) in TMS whether it is a day trip or an overnight trip.

### **W-2 Update**

W-2s were mailed out January 23, 2007 and employees started to receive them on the 24<sup>th</sup>. As of today's date, approximately 1,500 have been returned with incorrect addresses on them. The Statewide Payroll office is sorting through them and filing them alphabetically to prepare for the duplicate W-2 requests. The Statewide Payroll office will start accepting duplicate W-2 requests on Monday February 12<sup>th</sup>. Statewide Payroll will verify if there is a new address entered in the HRIS when they receive the returned W-2, and if so, they will send the W-2 to the new address.

### **1099 Update**

Donna Cornella provided an update on the 1099's.

Approximately 25,000 1099-MISC forms were printed and mailed out on February 23rd. One of the Universities experienced an interface error and we are going to reprint approximately 700 forms, which should be completed by the end of next week. Fewer agencies sent corrections this year compared to the past years. There was a shorter turn-around time this year for the corrections. Vendor corrections can be done by the agencies throughout the year and not just at the end of the calendar year. The reminder at the end of the calendar year is just to notify the agencies that any last corrections need to be input. The AFIS liaisons will be referring some of the 1099 phone calls back to the agencies for more information.

### **Internal Controls**

Internal controls will be left on the agenda as a reminder.

Angela Dillard gave an update on upcoming GAO internal control events.

\*\*The GAO has scheduled some upcoming audio conferences related to internal controls. As a reminder for those who have already signed up, "Managing Internal Control with Compliance Technologies" will be held tomorrow January 31<sup>st</sup> and "Internal Controls" is scheduled for February 28<sup>th</sup>. In addition, please be aware of your agency's overall internal control structure and what risks may be there.

\*\*Other upcoming audio conferences the GAO has scheduled, not dealing with internal controls, are "Anatomy of a Train Wreck" February 1<sup>st</sup>, "Best Practices in Account-To-Report" February 15<sup>th</sup>, "Finding the Problem in the Pattern" March 1<sup>st</sup>.

### **Warrant Pickup**

A reminder was given to everyone that couriers from agencies picking up warrants require "gold cards" and couriers need to be aware of renewal dates on their cards. If your agency's courier is not available to pick up the warrants,

please make sure there is a back up in place. If not, a letter from the agency head is required.

### **Emphasis on Electronic Payments (Direct Deposit & ACH)**

An increased emphasis on electronic payments will be happening over the next year.

\*\*Currently, 89% of State employees participate in utilizing direct deposit. This leaves approximately 4,000 employees being issued paychecks (warrants). The goal is to have 98% of the State employees participating in the direct deposit program in the near future. Employees can view their pay-stub electronically using Y.E.S. There is some efficiency that comes with electronic payments. If someone has direct deposit and they are out ill for a week, they do not have to worry about getting their paycheck; it would already be in their bank account. A payroll card will soon be another alternative to paper paychecks.

\*\*Electronic vendor payments (ACH) have efficiencies reducing the time a vendor receives their payment as well as reducing the manual handlings of the paper warrant. ACH is not required at this time when a new vendor enters into a contract with the State. If an agency is interested in setting up an ACH for a vendor, they can contact their AFIS liaison to try and coordinate the ACH set up. Some vendor files have multiple names for the same vendor and this can cause problems. A website will be available in a few months which will allow vendors to verify payment information online.

### **GAO Website & Registration**

\*\*Diane Gorham reported that she has been cleaning up invalid e-mail addresses from the GAO website e-mail registration. Please ensure your GAO website registration is correct. If you are not receiving the updates, double check your registration. Most of the agencies have changed their e-mail addresses and the old addresses are being turned off. She has received over 300 bad e-mail addresses. If an agency would like to receive a list of individuals in their agency who is receiving GAO updates, they can e-mail the GAO webmaster at [gaowebmr@azdoa.gov](mailto:gaowebmr@azdoa.gov) and she can send out a report.

\*\*A drop down box with the agency name has been added to the enrollment form. This is to ensure the agency's name is correct. There have been many variations of the agency name listed on the previous enrollment forms.

### **Issues, Concerns, Questions**

\*\*A question was raised concerning 18% of their employees not having access to computers to verify their paychecks on Y.E.S. One of the alternatives would be utilizing kiosks with computers in them for employees to use. Before a paperless environment can be deployed, statutes will have to be verified and the GAO would work with agencies to ensure employees have access to a computer. Further discussions will be held with agency directors and cabinet members.

\*\*A question was asked in regards to whether or not the HRIS has the capability to turn on and off per agency the printing of payment advises. Mike advised that he does not know whether this function in the HRIS can be performed at an

agency level. He believes it is available at the employee level.

\*\*Per GAO Technical Bulletin No. 06-1 Accounting for Cost and Revenue Recoveries, if an agency has entered into contract with a vendor for these services, Donna Cornella asked to notify her to ensure there is not a 1099 issue.

\*\*Department of Revenue was asked to hold a use tax training class. Angela Dillard advised Reed Spangler to contact her and she would help set up a conference room for the training class and send out notification to all the agencies.

### **Future Agenda Items**

**Payroll Card** – Discussions concerning payroll cards should be starting in the next few months.

If you have any problems or concerns, please contact the GAO.

Meeting adjourned at 2:55 p.m.

The next meeting is scheduled for Tuesday February 27, 2007 at 2:00 p.m. in the General Accounting Office.