

**Large Agency
Chief Financial Officers Meeting Minutes
May 27, 2008**

PARTICIPANTS:

Joe Whitmer, ADA
Paul Nicola, DCA
Tim Newton, DEA
Karen Johnson, DEA
Michael Clark, EVA
John Moorman, HCA
Jim Humble, HSA
John Lake, HSA
Karen Roles, RVA
Craig Rudolph, DTA
Lihua Li, WCA
Clark Partridge, DOA/GAO
Mike Smarik, DOA/GAO
Jan Sharon-Strieby, DOA/GAO
Angela Dillard, DOA/GAO
Shannon Landis, DOA/GAO
Jaimie Soulvie, DOA/GAO
Stu Wilbur, DOA/GAO
Tami Eckloff, DOA/GAO
Amy Newby, DOA/GAO
Anita Kleinman, DOA/GAO

ITEMS COVERED

Mike Smarik – Welcome & Introductions

Greg Vokoun

Greg Vokoun is in the processes of finishing his Masters Degree and is writing a thesis on Internal Controls. He asked the Large Agency CFO's if they would participate in a survey on their views related to Arizona Government internal controls.

Payroll Benchmarking

Stu Wilbur gave the Payroll Benchmark PowerPoint slide presentation. The benchmark information on 120 various organizations were gathered by The Hackett Group during 2007. Of the 120 organizations, 17 were States; the study provides two comparisons – one to other states and one to all of the organizations. Hackett looked at the costs involved to process payroll. The State of Arizona's payroll labor cost is 43% and technology is 36%. There are approximately 51,000 employees who are paid by the State of Arizona. The

average cost for payroll is \$197.88 per employee per year for the State of Arizona. Time reporting was the largest portion of the cost. (This cost did not include the time the employees spend to submit their payroll information, only the time for supervisors to review data entry, etc). The next step for the State of Arizona will be to implement self entry in calendar year 2009 with the Lawson solution upgrades to HRIS.

The State is on the right track to help decrease the cost for payroll with the scheduled Lawson upgrades. The GAO has purchased the software from Lawson and is moving forward with the Lawson solution for travel management and employee time entry. There is an environment upgrade scheduled for the end of July which is a MSP11 next level of software service pack which is required to run the 9.0 application upgrade. After this upgrade, the screens will look a little bit different but will have the same functions available. Hopefully the 9.0 application upgrade will be complete later this fall. After the 9.0 application upgrade, other upgrades will be added to incorporate expense management, learning management (which will replace STARS), and Smart Notifications. Hopefully after the first of the year, employee time entry can be piloted. Expense management is targeted more towards the end of FY09.

P-Card and Travel Card

The AFIS Group has been working on setting up US Bank (VISA) ACH accounts for each agency to have their own separate accounts. A problem occurred with the setups and the agency account number is not going across on the record for when the payment is issued to US Bank. There may have to be programming changes in order for the US Bank ACHs to be processed. In the meantime, agencies will need to pay their US Bank invoices with a warrant. The GAO will send a web story to notify the agencies when they will be able to pay US Bank with an ACH. If anyone has any questions they can contact Angela Dillard at (602) 542-2122 or Tiffany Franks at (602) 542-6522.

Mike asked the agencies if they had any other comments or concerns about the new P-Card and Travel Card. One agency commented that they have had to cancel travel cards from a few employees for misuse and if anyone had any procedures in place. Not very many agencies have deployed very many travel cards. ADOT could not cancel their cards online and had to call US Bank. Another agency said that they were able to cancel them online. The agencies have been pulling reports looking for cash advances, inappropriate locations and charges occurring while employees are not in travel status.

Upcoming Audio Conferences

The GAO has scheduled the following audio conferences with CPE available:
Wednesday July 17, 2008 at 11:00 a.m. – GASB Review: New Standards and the Latest on Service Efforts and Accomplishments (SEA)

Internal Audit Meeting with all Agencies

The first Internal Audit Meeting was held on April 30, 2008. The meeting was very informative. Future Internal Audit Meetings may be held on a quarterly basis. Clark suggested a future agenda item for the next meeting would be to address the multiple audit findings on the Single Audit. If anyone would like to attend the Internal Audit Meetings they can contact Jaimie Soulvie (602) 542-6223.

Budget

The GAO is working on all the FY08 reductions. Some of the rent adjustments do not align with some of the billings. The GAO will be coordinating with the agencies that are involved. Most of the appropriation reductions and the transfers are moving along well. Some of the appropriations will be loaded without contacting the agencies if they look straight forward. Some of the fund transfers will not be able to be completed until June 30th when the money becomes available. Please contact your GAO AFIS liaison as soon as possible if there are any issues or concerns concerning the fund raids.

Other discussions were held concerning possibilities that may happen with the FY09 budget. Nothing is certain until the appropriation bill is passed for FY09. Appropriations will be loaded as soon as the bill is signed.

AFIS Fiscal Year-End

The last AFIS fiscal year-end training session was held today from 1:00 p.m. to 3:00 p.m. It is recommended that all agencies read the "Fiscal Year-End Memo and Closing Instructions" as there are some items that have changed from the previous year. If anyone has any questions concerning the fiscal year-end they can contact their AFIS liaison.

Fiscal Year-End Travel

The work around for fiscal year-end travel is addressed in the "Fiscal Year-End Memo". At this time, fiscal year-end travel is problematic. The GAO is working on a long term system solution which will hopefully include the end of FY payroll allocation as well with the next HRIS/Lawson upgrade. The FY dates cannot be changed in AFIS or HRIS. Last week, there was a fix done in HRIS that was limited to one pay class to ensure that the EREs are allocated correctly. The GAO staff has been correcting the EREs.

There will be two options available for processing travel claims in the HRIS after the June 17, 2008 compute:

1. Travel transactions entered in the HRIS after June 17, 2008 that are to be processed with the normal payroll cycle will be charged to the new fiscal year in both HRIS and AFIS. For those transactions that relate to FY08, the agency will then need to process an administrative adjustment journal entry in AFIS to transfer the charges to the correct AY during the administrative adjustment period.

2. Agencies may also input travel claims from June 18, 2008 through June 30, 2008 as handwrites in the HRIS. However, agencies must ensure that the labor distribution in the HRIS reflects the proper accounts as defined for Fiscal Year 2008. The handwritten process may be the most efficient.

If anyone has questions concerning processing travel claims during the 13th month, please contact Joanna Greenaway at (602) 542-6227 or Shannon Landis at (602) 542-6254.

Q: What conditions will the GAO allow the travel to remain in FY09?

A: Only if it is under \$300.00 with written approval. Travel claims cannot be split to avoid the \$300.00 maximum.

NSF and Favorable/Unfavorable Deposits Cleanup Project

The following information concerning the cleanup project was discussed in the Small/Medium CFO meeting held on May 20th:

The AFIS liaisons are working on the NSF and Favorable/Unfavorable Deposits Cleanup Project when they have time. They will focus more on this project after fiscal year-end. The discrepancy information was distributed to the agencies. Some agencies are going back to microfiche for information on their old deposits. The last cleanup was performed in 1996. The GAO would suggest that the agencies take their most current year and scrub it first and work backwards. It is important that agencies keep current going forward on their outstanding discrepancies. If agencies are reconciling monthly (as they are supposed to) then these discrepancies should be resolved quicker and easier. Another suggestion would be for agencies to get in the habit of looking on the 65A screen in AFIS to see what has posted to the GL accounts. Sometimes the notice sent by the Treasurer's Office may not be getting to the agency's accounting staff.

Eliminating Direct Deposit Printing and Distribution

Currently there are several agencies who are not distributing direct deposit advices as a pilot. There appear to be more agencies wanting to eliminate direct deposit advices than agencies that want to continue to distribute them. The target date to cease issuing direct deposit advices is the first payroll in July. DES has about 300 or 400 employees that do not have access to a computer. Agencies need to determine who in their agency does not have access to a computer to view their pay information in Y.E.S. Employees can print a hard copy of their pay information if they want a copy. The GAO has purchased MHC software which will help with the elimination of direct deposit printing. Notification will be sent to the agencies before implementation. Employees who are not on direct deposit will still be getting a blue payroll warrant for the time being. This issue will be addressed in the fall with the payroll card solution.

Payroll Stuffers

After eliminating direct deposit advices, payroll stuffers will be PDFd and sent to each agency to distribute electronically to their employees. Eventually payroll stuffers will be posted on Y.E.S.

GAO Receiving Other Agency's Mail

GAO has mail slots for agencies located at the front desk. These mail slots are for GAO use only and are not to be utilized by other agencies. Some agency couriers are placing mail for other agencies in the in-basket at the front desk or in the agency mail slot. This causes problems as some of the mail is not properly marked or is confidential. The GAO is not the mailroom and will not support this service. Clark asked the CFO contacts to ensure that their couriers are not placing mail for other agencies in the GAO mail slots or in-basket.

Issues, Concerns, Questions

Q: Does each agency still have to send Kathy Peckardt a letter to advise her that they are not going to be distributing check stubs after July 1st?

A: The letter was for agencies to participate in the pilot. Both HR and GAO are dealing with the announcement and if there are any issues or problems with going paperless agencies need to let HR or the GAO know. Agencies have to ensure that each employee does have access to view their pay information.

Q: An agency's has been looking at cost saving items and their IT department has identified a potential cost savings measure by comparing the cost of AZNet to cell phones. They believe that they could be saving their department money by issuing cell phones to employees on a pilot basis for business use only and employees will be responsible for overage of minutes and personal use. What are the IRS issues and taxability for cell phones?

A: Currently the IRS ruling is that cell phones are "listed property" which requires documentation as to whether each call was made for business or personal use. Even though you may buy a flat amount of minutes, employees still have to allocate out the personal use of those minutes. Agencies need to factor in the cost of the taxability of the personal use and the administrative costs of tracking all cell phone bills to determine which portion of the usage is personal unless the agency wants to go to some type of stipend. Even a stipend will have the FICA and Medicare match that will need to be paid. The GAO is working with NASACT and other government agencies to try and work with Congress to remove company issued cell phones out of "listed property". Most agencies have a policy in place for "business use only" on Blackberries.

Q: An agency has an employee that does fixed assets and as he goes around the state he is finding tags on Accenture items that were in other locations and now have been moved without notifying the agency. The agency is also not being notified of some smaller assets like routers being added to their monthly phone bills that have not been tagged. Has any other agencies experienced this?

A: No one else has experienced this issue. Joe Whitmer advised that ADOA has paid for a lot of the big equipment that Accenture is buying and there may be ADOA tags on some equipment. ADOA is having a difficult time tracking the purchased equipment as fixed assets. If agencies are still experiencing problems next fall then Clark can invite TPO to the CFO meetings.

Jaimie Soulvie advised the group that the GAO-3 which allowed multiple people has now been converted to an electronic fillable version. Jaimie asked the CFOs to ensure their agencies are using the new electronic version of the GAO-3. The new form will have a single page for each person. The form will still need to be signed by the appropriate individuals.

In the future more emphasis will be on the Code of Conduct dealing with Internal Controls and conflict of interest.

Future Agenda Items

Emphasis on Electronic ACH Payments

Payroll Card

Internal Controls

The GAO is working on a project to identify key internal controls that agencies should be working on that are not optional. There are certain core internal controls that agencies should be doing on a regular basis such as reconciliation and segregation of duties. Additional tips and tricks to handle internal controls quicker and easier will be included in the project. In the future, internal controls will need to be assessed annually and will require certifications from the CFO and Agency Head.

Compliance associated with reporting financial statement information was discussed. Of the 18 agencies that do financial statements for the State of Arizona CAFR, only 4 agencies provided their final financial statements to the GAO by the deadline. The issues need to be addressed to determine why the financial statements are not being completed in time. More information on internal controls and Sarbanes-Oxley will be provided this fall.

Travel & Expense Management Sub-System

Federal Transparency Act

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

Meeting adjourned at 3:43 p.m.

The next meeting is scheduled for Tuesday, September 23, 2008 at 2:00 p.m. in the General Accounting Office.