

**Small & Medium Agency
Chief Financial Officers Meeting Minutes**
February 20, 2007

PARTICIPANTS:

John Stevens, AGA
Biju Kamaleswaran, AGA
Gloria Gonzales, AGA
Lizette Morgan, GFA
Jeff Hassenius, GTA
Tracy Schmidt, HDA
Glen Hurd, ICA
Kenneth Bell, JCA
Sharon Gulden, LDA
Graham Bennett, LOA
Richard Bichanich, PRA
Susan LaBotz, REA
Travis Swallow, SNA
Julie Ruff, TEA
Marcia West, TOA
Cheryl Fraulob, UOA
Deb Ludington, VSA
Clark Partridge, DOA/GAO
Mohammad Khaksari, DOA/GAO
Jan Sharon-Strieby, DOA/GAO
Angela Dillard, DOA/GAO
Larry Adams, DOA/GAO
Joanna Greenaway, ADOA/GAO
Randi Orchard, DOA/GAO
Greg Carlson, DOA/GAO

ITEMS COVERED

Clark Partridge – Welcome & Introductions

IRS Audit

**The State negotiated a settlement agreement with the IRS on the audit. The State and the Universities were monetarily impacted by the settlement. Some implications have arisen with the IRS settlement, which have been discussed in previous CFO meetings. New technical bulletins have been issued to clarify some of the items and other items will be clarified in the future with the implementation of the Travel Management Subsystem.

**Cell phones could be a potential IRS issue that may need to be addressed and clarified in the future.

**Last fall, Congress passed a law to 'withhold' taxes on payments made to

corporations which should be in affect in 2010. This would affect State agency payments to vendors.

Travel Card Update

The GAO is continuing to work on acquiring a travel card. If anyone has any suggestions on the travel card, P-Card, travel situations or travel needs, please provide the information to Angela Dillard.

Travel Policy

Any suggestions or changes on the travel policy should be referred to Angela Dillard.

Travel Management Subsystem (TMS)

Last month, Angela Dillard provided summary level information on the TMS. If any new suggestions or questions come up, please contact her.

Internal Controls

Internal controls will be left on the agenda as a reminder. Clark is working on obtaining various internal control information and concepts to be presented to the agencies. Clark asked the agencies to continue to assess their own internal controls to make them stronger or more efficient by determining what risks and issues may exist. Agency's remote locations may need to be reviewed for internal control issues. The GAO has scheduled some upcoming conferences related to internal controls. Agencies may want to sign up for them. Please be aware of your agency's overall internal control structure and what risks may be there.

Emphasis on Electronic Payments (Direct Deposit & ACH)

The GAO continuously tries to explore new avenues to help agencies be more productive, efficient and cost effective. The current focus is to have employees set up direct deposit for their paychecks and vendors sign up to receive payments via ACH. Establishing these procedures should help eliminate some of the paper, and possibly some frustrations the agencies may be experiencing.

GAO Website Update

Greg Carlson is helping with the redesigning of the GAO website. He gave a brief demonstration on the changes that have been made so far.

**One of the changes went into effect on February 20th was the posting of the newly restructured web page for the State of Arizona Accounting Manual (SAAM). This change is the beginning of the GAO's effort to improve communication of new, modified or canceled accounting policies and procedures and provide effective and timely access to this information. The website updates also include a modification to the Table of Contents and a change to the file formats of some sections of the SAAM. The change in file format now allows search/find capability within an Adobe PDF document. At this point, no change has been made to the content/information of any policy or procedure. You can

expect to see additional changes made to the website structure allowing easier navigation to policies, procedures and notifications. Additionally, we are working on updating policy and procedure content including incorporation of the GAO Technical Bulletins into the SAAM.

****Other changes that have been made to the website are the change to the Technical Bulletins and All Agency Memorandum's section. The Technical Bulletins and All Agency Memorandum's have been separated into different folders to help locate specific information quicker.**

****Part of the restructure will be to ensure that the formats are consistent and the website is more "user friendly". If you have any questions or suggestions concerning the GAO website, please contact Diane Gorham.**

Issues, Concerns, Questions

The following questions (Q) and answers (A) were discussed:

****Q:** Are all of the GAO online forms going to become interactive?

****A:** The GAO is working towards reformatting the online static forms to be interactive. Once that is done, the final goal would be to submit the forms through the website instead of printing them off and then sending them in. One of the main projects identified to become interactive would be the Appropriation Load process.

****Q:** Can we go over item number 10, under Accounts Payable in the Arizona Accounting Manual Section II-H-1? It states: Each State agency must maintain adequate records of unmatched purchase orders and receiving reports along with un-vouchered vendor's invoices. These must be periodically reviewed, investigated and resolved.

****A:** This pertains to the risks involved with purchasing and receiving and the types of internal controls that an agency might have. The key is the concept of the three way match: "What did you order?", "What did you receive?" And "What are you paying for?" Are all three in agreement? Shipments and backorders have to be verified and monitored along with the payment. An agency's budget could be affected if an invoice has not been paid. All goods and services are to be received by June 30 with appropriated budgets.

****Q:** What are the expectations for payroll verification? What do the other agencies do?

****A:** Examples by other agencies were discussed. Encouraging employees to sign up for direct deposit would help eliminate paycheck verification. A direct deposit discussion was held. Some agencies are mailing a large number of direct deposit advices to their employees. One of the advantages of utilizing Your Employee Services (Y.E.S.) to access an employee's paycheck is that the information is available on Wednesday morning of the pay week. This might help encourage employees to utilize Y.E.S. more often.

****Q:** What if an employee does not have a checking account for direct deposit?

****A:** Direct deposits can be posted to savings accounts or possibly in the future to a payroll card for employees who are unable to open checking or savings accounts. The payroll card is on the future agenda item list.

****Q:** This is in reference to meals and incidental reimbursements becoming taxable without an overnight stay. An employee mentioned that there is no itemized section on an individual tax form to be reimbursed for meals and incidentals. An employee had asked the question, "How do you deduct meals when filing individual income tax returns?"

****A:** Per the IRS, employees are required to pay taxes on meals and incidentals without an overnight stay. That is why there is no place to deduct the expenses when filing individual income tax returns. Yes, employees will have to pay taxes on meals and incidentals occurred without an overnight stay. The State has an agreement with IRS that State employees reporting meal reimbursements without an overnight stay will be considered taxable income effective January 1, 2008. If an employee does not have an overnight stay in a trip and does not want their meals to be considered as taxable wages, they do not have to submit their meals for reimbursement for that trip.

****Q:** When is the GAO going to distribute the policy on the same day meal without an overnight stay?

****A:** The GAO is currently working on the new policy in conjunction with the TMS. This will most likely be incorporated into the new Travel Policy section of the SAAM and not as a technical bulletin.

****Q:** Back to the TMS, the concern about receipts keeps coming up. Have you figured out how you are going to process claims that require receipts?

****A:** There will be several levels of approval in the TMS and the agency can designate a person(s) for receipt verification. The designee(s) will verify all travel receipts. This way, the receipts will not have to be transferred from one approver to the next. The employee requesting the reimbursement will be able to print a copy of their travel information after they submit it. Once they have a copy of the request, they will be able to attach the receipt(s) to the document to send to their designated travel approver.

****Q:** When an employee is requesting authorization for travel, will the system have edits to know that there is an exception and forward the exception to the GAO?

****A:** Yes, after the agency approves the travel exception, the system will automatically send the request to the GAO for final approval.

****Q:** If an employee still has to send in the travel claim, I do not see how it is saving time?

****A:** Initially, it may take longer to process a travel claim until processes are revamped. One of the main purposes of the TMS is to identify information on same day meals without an overnight stay to send to HRIS per the IRS agreement. The other purpose is to capture more detailed statewide travel related information in one place. Just because the primary reason is not to save time working on travel claims does not mean that we are not trying to figure out ways to make travel claims more efficient for the agencies to process.

****Q:** Does an employee have to submit their own travel claim or can the agency's travel coordinator process the claim?

****A:** Anyone designated at the agency to have a travel coordinator job role in the TMS can enter travel claims into the system. Currently, a travel claim is filled out

with all travel related information. Some agencies or employees are completing the form in its entirety. The TMS would require all fields to be filled out.

**A final discussion was held on in-state travel, out-of-state travel, and out-of-country travel.

Future Agenda Items

Payroll Card –

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

Meeting adjourned at 3:15 p.m.

The next meeting is scheduled for Tuesday, March 20, 2007 at 2:00 p.m. in the General Accounting Office.