

**Large Agency
Chief Financial Officers Meeting Minutes**
October 31, 2006

PARTICIPANTS:

Paul Nicola, DCA
Kent Lane, DCA
April Mendez, DCA
Debbie Lopez, DCA
Mary Mirocha, DEA
Craig Dunlap, HSA
Dru Bottoms, PSA
Joan Jones, RVA
Craig Rudolph, DTA
Norm Metcalf, DTA
Lihua Li, WCA
Clark Partridge, ADOA/GAO
Jan Sharon-Strieby, ADOA/GAO
Angela Dillard, ADOA/GAO
Shannon Landis, ADOA/GAO
Mike Smarik, ADOA/GAO
Joanna Greenaway, ADOA/GAO
Kjell Anderson, ADOA/GAO
Larry Adams, ADOA/GAO

ITEMS COVERED

Clark Partridge – Welcome & Introductions

AFIS Survey

The GAO received some great suggestions, thoughts and ideas from the AFIS Survey on how we are conducting training and how we can improve on the understanding of AFIS. Most of the agencies liked the online training but would like to see it updated. Other agencies have requested more instructor lead AFIS training classes. The Arizona Government University (ASGU) will be offering classroom instruction for the AFIS Transaction Entry class on Thursday, November 30, 2006. If anyone is interested in registering for the class on November 30, please contact AZGU at (622) 771-2948. There is a prerequisite class (AFIS Overview/Concepts) required before this class can be taken.

Travel System

The new travel system is currently in the design phase. The GAO is currently working with the Information Services Division of the ADOA to implement a web-based travel system. In the next few weeks, the GAO will hold a meeting to request for agency participation to help define the functionality of the system. Most of the large agencies have volunteered to help with the requirement definition, piloting and testing of the new travel management system. All payments will be paid through AFIS. The same day meals records will be sent to the HRIS to be added to the employee's taxable wages. The new travel system will obtain employee information from the HRIS.

Travel Policy

**The GAO will be reviewing the travel policy to make appropriate changes as necessitated by the implementation of the new travel system. The GAO requests input on travel issues or problems that agencies are experiencing to help make the travel policy more efficient and effective. Policy simplification is one of the goals for the policy revision. During the policy review, considerations will be evaluated to ensure that the policy will be fair and equitable to the traveler as well as to the State. If you have information or issues concerning the travel policy, please contact Angela Dillard at angela.dillard@azdoa.gov.

**Airline contract question. The airlines did not want to participate in a State contract at this time. No further action has been taken.

**ADTRAV or any other travel agencies are still an option for State employees to use for booking travel.

Year End Payroll Meeting

Mike Smarik informed the CFOs that there would be two sessions of the Calendar Year End Payroll Meeting held on November 29th. One session will be at 9:00 AM and the other one will be held at 1:30 PM in ADOA Suite 300 A, B and C located at 100 N. 15th Ave. A web story and agenda will be posted to the GAO website closer to the meeting date. It is recommended that all agency payroll staff attend one of the meetings held on November 29th.

**An All State Agency memo was distributed last week, on October 24, 2006, in reference to GAO Technical Bulletin No. 05-4 concerning compliance with IRS for Taxpayer Identification Numbers related to the processing of a handwrite for an employee death benefit. The form W-9 must be completed by the spouse or successor if either a GAO-36 A or B form is completed. The W-9 form must contain the Taxpayer Identification Number of the deceased's estate if a GAO-36 C form is completed. A 1099 will be issued to an individual, successor or estate that received the deceased's wages. The new process is effective immediately. A new Technical Bulletin (TB) will be issued which will supersede TB No. 05-4 to reflect this revision. The deceased Social Security Number will be changed to the new Taxpayer Identification Number for the payment. Once the payment is made, the Taxpayer Identification Number will be changed back to the deceased Social Security Number. This information will be covered in the Year End Payroll Meetings scheduled on November 29th. If you have any questions, please contact Mike Smarik at mike.smarik@azdoa.gov.

Internal Controls

Internal controls have been tightening up in all organizations since the ENRON and WorldCom scandals. Sarbanes-Oxley Act of 2002 did not apply to non-profit organizations and government agencies. The PCAOB regulates the public side in connection to the Sarbanes-Oxley. The standards are changing. The AICPA has produced a Statement of Auditing Standards 112 (SAS 112) which changes the way that the auditors are required to look at State government's internal controls. The statement incorporates some of those concepts under Sarbanes-Oxley. The US Government Accountability Office (US GAO) has incorporated the same concepts into its Yellow Book audit which governs all entities that are receiving federal grants. One of the items is specifically an audit of internal controls. Those concepts are increasingly being applied to government. The awareness of the public and our governing officials has been changed and will continue to change. Previously, the audit reports (letters to management), from the Auditor General's Office,

have been distributed to the agencies' management. The points for discussion will now be reported to the agency and the reportable conditions will now be material weaknesses. With the implementation of SAS 112, the audit reports could be escalated to those individuals responsible for the governments of the entity. The reports could be sent to the Governor, the President of the Senate, the Speaker of the House, and possibly the Joint Legislative Audit Committee. This could change the perceptions, the accountability, the follow-up, and types of questions received. Increasingly, certain standards and certain types of internal controls are expected to be maintained and considered for implementation. Overall, our internal controls could be improved. The GAO will be looking at models and tools for internal controls to help agencies ensure they have good internal controls. Currently there are statewide and agency level internal controls combined. Some agencies have limited ability to monitor specific internal controls. The GAO will be working with other states on best practices to incorporate them into internal controls. Additional discussions with the agencies will be held. Previously, a discussion was held to have all of the State agencies signoff on a Management Representation Letter annually to ensure each agency is aware of their internal controls are effective and operating. The signoff may require the agency head as well as the CFO in order to have the agency management to help support internal controls.

Ethics

A copy of The State of Arizona Code of Conduct was distributed to the meeting participants. The Code of Conduct can also be viewed on the GAO website under Technical Bulletin 00-3, Code of Conduct for State of Arizona Employees Engaged in Accounting, Financial and Budgeting Activities <http://www.gao.state.az.us/publications/tb/bulletins/tb003.pdf>. The Technical Bulletin was issued on April 3, 2000 and was developed by the GAO with assistance from agencies' CFOs. Clark wanted to reemphasize the Code of Conduct with the agencies. A website article on the Code of Conduct will be distributed for the agencies that were unable to attend today's meeting. All agencies, by policy, are required to be subscribed to the GAO website.

Issues, Concerns, Questions

Craig Rudolph - The Department of Transportation had three questions.

**The Department of Transportation, with their current shortage of staff in accounts payable, is struggling with use tax and transaction privilege tax. The questions they have are; "How are they supposed to pay it? When is it due? What responsibility do the agencies have in collecting and remitting the taxes to the Department of Revenue?" The Department of Transportation requested an overview or receive training materials to help assist them with the use taxes.

**GASB 45 – Craig questioned whether or not individual agencies need to be in compliance with GASB 45 or what their financial statement would be in relationship to the CAFR. Clark responded that the GASB 45 is still under discussion and clarification.

**Craig inquired what the backup or contingency plan is for HRIS. "What do we do if we need to generate checks?" – The GAO is reevaluating and considering other options to the plan that has been in place for the past ten years. The existing plan is to release the previous direct deposit tape. This would ensure that approximately 89% of the State employees receive their paychecks. The employees that would not be covered in the previous tape are the employees that no longer work for the State and new State employees. 11% of the State's employees do not get a direct deposit due to various

reasons.

**One of the agencies had a question about Accenture/AZNet's billing cycle. Due to the October 9th holiday, the process time was shortened. The ACH calendar schedule is given to the agencies in the AFIS Fiscal Year End meeting. Options were discussed. Clark mentioned that he would try and get the TPO to come to the next meeting.

Future Agenda Items

Agency Presentations (informal discussions) – Clark requested that the CFO's share agency information with each other during the CFO meetings to create a more positive and dynamic environment. The presentations could be informal discussions on problem/issues or be more formal. An agency can share what their agency does or provide information on a successful best practice item.

Payroll Card – The payroll card will be addressed after the travel card has been resolved. This year, the Department of Transportation's Director, mandated that every employee receive an e-mail address and be provided with access to a computer. This will help with the deployment of the payroll card and the implementation of paperless direct deposit advices. Direct deposits also help with the State's Pandemic Plan.

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, November 28, 2006 at 2:00 p.m. in the General Accounting Office.