

**Large Agency  
Chief Financial Officers Meeting Minutes  
April 26, 2011**

**PARTICIPANTS:**

Joe Whitmer, ADA  
Cheryl Toone, ADA/Risk  
Tim Newton, DEA  
Todd Bright, DEA  
Karen Johnson, DEA  
Li Li, DJA  
Ross Begnoche, EDA  
Mike Clark, EVA  
John Moorman, HCA  
John Lake, HSA  
Ken Bell, JCA  
Leigh LeBlanc, PSA  
Rochelle Witherana, RTA  
Joan Jones, RVA  
Syndi Reeder, WCA  
Clark Partridge, ADA/GAO  
Mike Smarik, ADA/GAO  
Angela Dillard, ADA/GAO  
Anita Kleinman, ADA/GAO  
Jaimie Soulvie, ADA/GAO  
Joanna Greenaway, ADA/GAO  
Stu Wilbur, ADA/GAO

***ITEMS COVERED***

*Clark Partridge – Welcome & Introductions*

**AZNET II – Gary Hensley**

Gary is the Program Manager for the Telecommunications Program Office (TPO). Gary was asked by ADOA Director Scott Smith and Deputy Director Dave Raber to put together a PowerPoint presentation to be viewed by various agencies, boards and commissions that may not have participated in the work group sessions relative to the new RFP that went out 5 weeks ago. Gary gave a review of where we are at today, where we were in the previous contract and what we perceive with the new contract coming forward for telecommunications services for voice and data for the State network encompassing virtually every agency, board and commission.

You can send Gary an email if you would like to view his presentation, [Gary.Hensley@azdoa.gov](mailto:Gary.Hensley@azdoa.gov). You can also search in ProcureAZ for the contract information.

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

Reminder there is the allocation of dollars for the Microsoft settlement. You have to spend money on qualified products to receive the reimbursement. It is a cash reimbursement of qualified expenditures you make. If it will affect your budget and you will not be able to make it without your appropriation being reimbursed, you can request a reduction of expenditures as well. The liaisons have been following up with the agencies that appear on the list.

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

We are still working on the offsets. We will be discussing with OSPB to finalize the approach after they are through reviewing bills. We will come up with a way of allocating the overpayment to the feds. We will communicate to you once this is done.

### **Fund Sweeps – Clark Partridge**

Fund sweeps for FY11 are still being completed. There are some that have not been done yet due to cash flow or other issues. In some cases we have not heard back from agencies when we have inquired as to the status. If we do not hear back after we inquire, we will probably just take the money. Unless there is a legitimate cash flow impact on the agency that we cannot take the money until June, we will try to get the sweeps done by the end of May.

Ten agencies have identified a shortage of cash. In most cases they are hopeful the cash will be there for the sweep. We are trying to determine if there is the need to go through the approval process with JLBC to transfer from one fund to another fund to accommodate the sweep. We will need to know by the end of May if the approval needs to be requested. We will be coordinating with OSPB to see if the cash is there, if they want the fund swept even if the agency has identified a cash flow problem. It is very important that you keep your OSPB analyst informed as to what your cash flow is and if there are any problems with the sweeps.

We do have some agencies that were given additional fund sweeps in the last bills that were passed in April. We have been contacting those agencies individually to get their sweeps processed. There is also an additional back of the bill reduction for personnel savings. We are not sure when JLBC will be giving us dollar amounts. It could come in June.

**Q:** There will be no Health Insurance Trust Fund Sweep?

**A:** Correct. It is gone.

**Q:** How is the collection process going to work?

**A:** The same way it does for every other fund. It will now be a payroll by payroll charge for the General Fund. No other funds were previously swept, just the General Fund.

**Q:** The amount for the sweep was in our FY11 budget. They are going to take out the amount for your FY11 sweep out of our General Fund. JLBC is then going to put back into the FY12 budget the amount they are calculating for the cost based on the two most recent pay periods. For example, our sweep amount for FY11 was \$10 million, they are going to reduce the FY12 appropriation by \$10 million and add back their calculation of the actual costs of \$8.5 million. Is that your understanding of how this is going to work?

**A:** We have not heard that is how it is going to work.

**Q:** Be prepared, you will lose money. It will not be dollar for dollar.

**A:** We would not say you are losing money, it will be a shift. We believe it will be done as a back of the bill item. In the budget they already have the mechanism built in. We thought they had already changed the agency's budget but it may be a back of the bill item. For some agencies they were having more swept than what their actual charges will be, others were the flip of that.

**Q:** If you think about it, anyone that did RIFS in FY10, your FTE counts are substantially lower than they were in FY10. Most agencies contributed more in the Health Insurance Trust Fund than their true costs would have been. After we have reduced our staff 30 – 35%, we are now in the situation where we need to fill some positions. So as you are filling positions, JLBC took a snap shot of 2 of the most recently completed pay periods and that is what they will be making their calculation estimate on. If you are filling positions, you will not be funded for those positions.

**A:** They may have to go back and do some adjustments. It does say the JLBC and Department of Administration shall allocate adjustments as necessary in expenditure authority to allow the implementation.

**Q:** We are being told by JLBC that there is no money for adjustments. It is a fixed sum and that agencies will share the pain proportionately.

**A:** Our understanding of the budget process is they were supposed to take all the sweep money and reallocate it to the agencies based upon actual charges and if there is money left over, it would go to the General Fund. But the key to this was the agencies were to be made whole. If agencies are at a lower level of staffing and then going to increase that, there could be an issue.

### **3% Withhold – Clark Partridge**

It is still out there. It has not been repealed. We are working with the Governor's Office to send letters to our Congressional delegation to support the repeal. As the date gets closer, people are starting to realize it will not just have an impact on government, it will also have an impact on business, small business, banks, etc.

**Q:** Has the IRS published the final regulations yet?

**A:** No. We believe they are still hopeful it will be repealed.

**Mandatory Direct Deposit – Clark Partridge**

The legislation was passed and has been signed into law by the Governor, HB2151. It will become effective on July 20, 2011. We will be sending out communications.

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

Payday will be on Friday the 1<sup>st</sup>, not on June 30<sup>th</sup> the Thursday of the pay week. Make sure you communicate to your employees. The warrants will be put in the mail on Friday July 1<sup>st</sup> from GAO.

With these two issues, the Mandatory Direct Deposit and the July 1<sup>st</sup> payday together, employees may want to start looking at signing up for direct deposit before June 30<sup>th</sup>. We will begin communicating very soon to employees that they will no longer be receiving a warrant so that there will be no surprises when the Mandatory Direct Deposit law goes into effect.

**Q:** Do you have a date when you will cut the warrants off?

**A:** Not a hard date yet but we are looking at 3 to 6 months after the law goes into effect but definitely by the end of the calendar year. We will be giving ample opportunity to sign up for direct deposit. We would really rather have employees sign up for direct deposit through their bank than to use the cash pay program. The cash pay program involves extra work for GAO staff. The cash pay card is still a better program than going to a check cashing facility.

**Q:** We are trying to plan for internal communications so we are looking for a date.

**A:** We will help you with the communications. We will be preparing things for agencies to distribute to employees.

Reminder for automated deductions from you account, the money will not be there on June 30<sup>th</sup>.

**Q:** The change to the State Retirement mix, is that going into effect the next payday?

**A:** It will be effective for the first pay period ending in the new fiscal year. It will be effective for the July 14<sup>th</sup> payroll.

**Q:** Will there be a publication on this subject?

**A:** Yes. We are trying to finalize it. The law doesn't go into effect until July 20<sup>th</sup> but it has a retroactive provision.

It is the same issue for the furlough days. The same legislation does away with the furlough days but what about the June furlough day? How do you get rid of that furlough day when the law does not become effective until July 20<sup>th</sup>?

**Q:** Are any agencies having the June furlough?

**A:** They can. We have not heard of any agencies that are planning on having the furlough on an agency basis.

**Q:** If an agency chooses to do the furlough, is that something that can be turned on and off in the system?

**A:** They would have to code it on their time sheets accordingly with the correct attendance code.

**Q:** Do you have an update on the daily pre-note process?

**A:** That is something we are still contemplating. One of the things in connection with the mandatory direct deposit is we may change to sending a daily file to the bank. If that is the case then we can pre-note daily and potentially have employees receive direct deposit their first pay check or if they change their bank account, you would not have to have a warrant in between the changed accounts. This would virtually eliminate all warrants. We are just not sure about the turn around time from the bank. We have heard it may take 5 or 6 days for the bank to respond to us. In a two week pay period, we may be only able to catch the people that were set up in the first week of the pay period. The employees set up in the second week may have a warrant for their first pay if we do not receive the confirmation back before compute.

### **AFIS Replacement**

This project is moving forward. We are working with DES, ADOT and AHCCCS since they currently have their own accounting systems. We will be enlarging that group as we move throughout the project. We will start with the larger agencies early in the project and eventually all agencies will be included in the project. One of the early goals is to get a budget issue well thought out and adapted. The current technology will change the way agencies do business. It will give you the opportunity to have information for management decision making that you have never before had. We are on target to issue an RFP next week.

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

We know AFIS training is an issue. We are not sure how much of the AFIS training we will be able to get to with the AFIS replacement project and 3% Withhold consuming our resources. If you have issues with AFIS training that you really think we need to address and fix, please let us know. Particularly if there are things that if you think if we just taught to your people when they first started, things would be a whole lot easier.

NSF & Favorable/ Unfavorable Deposits Cleanup make sure you are taking care of these items before the close of the fiscal year.

Make sure you are doing your revolving fund reconciliation monthly. If you have an opportunity to reduce your revolving fund to a lower amount, please do so to lower your risk. If you can eliminate the revolving fund completely, that is another option. You will eliminate your risk and the need to do the monthly reconciliation. There are guidelines in the accounting manual for reducing or eliminating a revolving fund. After you have reduced or eliminated, please contact GAO so we can check to make sure it was done correctly. If not, AFIS will still show the revolving fund. We are currently conducting audits on revolving funds. The first agencies we are looking at are the ones that are not submitting their June 30 revolving fund reconciliation to GAO. The June 30 reconciliation is required to be submitted to GAO.

**Q:** Are you going to send something out, a Technical Bulletin or something on GASB 54?

**A:** Yes. Ron Santa Cruz will be setting up a meeting to meet internally and then we will send out formal communication, especially with the larger agencies. We are contemplating the way we define the General Fund for reporting purposes for the CAFR. Question is do we do that this year with the GASB 54 implementation or do we wait another year? The best time to do it will probably be with the GASB 54 implementation. We have also been discussing this topic with the Auditor General's staff.

We will also be discussing with the Auditors and the ADOA Director's Office what agencies are delinquent on time frames in getting things submitted to us for the CAFR. What are our inhibitors to getting the CAFR done within six months? It will be a two year process. We plan on getting the CAFR issued by the end of January next year and by the end of December the following year. That will be about 5 to 6 weeks quicker than this year and then another 4 weeks quicker for the following year. In total it will shave off about 8 – 12 weeks from the process for the next 2 years. Keep in mind the feds are ramping up to get faster data. We need to at least get up to speed with other states. We can do more with estimates to make the process timelier.

**Q:** I think estimates are a great idea. We can do more with estimates in our system. We need to work with the auditors. They come up with adjusting entries that are very minimal.

**A:** We will have to pick our battles but we think we can make some ground on this. We will discuss this topic further.

**Q:** Back to the GASB 54. A member of the Auditor General's Office presented at the AGA conference, he said a couple of things that were completely the reverse of information we received at a KPMG seminar we attended. I would like to discuss these items with the Auditor General's staff and see what the right answer really is.

**A:** We didn't think GASB 54 was that controversial.

**Q:** After the KPMG seminar, we were feeling pretty good. After the Auditor General's staff presented, we now don't know where we stand.

**A:** We'll take a look at it.

**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 3:10 p.m.

The next meeting is scheduled for Tuesday, May 31, 2011, at 2:00 p.m. in the General Accounting Office.