

**Small & Medium Agency
Chief Financial Officers Meeting Minutes
March 23, 2010**

PARTICIPANTS:

Michelle Brooks, ADA/GSD
Paul Shannon, ADA
Jean Clark, ADA/SPO
Julie McKnight, AUA
Lizette Morgan, GFA
Tracy Schmidt, HDA
Kim Bittrich, HIA (by phone)
Kim McCreary, HUA
Gary Norem, ICA
Glenn Hurd, ICA
Ken Bell, JCA
Brett Larsen, LAA
Sharon Gulden, LDA
Diane Claassen, MAA
James Burnes, MAA
Esther Olivas, MIA
Dr. Madan Singh, MNA
Cynthia Grace, PPA
Joanne Williams, SDA (by phone)
Cassie Goodwin, TEA
Renee Dudden, VSA
Syndia Reeder, WCA
Ruby Hernandez, WFA
Mike Smarik, ADA/GAO
Joanna Greenaway, ADA/GAO
Anita Kleinman, ADA/GAO
Tami Eckloff, ADA/GAO
Jaimie Soulvie, ADA/GAO
Angela Dillard, ADA/GAO
Stu Wilbur, ADA/GAO
Amy Aeppli, ADA/GAO
Shannon Landis, ADA/GAO

ITEMS COVERED

Mike Smarik – Welcome & Introductions

ProcureAZ Project Status– Jean Clark, SPO & Eric Jacobsen, Periscope Holdings

Periscope Holdings was hired by the State of Arizona to create an E-Procurement System. Phase I (which replaced SPIRIT) went live in September of 2009 on time and on budget. This piece of the application is for vendor registration and solicitation issuance. Phase II will focus on the interface for purchasing, requisitions, budget checking, purchase orders, and electronic orders going to the vendor. There is a core team consisting of about 8 agencies. The goal is to roll the application out to all agencies. The first group of agencies will tentatively "go live" October 1, 2010. The application will be rolled out to agencies in five different groups with all agencies being on board by July 1, 2011. There will be more one on one involvement with the agencies as the application is rolled out.

In the past it has been very hard for the State to know what we have actually purchased off contracts. We have had to rely on the vendor community for information. With this new application it will make it much easier to analyze what was purchased off of which contracts. With this information hopefully we will be able to drive down some negotiated pricing knowing what has been purchased historically. This application will be a major positive change for procurement in the State of Arizona.

Periscope Holdings has a product they have begun implementing for the State of Arizona called Buyspeed Online which will interface with AFIS. Phase II will allow complete online creation and approval of purchase requisitions which can then be converted to solicitations or purchase orders. Vendors will register through ProcureAZ so they can be notified of opportunities to receive purchase orders, etc. The system will allow verification of items received. Everything requested, purchased, ordered and received can be verified.

This system will also be integrated with AFIS. When a purchase order is sent to a vendor, an encumbrance will be passed into AFIS in real time. The system will know whether the account codes used were valid. If there are change orders associated with the order, information will be updated in ProcureAZ and AFIS. You will be able to verify a match between what was requested, what was ordered, what was received, what is on the PO in ProcureAZ, and what is the encumbrance in AFIS. The product supports invoice entry and a three way match between purchase orders, receipts and invoices.

The requisition will be input into the system. Based on commodity codes, cost, and what department the user is in and what account codes the purchase falls under, the requisition will be routed accordingly for approval, change or cancellation. If the purchase requires competition, the purchase requisition can be turned into a solicitation if bids are needed.

As items are received, if the user is authorized to receive, they will be able to notate as such. From invoicing through payment will remain outside the system at this time.

Q: The State is procuring the same Buyspeed system Periscope currently has out there right now?

A: Periscope has multiple legacy versions out there, there are enhancements made to each system. ProcureAZ is Buyspeed Online. Periscope and SPO have made some modifications.

Q: Is it web based?

A: Yes.

Q: So all of our staff that create requisitions as long as they have access to the web and can load your software, they should be able to use it?

A: They do not even need to install any software. They just need a login ID and password.

Q: This program will tie directly to AFIS and load everything into it?

A: Not everything. Pre-encumbrances, encumbrances and vendor information will load into AFIS.

Q: Is it live with AFIS or does it update overnight?

A: It is real time.

Some of the objectives of this project as previously mentioned are to replace SPIRIT, which is done, provide a core purchasing system for interfacing with AFIS and making sure there is a safe and timely transition. It is also very important to maintain security and confidentiality; enhancements have been added to the latest version.

Q: Question about real time, when a document is entered into Buyspeed (ProcureAZ) it validates against AFIS but it doesn't enter into AFIS from Buyspeed does it?

A: Yes it does enter into AFIS.

Q: So if you create an encumbrance and enter it into Buyspeed it is automatically loaded into AFIS as soon as they hit enter?

A: As long as it validates and all the codes come back that it is fine and there is money available and it posts. You can imagine it as if you are entering an encumbrance online in AFIS and it posts.

That occurs for both pre-encumbrances and encumbrances after all approvals are received. It also provides a complete audit trail of approvals and any actions.

Q: Audit trail of user IDs?

A: Yes. When you receive your user ID, don't give it to anyone else.

The system will be rolled out in five different groups. The first group tentatively scheduled for the beginning of October.

Q: How do agencies find out which group they are in for the roll out?

A: SPO will be having conversations with the agencies to discuss to make sure timing, etc. make sense. Those in group 1 already know who they are.

In terms of the AFIS interface the system will support account codes and validation of account codes in real time. It will support pre-encumbrance transactions upon approval of the requisition. That is configurable by agency. If your agency cannot process pre-encumbrances, you will need to discuss with GAO. Approval paths may include your accounts payable person if you so choose.

Change order transactions will reference the original encumbrance upon approval of the change order document. Likewise if a change order for a partial cancellation of the order is done, the adjustment to the encumbrance will be made. Vendors will be added to AFIS or updated in AFIS when a purchase order is sent. Vendors will be registering in ProcureAZ. Updates to AFIS may be needed over time. That should happen seamlessly through the interface. The PO number that is generated by ProcureAZ will be put in the description field in AFIS. The encumbrance document number from AFIS will be sent back to ProcureAZ and can be then searched by that document number. It was also suggested to have the encumbrance number print on the PO so that if you have the hard copy document for internal purposes, the encumbrance number is on it.

Q: Will this system allow you to use your own PO numbers? Or do you have to use the system generated PO numbers?

A: Unfortunately you will have to use the system generated numbers. ProcureAZ is a statewide system so it is assigning numbers for all agencies which will all roll into AFIS. Numbers need to be unique.

Q: What if you have a purchase order with several different funding sources. Will the system create separate encumbrances for each funding source?

A: Yes. It will work just as it does now. If you are allocating to different funding sources, you will put that in the PO and that will come across to AFIS.

Q: Will it let you allocate by percentage or specific dollar amount?

A: Yes, either way.

Q: Will the system encumber quarterly?

A: Yes. You can do a blanket and do quarterly releases against the blanket.

Q: Can you do a receiving report in Buyspeed?

A: Yes. ProcureAZ has a number of reports already and we are adding a few more.

Q: Can the invoices be loaded into Buyspeed and then marrying them up with something to send to accounts payable for payment?

A: In other words uploading paper documents received? The system does have a document repository to upload attachments but in terms of how it the business process would work for your agency, that is something Periscope and SPO can discuss with you further.

Within the next 60 days or so SPO will start solidifying which agencies are in which groups and then SPO will start communicating to the agencies. If you have a strong desire and want to get in early, you can let SPO know.

Q: Are you going to allow users to use this system for all procurement functions? Or will it be pretty much just for when required?

A: Users can use the system for all.

Q: Even for things that normally would not fall under the Procurement Code?

A: Yes.

Q: Is it going to be mandatory?

A: From a procurement perspective, yes.

Q: What about agencies that are exempt from the Procurement Code?

A: If you are exempt, then no, it is not mandatory.

Q: What is the cost?

A: There is no cost to the agencies. It is funded by a modification to the fee charged to the cooperative members using SPO's statewide contracts. SPO collects 1% of the purchases made off the contracts from the cooperative members. SPO has contracted with Periscope for the software. Periscope is subcontracting with another vendor for the hosting.

Q: Will this system do construction contracts also?

A: Yes and you can attach plans to it. There is a plan holder list and subcontracting information including reporting if you choose to use it.

ARRA Update – Joanna Greenaway

A new reporting period is about to start. The ARRA Core group which consists of the Governor's Office of Economic Recovery (GOER), ADOA - ISD and GAO staff is already working to prepare for the next reporting period. We are holding weekly meetings to update you on ARRA activities. The reporting period will start April 1st and will end April 10th. We are planning to close AFIS as scheduled on April 2nd. The weekend of the 3rd and 4th data will be pulled and sent to the agencies for validation. We are hoping for a quick turn around from those that have subrecipient activities. Those transactions need to be handled a little differently. Your cooperation is appreciated. Five business days is not very long to coordinate 7 systems that are being reported on. If you are not receiving the notification about the weekly ARRA meetings, let Joanna know and she will make sure you are added to the proper distribution list.

Joanna.Greenaway@azdoa.gov.

Q: The next meeting is when?

A: Tomorrow at 10:00. The Governor's Office sent the notification this morning.

If you haven't paid your billing for statewide administrative costs, please send it in. Billings have been sent for any grant that was posted in the system through December. Statewide administrative costs is the just under ½ of 1% that is to be paid out of the ARRA grant.

Q: What about the request for waivers on the billings?

A: We have not set up the meeting to go over the waivers. We know we have 5 or 6 requests that are coming in and we are trying to get them all together to go through them all at once. Waivers are for grants that have a specific prohibition against administrative costs. We still have to review all the documentation from the feds and from the agency. Failure to include the statewide administrative billing in your budget is not a valid reason for a waiver. We have been talking about the administrative billing since the start of ARRA. If your grant does have a specific prohibition against administrative costs, you can get in touch with

Jaimie Soulvie, Jaimie.Soulvie@azdoa.gov. Jaimie has the forms to request the waiver.

Q: We sent our request for a waiver back in December and we haven't heard anything yet. The current process had not been set up yet. Do we need to do anything further?

A: Jaimie has received the request and documentation. It will be reviewed when the others are reviewed. You do not need to do anything further at this time.

Year End Memo – Angela Dillard

The first year end job, the profile roll is scheduled for April 16th. The year end memo should be out within the next two weeks providing the rest of the dates for year end processing.

Q: When is the notification of the profile roll going to come out?

A: The profile roll will be done on April 16th. The year end memo will be out about a week before. If you have mass updates to your profiles, indexes, etc. please contact your AFIS liaison. We now have the ability to upload those changes with the Host Bridge software. This will save you the trouble of having to rekey all your information. With many appropriations being combined, agencies have a lot of changes. This will save you keying time by uploading the changes.

Budget – Anita Kleinman

We will be focusing first on the FY10 reductions and new appropriations. There are additional funding sweeps. We will be sending out web stories on the timelines and dates. The loading of the FY11 appropriations will wait until after the profile roll.

For those agencies that have needed to request a transfer between funds to accommodate a reduction or a fund sweep that was identified in the bill, for FY10 we have three different bills that had reductions or sweeps. There is an allowance in each of those bills to be able to make that transfer. As soon as you know you will need to do some shifting, contact Mary Miller in the GAO Appropriations Group Mary.Miller@azdoa.gov and she can walk you through the process. The first bill for FY10 back in July had fund sweeps. We are trying to get those completed. Some agencies were waiting until June 30th. Now there are two more bills with reductions. Don't wait too long. Let us know if you are going to need to make transfers. We need to get JLBC involved so we need time to communicate with them.

Pay Decrease/Work Furloughs – Mike Smarik

HB2003 part of the 7th Special Session eliminated Performance Pay and required mandatory work furlough days. The law will go into effect on June 15th. The last

day of payroll charged to FY10 is June 11th. There will not be a reduction in employee's pay until the pay period that starts June 26th and will be paid on July 16th. Additionally, there will not be any mandatory work furlough days in FY10. There will be 6 mandatory work furlough days in FY11 and another 6 in FY12. The dates have been published. There is one day each in July, August, September, November, December and June of 2011 for FY11. Even though employees will not receive the pay reductions from the Performance Pay and the work furlough days in FY10, there will still be a budget cut in FY10 for the money that would be the equivalent of one payday with no Performance Pay and one work furlough day. Agencies will need to determine how they are going to take the budget cut, whether you have enough excess money to make the cut without any type of work furlough or if needed, you may have to an agency work furlough day. It would have to occur on or before June 11th to affect the FY10 budget.

Q: Who is going to determine the amount of the budget cut? Is that GAO?

A: No. JLBC will determine the amount of the allocation for the budget cuts in conjunction with the Performance Pay and work furlough days. The feed bill says \$1.7 million dollars is to be allocated to the agencies for FY10. For FY11 it is \$45 million which is 26 times \$1.7 million. We will then work with you to make the appropriation adjustments.

Q: Not all employees are receiving the 2.75% Performance Pay. If they are not currently receiving it, are they going to receive a 2.75% reduction in base pay?

A: That will need to be worked out with those agencies. There are some agencies that when the Performance Pay was implemented, had the pay rolled into their base salary. Certain agencies were exempted from reporting for Performance Pay. The agency will still have a 2.75% budget reduction. Performance Pay for everyone will cease. The program will no longer be run on HRIS.

Q: The measuring for Performance Pay indicators, we can stop doing those right now?

A: Correct, unless you have to do the measures for other reasons.

Q: How soon will we know what our allocation of the cut is?

A: Sometime in mid May. To get an idea you can calculate what you are currently paying for Performance Pay for a pay period and what one furlough day would be.

Q: Even if we don't have Performance Pay, we will still need to compute the figure for the cut?

A: Correct. There is a lot of information on the ADOA HR website. There is a 12 page Q & A.

Q: Is the allocation figure going to be computed off an agency's budget or actuals?

A: We believe off the actuals. We have discussed this with JLBC and they agreed to look at actuals.

Q: Did you mention they have a lump sum to allocate? So it may not work out perfectly to what our computed figure would be?

A: Correct.

Q: They have to consider funding sources too?

A: Correct. The target figure is from appropriated funds and non appropriated, non federal funds.

Q: They will also cut the equivalent ERE to the 2.75%?

A: Correct. We are working on providing JLBC payroll information by funding source.

Q: The allocation we receive in mid May will be for both FY10 and FY11?

A: We believe so. If you have any further questions, please give us a call. Also check out the information on ADOA HR's website.

Future Agenda Items

Emphasis on Electronic ACH Payments

NSF & Favorable/ Unfavorable Deposits Cleanup Project

Federal Funding Accountability and Transparency Act (FFATA)

State Transparency Project

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

Meeting adjourned at 2:55 p.m.

The next meeting is scheduled for Tuesday, April 20, 2010, at 2:00 p.m. in the General Accounting Office.