

**Large Agency
Chief Financial Officers Meeting Minutes**
October 26, 2010

PARTICIPANTS:

Cheryl Toone, ADA/Risk
Karen Johnson, DEA
Tim Newton, DEA
Todd Bright, DEA
David Plummer, DJA
Craig Rudolph, DTA
Steven Race, EDA
Mike Clark, EVA
Lizette Morgan (& others), GFA via GoTo Meeting
John Moorman, HCA
John Lake, HSA
Dianna Claassen, MAA
Lori Sheen, MAA
Steve Curtain, MAA
Vangie Webster, MEA via GoTo Meeting
Chuck LeBlanc, PSA
Syndia Reeder, WCA via GoTo Meeting
Clark Partridge, ADA/GAO
Angela Dillard, ADA/GAO
Anita Kleinman, ADA/GAO
Jaimie Soulvie, ADA/GAO
Joanna Greenaway, ADA/GAO
Stu Wilbur, ADA/GAO
Tami Eckloff, ADA/GAO
Greg Vokoun, ADA/GAO
Amy Aeppli, ADA/GAO

ITEMS COVERED

Clark Partridge – Welcome & Introductions

Employee Time Entry (ETE) – Clark Partridge

In the Small/Medium agency CFO meeting we had a presentation on ETE by Jennifer Bowling of HRIS. Jennifer should be contacting your agency to discuss ETE with your payroll and personnel areas and your director.

Cell Phones – Clark Partridge

The President signed into law on September 27, 2010 the law removing cell phones as listed property. Prior to this new law, personal use of an employer's cell phone was taxable to the employee. That will be going away. We have not

yet seen anything from the IRS. The cell phone use may still be taxable if for example a cell phone was given to an employee and it was used almost exclusively for personal use.

If there is any additional out of pocket cost to the State from personal cell phone use, it will need to be reimbursed. You cannot violate the gift clause.

Alternate Work Weeks – Clark Partridge

We had an agency that misunderstood the elimination of the 9/80's schedule and alternate work weeks. They eliminated the 9/80's but were still allowing employees to work an alternate work weeks. The work week for the State of Arizona is midnight Saturday to 11:59 p.m. on Friday. THERE ARE NO EXCEPTIONS! If you have questions, please contact us.

Payments to Employees – All thru HRIS – Clark Partridge

Thank you for your feedback on this issue. We will be following up with the agencies. One of the things we will be discussing is revolving funds and the possible elimination of revolving funds that are no longer necessary with all payments to employees flowing through HRIS. If you have any specific comments or issues please contact Stu Wilbur at 602-542-1674 or Stu.Wilbur@azdoa.gov.

We are anticipating implementation by January 1, 2011. If you have issues, let us know. We anticipate setting up new pay codes in HRIS to accommodate the different types of payments being made to employees.

Q: We will need to discuss on a case by case basis those employees that are employees of the State and are also contractors.

A: The moonlighting has always been an issue. We have had conversations with the Attorney General's Office and HR dated back to the late 1990's. We made progress but never really resolved all the issues due to so many different possibilities. There are some cases where an agency will have a contract with someone and never realize they are a State employee. Rules Writers are a common issue. Agencies will contract with individuals and not realize the person they have contracted with is a State employee.

Federal Offsets – Clark Partridge

We have gone through another round of federal offsets. Many of you in this room probably got hit. We are waiting to hear from the feds. We were offset more than what was owed to the feds. They took about \$300,000 too much. The feds need to complete their reconciliation process before we can begin the reversal process.

The federal Department of Education just came on board with the Treasury offset program October 1. There have been some issues because there was a trigger that indicated there was a debt due. The federal Department of Education does not know how to get rid of the debt due notice in their system. Until they do, they are encouraging agencies to sign up with the ACH draw process until they can work out their fed wire process. It is a good idea to have alternate draw methods in case one system crashes, you have another method available to draw funds.

Any specific issues you have with your grants or grantor agencies, let us know, particularly if it is a cross cutting issue. Anita has information regarding five small dollar offsets that we cannot identify which State agency made the draw. If you are missing funds, contact Anita at 602-542-2216 or Anita.Kleinman@azdoa.gov.

Federal Funding Accountability and Transparency Act (FFATA)

We will hopefully have additional information later this week. We have a call with a group of states with one of the key people over the FFATA program from OMB. We will get some information, get some questions answered and hopefully get some guidance to you. We have heard however OMB may not send any guidance out until after the month of October is over, possibly into mid November.

The FFATA policy information we do have should be out this week. SEFA and PCard policies should also be out this week.

Office of Foreign Asset Control (OFAC) – Angela Dillard

OFAC is a federal guideline that has been out for several years now. It requires us to be checking all of our payments to vendors against the Specially Designated Foreign Nationalist List (SDFNL), which is anyone that is on a terrorist list. We are researching to see how we make sure we are in compliance. We have contracted with a Lexis Nexus service that will check our vendors against the SDFNL to see what vendors come back as matches. We will then expand the checking to payments made using TC825s and TC826s which are payments which do not require a vendor setup.

If we do get hits from payments you are making, you will be contacted. If we make a payment to someone on the list, we can get fined up to \$250,000. If there is blatant disregard for the law, it is criminal and prosecutable. If you have too many matches on the list, GAO may charge you the fee that will be charged by Lexis Nexus for the match. We ran a test of 1,000 vendors which included the foreign vendors we currently have on the vendor file. We received three matches. Once the research was done, we determined they were false positives.

ARRA Quarterly Update – Clark Partridge

All 504 reports were submitted to the federal government by the October deadline. The number is still growing. Last quarter we reported on 480. We are

currently responding to questions and comments by the federal agencies. You will be contacted if we need additional information.

State Transparency Project – Joanna Greenaway

A demo of the Transparency website was given demonstrating the different categories to sort from, revenues and expenditures, and amounts paid by vendor. Information can be downloaded or printed. Printing is discouraged since the printing will print all of the tiers of the sorting.

There will be a variety of charts and graphs that will be on the transparency website. If you have any ideas for chart or graph information you would like to see on the website, let us know. We will need you to site your source of the information.

Along with the financial information, there will be agency mission information from the Master List. We are not sure yet if there will be a link to the Master List information or the Master List information will somehow be reproduced, or if a link to the websites for the largest agencies will be provided.

Q: Will you be explaining the operating transfers for State matching dollars?

A: Yes. We will explain the way the State operates, the revenues and expenditures. We will also explain that some of the payments go outside of the State to vendors but some are transfers. Remember that the payment to the vendor will show with the comptroller object originally used to pay the claim. If you go in later to correct it, the correction will show on the transfer, but the original warrant will always have the incorrect information. We will explain transactions that might be corrections. We would like you to share these concepts with you staff so they understand it is very important to do things right the first time.

We will send the policy information out to you ahead of time for your thoughts and suggestions. Any comments you may have will be welcome.

Q: How are you going to explain that the website contains information from the State's accounting system and then other information is from the other Agencies' systems, the phase II information?

A: One of the methods for searching is by the State of Arizona, on the drop down menu. When the phase II agencies are added, there will be additional information to pick from in that drop down menu. There will be an explanation on this on the home page.

Q: Will the CFDA information be on the transfer information?

A: No.

We will also be looking at who is creating and receiving payments using TC 825.

We will also have links to the local government transparency website as required by law by January, 2013.

Q: I see it on the future agenda items, but do you have any updates on the 3% Withhold?

A: We have been told that sometime after the calendar year there will be additional regulations and guidance from the US Treasury. Some states have been working on programming for the past 12 – 18 months with the realization they may have to redo it depending on what the final regulations are.

Q: Is there any chance it will just disappear?

A: Is there a chance? Yes. It is a very real chance, no. The reason is there is a price tag of \$7 - \$12 billion dollars attached to it. The Federal process would require that an alternate \$7 - \$12 billion in savings be identified in order to eliminate the withhold. We had tried to get it repealed in ARRA legislation but it was set aside for another year.

Q: I guess I am behind on this one and we have our own system. Where do we go for information? What is the fine for noncompliance?

A: You still have to pay the 3%. So it is 3% of whatever you pay. Payments that are made directly as aid to an individual are excluded. A payment that is made to another government as a pass thru is excluded. Payments to providers for fee for service, all those payments will be subject to the 3% withhold. Payments of goods or services will be subject to the 3% withhold.

We know we have to withhold 3% of something, of what exactly we are not sure yet. Some things are excluded in the law. There are discussions about what is the minimum threshold? What transactions need the withholding? Within the next two months we will be in a position to start having conversations with those agencies with their own systems to make payments will be our initial target audience. This audience includes the universities, Arizona Power Authority, Public Safety Retirement System, Department of Economic Security and everyone that has a revolving fund. We will handle the revolving fund by writing in policy that for the revolving fund and Pcard you cannot pay any transactions that are greater than \$10,000. You cannot split the payment into multiple payments to avoid the \$10,000 threshold.

Q: Will the withholding also apply for local and county governments?

A: It affects all governments that expend \$100 million or more in a year. Large cities and large school districts will qualify. There will be smaller cities and school districts and possibly some smaller counties that will not have to participate.

Even though this item was not on the agenda today, we need to discuss these types of things if you have questions or issues.

Reminder to focus on the NSF payments clean up.

If you can pay items electronically and do not have to handle paper, please do so.

Internal Controls, we have talked about over and over again. We had a conference call today. The feds are interested in Single Audits submissions being accelerated. There is a tentative timeline for 2012 – 2014 that the required date will be one month faster each year. 2012 will be due in February, 2013 will be due in January and 2014 will be the end of December. That means we have to have the CAFR done at least 6 to 8 weeks before the Single Audit deadline. If they ever get to a December Single Audit deadline, we will have to have the CAFR done & issued by mid November which would mean we would need your final audited financial statements by the end of September, maybe mid October. The SEC is talking about audited financial statements being done within 60 days of the close of the fiscal year.

Q: You started talking about internal audit when you began the conversation. How is this related?

A: We started talking about internal controls which is related to being efficient and effective. We need to be constantly looking at internal controls on an ongoing basis. If we can get the Auditor General's Office comfortable with our environment that also means there will be less test work.

When there are budget cuts, one of the areas they cut is admin. What impact does that have on our internal controls and our assessments? We need to be reassessing as the environment changes.

Future Agenda Items

Emphasis on Electronic ACH Payments

NSF & Favorable/ Unfavorable Deposits Cleanup Project

Internal Controls – Effective & Efficient

3% Withhold

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

Meeting adjourned at 3:26 p.m.

The next meeting is scheduled for Tuesday, November 30, 2010, at 2:00 p.m. in the General Accounting Office.