

**Large Agency  
Chief Financial Officers' Meeting Minutes  
May 31, 2011**

**PARTICIPANTS:**

Joe Whitmer, ADA  
Cheryl Bodmer, DCA  
Tim Newton, DEA  
Todd Bright, DEA  
Karen Johnson, DEA  
Ross Begnoche, EDA  
Dee Dee Stuart, EVA  
John Moorman, HCA  
John Lake, HSA  
Joan Jones, RVA  
Syndi Reeder, WCA  
Clark Partridge, ADA/GAO  
Mike Smarik, ADA/GAO  
Angela Dillard, ADA/GAO  
Anita Kleinman, ADA/GAO  
Joanna Greenaway, ADA/GAO  
Tami Eckloff, ADA/GAO

***ITEMS COVERED***

*Clark Partridge – Welcome & Introductions*

**Cash Flow Updates – Anita Kleinman**

Some of you have been involved in the pilot project with OSPB for cash flow reporting. The web based reporting was rolled out to all the agencies with training provided. August 15 will be the first report due for the month of July and projecting future. Information is to be updated monthly. With centralized information, all information will be there for OSPB, JLBC and GAO.

**FY11 Final Sweeps and Appropriation Reductions – Anita Kleinman**

We are trying to wrap these up by June 15<sup>th</sup>. Anything that will be hitting the current fiscal year is the priority. We now have the final figures for uncaptured personnel savings. A web story has been posted. A General Fund reduction will be coming from a current General Fund appropriation. For appropriated other funds, monies will be coming from an existing appropriation, the same for nonappropriated monies. We will not be setting up a dummy appropriation for these transfers.

The question was asked earlier today where the additional reductions were coming from in the JLBC approps report. Our understanding is these are things that did not get

captured in the budget process. There ended up being more savings from the furlough than were originally projected.

**Q:** On the sweeps for FY11, what about the section 114 transfers?

**A:** They have gone to OSPB and it is on the agenda for the next JLBC meeting on June 9<sup>th</sup>. We believe we have one more agency that will be submitting something but they need to do it ASAP.

### **Appropriation Loads for FY12 – Anita Kleinman**

A web story will be going out. Effective tomorrow, agencies will be able to begin entering in their FY12 appropriation loads. We received verification from OSPB that they are fine with the existing allotment percentages. We have quarterly allotments, standard 25% or for lump sum General Fund appropriations the allotments are currently set at 30%, 22%, 22% and 26%. If you need to request anything different than those percentages, you need to have your request in to Clark. We will be sharing the request letters with OSPB so we can make changes before the allotments are generated by the system.

We had quite a few changes last year to the allotment percentages. We had thought we might take them down lower in the first quarter since we eliminated the health and dental insurance sweep. They were so low last year and we didn't increase them due to potential budget cuts.

**Q:** The other sweeps in the first quarter will still be there though correct? Risk Management, etc.?

**A:** Correct. That is why the 30% still holds true. Otherwise it would be closer to the 25% each quarter. There are 27 pay periods in FY12. You will have extra pay periods in the first and the last of the year. We will be able to analyze the percentages better for next year. Next year there won't be so many changes.

### **Microsoft Settlement – Clark Partridge**

Reminder if you are buying anything from Microsoft you should be using your settlement dollars.

### **3% Withhold – Clark Partridge**

The final regs have come out from the IRS. One of the things it did do was delay implementation for another year. It will not go into effect until January 1, 2013. We are still working for repeal. We will keep you posted.

### **Mandatory Direct Deposit – Clark Partridge**

The legislation that passed this year gives the opportunity that if the employees do not select direct deposit themselves, the employer has the opportunity to deposit their pay into an account on their behalf and make that available to them. Our solution will be the Bank of America payroll card. The legislation goes into effect July 20<sup>th</sup>. We will be

coming out with a series of communications to encourage people to go on direct deposit to help them understand what the ramifications are. People can have both direct deposit and a payroll card. We are targeting September as the timeframe when we will start moving people onto the payroll card if they have not signed up for direct deposit. We will notify you of the individuals still receiving a paper warrant as of July so you can notify them and encourage them to sign up for direct deposit during August. Those who are still not on direct deposit as of the end of August will start moving towards a payroll card in September.

### **July 1, 2011 payday – Clark Partridge**

Keep in mind that July 1 is the first payday for fiscal year 2012. This will be the first of 27 paydays for the fiscal year. We will mail out all warrants on July 1<sup>st</sup>. We cannot have people receive their pay in June. It must be in July. It is a holiday weekend. We are conscious of trying to get people their pay. This would be a great time to sign up for direct deposit or the payroll card now.

Reminder that the direct deposit will be hitting bank accounts on Friday the 1<sup>st</sup> instead of the usual Thursday. Be cautious if you have automatic payments coming out of your account.

All warrants will go in the mail, no exceptions at this time.

**Q:** We have actually had a good response now that the mandatory direct deposit is in statute. Also when the warrant is mailed to the wrong address due to a bad address has been effective too.

**A:** The warrants do get mailed to the address on record in HRIS. It is on the warrant every time it is handed out. Employees should be looking at the address to make sure it is correct.

**Q:** In September when the payroll card is the alternative for direct deposit for everyone, I am assuming there is still the transitional changing bank accounts, new employees, etc. that will still generate a warrant?

**A:** Yes. We will still have warrants. We want to make sure we are driving cost effectiveness for the State. If it is more cost effective to produce a warrant in certain situations such as terminations, we will produce a warrant. Another item we are still researching is sending a file to the bank every night rather than once every two weeks so the pre-notes are happening daily. That will reduce the number of warrants we will need.

**Q:** We are only doing the pre-note process once every week right now?

**A:** No. Once every two weeks. It is done every payday when we send the file to the bank on payday. That is why it usually takes one pay period for the direct deposit to go through.

The exceptions take up a lot of our time. At this point we really need to be streamlined with this process. While we are open to exceptions if there is something that really needs to be done, we don't anticipate any at this time.

### **CMIA draws regarding the July 1, 2011 payday (Friday)**

For those who plan their CMIA draw to coincide with payday, the money for payroll won't be moving until Friday July 1. You need to time your CMIA draws appropriately for the Friday payday instead of the Thursday payday.

### **Fiscal Year End – Angela Dillard**

SPO will open up ProcureAZ June 13 to begin processing FY12 requisitions and POs. Keep in mind you will not be able to fully process these items until July 1<sup>st</sup>. You will be able to process up until the point where it goes to final approval. When you hit the button for final approval, it will send a pre-encumbrance to AFIS. Since AFIS will not be available for FY12 processing until 7/1, you will get an error message. The POs will not be able to be sent to the vendor since that action will cause the system to try to set up an encumbrance and you will get an error message.

The appropriations load will be on June 16<sup>th</sup>. After July 1<sup>st</sup> you can load appropriations in the current year and we will not need a special run.

If you have mass changes to profiles, etc., the liaisons have the ability to perform a HostBridge upload so you do not have to enter them all manually. Contact your liaison for assistance.

### **Internal Controls – Outstanding Items – Timely Follow-up and Resolution – Clark Partridge**

When you do reconciliations, if you have outstanding items, make sure you follow up on them & resolve them. Some are just in the normal course of business such as an outstanding warrant that hasn't cleared yet; it probably will be cleared by the time the next month's reconciliation is done. In some cases, there are outstanding items that need to be followed up on for example an outstanding warrant that has still not cleared after three months, you may need to contact the vendor. A phone call may prevent an expired warrant. Also as things age, people tend to forget, especially if you have turnover of staff.

We had one agency that said they closed out their revolving fund 13 years ago. If they were reconciling their revolving fund to the general ledger they would see there was still an amount in an outside bank account in the amount of the revolving fund. Many of you have internal audit offices. They can probably assist you with some of these items.

### **Federal Offsets – Clark Partridge**

The overages received from the federal government have been processed and returned to agencies. If you have budgetary issues, make sure you are on top of this issue and have a game plan on how you are going to solve the issue. Make sure you are talking

to your OSPB analyst. If you are having budgetary issues, remember the option is there to have additional furlough days if necessary. There are also other options. If you need to have a mandatory furlough day, you have until June 10<sup>th</sup> to make it happen. Any furlough day after that will help you for FY12.

### **Travel Claims – Clark Partridge**

We recently received 5 to 6 travel claims from multiple agencies that were submitted more than 6 months after travel. This goes along with solving outstanding items timely. Large agencies have people that travel routinely all over the state all the time. How does the supervisor know this was indeed what was traveled more than 6 months later? Do they really remember all the details of the trip? How long were they gone? When did they leave? When did they come back? Even if fairly detailed records are kept. It will take some time to get the records back out, go through them, and try to remember exactly what happened. The best practice is for the travel claims to be submitted monthly and kept timely. With the fiscal year end coming up, travel needs to be submitted timely and all travel through June 30<sup>th</sup> should be submitted for processing during the 13<sup>th</sup> month.

Clark will be reviewing the claims that are more than 6 months old. Some of them may be returned. We have been through this before. With DES we went so far as to have them send out a notification to every employee communicating that they need to understand travel claims are to be submitted timely before we would even consider looking at the claims we had at that time. We do not want this perpetuated. It was shocking we had so many of these come in within days of each other. There were 4 agencies involved in the 6 requests.

### **AFIS Replacement Project – Clark Partridge**

For those of you want to stay, we will be giving a presentation on the AFIS Replacement Project. For those of you that have already seen it, you may leave. We will probably be having a special summer CFO meeting or meetings. We probably will not wait until September to update you on the project.

Clark presented a slide deck that was gone through with the steering committee.

What are the things we need to do, not necessarily how we do things currently? What is the business need for having information? Can we accomplish this out of the box and not have rekeying done into Excel spreadsheets? We cannot continue to wait. AFIS is having problems. We are trying to create a financial framework for the State for the next 20 to 30 years. To accomplish this, we will really need to understand the needs of the State.

We currently do not have a budget for the AFIS replacement project. We are going to spend a lot of time figuring out how much this is going to cost and what are ways we can go about doing this efficiently and effectively to control costs, initial costs and long-term costs.

ERP: Enterprise Resource Planning. You look at the resources you have and how do you plan and utilize technology to be able to implement your business information across the entire organization. We are not just replacing an accounting system, we are looking at a new business information system.

We want to focus on a strong project management team, strong agency commitment and participation and strong executive commitment and participation. We are off to a good start with the executive commitment. The key is at the CFO level to make sure we are providing the type of support for the executives that they need, which includes the steering committee.

There are many lessons to be learned from other states. The ones we want the steering committee to focus on are buy in, making sure you have buy in, unrealistic business cases; budget, resources and timeframes. We will push aggressively. Time is money however we will take time to make sure we are addressing issues that need to be addressed. We need to hear about issues as we go through the process. We cannot afford to wait until we have signed a contract and are three years down the road.

A group has been meeting weekly to discuss needs and put an RFP together. The RFP and the slide deck will go out soon to the 30 members of the steering committee. If the RFP needs to be shared with other staff members, a nondisclosure form needs to be filled out and sent to us so we do not have any procurement issues. An elected officials meeting will be held in a couple of weeks.

Expectations of the steering committee and the elected officials group will be standardization of business processes and streamlining operations which will drive efficiency and effectiveness. Every customization desired of a new system will be challenged. We need to fully understand why we want to do it. If we make the custom change, it will cost money. Current business processes need to be fully documented so we understand what you do and what you need from the system. An agency asked if they should start documenting processes now. It would be a good idea but don't be too worried about the format. When a consultant comes in to assist us, they will probably have a ready made format to document the business processes. Start thinking about business processes and core concerns and your frustrations.

Constructive criticism is vital. You will see where we will challenge some things but it is not with the intent of saying we don't like it, it is more to try to understand it and put it into context with something else we may already be thinking about. Some of the discussion may come down to, this is what the law says. If this is the case, we may need to look at changing the law. If you have concerns, you need to speak up, whether in a group setting or if you pull Clark aside.

The Core Management Committee will be comprised of CIOs, CFOs, and key operational staff with a financial or technology focus which will contribute to the overall project management. This committee will be smaller than the Steering Committee and will be expanded beyond the large agencies that are currently filling this role trying to

get this project off the ground. We are trying to figure out how to strategically make this happen with 20 or less participants.

The Project Manager will be the chair of the Core Management Committee. We expect this position to be a full time State employee. Everyone involved should support this position. It is a thankless job. They work for everybody but the position will report directly to the State CIO. This position will also manage the consultant working with the various committees.

The RFP consultants will be involved in four phases. 1) Assess the ERP needs and develop a budget issue. 2) They will help us look at our business processes and identify opportunities for reengineering, 3) Quality control once we get the ERP vendor(s) on board and 4) Post implementation.

The budget preparation timeline is currently as follows; Issue the RFP, Pre-Offer Conference in early June, the responses will be due in about two weeks after the RFP goes out, the award will be done in early July. July through September will be spent really developing the budget submittal. We will continue to refine the submittal in October and possibly into November and December.

The expectations of today are to confirm the commitment of the vision, purpose and objectives. This isn't just about replacing the accounting system. It is about the way we do business. Today was also about confirmation of the Governor's project proposals and agency participation. From the Governor's Office perspective, they expect agencies to participate at all the appropriate levels, including the agency heads.

### **Future Agenda Items**

**AFIS Training**

**NSF & Favorable/ Unfavorable Deposits Cleanup Project**

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

Meeting adjourned at 4:18 p.m.

The next meeting is scheduled for Tuesday, September 27, 2011, at 2:00 p.m. in the General Accounting Office.