

**Small & Medium Agency  
Chief Financial Officers Meeting Minutes**  
April 21, 2009

**PARTICIPANTS:**

Megan Darian, ADA  
Michelle Brooks, ADA  
Biju Kamaleswaran, AGA  
Debb Pearson, APA  
Julie McKnight, AUA  
Dena Dotson, EPA  
Tracy Schmidt, HDA  
Diana Marczak, HUA  
Scott Greenberg, IDA  
Ken Bell, JCA  
Joan Thompson, LAA  
Brett Larsen, LAA  
Sharon Gulden, LDA  
Vangie Webster, MEA  
Esther Olivas, MIA  
Trudy Kranendonk, RGA  
Wilma Himel, RGA  
Marcia West, TOA  
David Medina, TXA  
Cheryl Fraulob, UOA  
Angelica Romero, WFA  
Clark Partridge, ADA/GAO  
Mike Smarik, ADA/GAO  
Angela Dillard, ADA/GAO  
Amy Newby, ADA/GAO  
Joanna Greenaway, ADA/GAO  
Anita Kleinman, ADA/GAO  
Tami Eckloff, ADA/GAO  
Shannon Landis, ADA/GAO  
Stu Wilbur, ADA/GAO  
Jennifer Verhelst, ADA/GAO

***ITEMS COVERED***

*Clark Partridge – Welcome & Introductions*

**GAO Website – Clark**

Starting Friday April 24<sup>th</sup> the address for the GAO website will change. It will now be [www.gao.az.gov](http://www.gao.az.gov). Please change your bookmarks and inform your agency

personnel. We will be sending out a webstory announcing the change. The old web address will redirect you to the new web address for about six months. Things will be changing to improve the functionality. The look will be updated. If you have any suggestions please send them to us, no promises but we welcome the input.

**Q:** Would it be possible when email is sent with a webstory, could it include the specific link that you are sending information about.

**A:** We have had that discussion but we usually do not use direct links because they are not always reliable and the links can get broken (no longer function) due to updates or changes to the GAO website. By linking to the page of the content/document/etc., it allows for an indirect link that can be used as a current and future reference. However, we will consider this suggestion as we work on updating our website content and processes.

**Q:** If it's a small article, can't you just send the article?

**A:** We've had that discussion too. On occasion we have sent the full webstory in the email notification. However, we usually only send a summary to allow recipients the choice of determining if it is information relevant to them or not and to view the full article on our website. We will consider this suggestion as we look at updating our webstory process.

### **Internal Controls – Clark**

The survey is out there. 92 people are in some stage or another of completing the survey which leaves about 40 agencies which have not started the survey yet. The deadline is April 30. We will start following up with agencies after April 30. We did think about having a May deadline. We are anticipating a budget coming out sometime in May. Once that happens everyone will be busy with their budget. If you are unable to meet the April deadline, please contact us and we will work with you. We don't want the work pushed too far into May because then agencies will be busy with the budget and fiscal year end.

**Q:** Can the survey be sent to a few people in the agency for their input? Or does it all have to be completed by one person?

**A:** In order for someone to complete the survey, it needs to be emailed directly to them from GAO. I would suggest printing out the survey and handing it to different the different sections for completion and then have one person input the information into Survey Monkey.

**Q:** You can start the survey, save it and come back right?

**A:** As long as you finish the section you are working on. Don't delete your cookies. If you do, the answers are deleted too. Some agencies have auto deletion of cookies. You will want to be sensitive to that.

**Q:** Do we send our emails to Amy about having a delay?

**A:** Yes, please have a target as to when you will have it done. The goal is to have it done this fiscal year. While you are going through it, if you feel questions should be improved, let us know.

**Q:** Is there a button in there that says save and exit?

**A:** There is an exit button. Once you save and submit it, you can't go back into it. At the top you can exit the survey. At the bottom hit next to finish the section. You don't have to answer all the questions in the section, but you have to hit next to get through the section.

**Q:** If a small agency does not have an Internal Audit staff, how do we answer the question?

**A:** You would answer no unless you have a distinct internal audit staff. There is a section for comments. You could say we do not have a dedicated internal audit staff, but we have done a complete internal review of our agency.

**Q:** Do you have a version of the survey in Word so we can edit the document and use it as a documentation source? It would also make it easier to distribute to other sections.

**A:** I know we have a PDF version. I'm not sure if we have a Word version. We can send it out to you.

### **Warrant Stop Payments – Clark**

Currently the GAO-3 does not have a spot for authorization of stop payments. We had a situation at an agency where someone requested a stop payment. We were then told that person did not have the authority to make the stop payment. Which is more important to your agency, having the payment stopped so it doesn't pay? Or should we add it to the GAO-3 and only authorizes signers may request the stop payment.

**Q:** How many times has this issue occurred?

**A:** About 6 or so times in the last few years.

**Q:** When you do the stop payment, don't you have to sign the affidavit?

**A:** You're thinking of the Bond of Indemnity. For a stop payment, someone at the agency just has to notify us the payment of the warrant needs to be stopped.

**Q:** What are the chances that someone outside the agency calling to stop the payment?

**A:** It could happen, but that wouldn't prevent the payee from ultimately receiving their money. The liaisons usually deal with the same people. If they are dealing with someone they don't know, they usually call and get verification.

### **American Recovery and Reinvestment Act – Clark**

Which agencies are planning to receive stimulus monies?

**Q:** Directly or indirectly?

**A:** Both. About six or eight agencies will be receiving ARRA monies. We are going to try for next week to schedule a meeting for those agencies that are planning to receive, or think they might be interested in receiving stimulus dollars.

**Q:** Has anyone actually received any money yet?

**A:** Yes, AHCCCS has, ADOT has requested, not sure if they have received yet. Some of the money could be imminent. The [www.recovery.gov](http://www.recovery.gov) website is going to be a good attempt to try to minimize the draw systems and bring things together. There are still about 12 or 13 draw systems out there. All of those systems have to be designed for ARRA dollars. Some are waiting for new CFDA numbers.

Other questions that you may have? This is something we will increasingly be talking about. We will use separate meetings to communicate but will still use the CFO Meetings to communicate information regarding ARRA. If we have problems or issues, we need to know and we need to try to get feedback as fast as we can.

Has anyone received any more specific information from your federal agencies regarding the ARRA monies?

**Agency response:** Still waiting for guidance from HUD on how to apply.

HUD is waiting for information from OMB and OMB is waiting for input and comment on some things. Sometimes it just takes awhile for the pieces to all come together.

**Agency response:** We know our grant has been awarded by the National Endowment for the Arts. We have been instructed not to award anything until after they finish theirs because people are only allowed to receive one.

Has everyone had a chance to review the Data Elements and make your comments on whether it works or not? OMB has issued some tentative data elements on what it looks like they will need to comply with transparency. Comments are due back to the feds by May 1. If you feel you will have issues with the reporting, we need to know to communicate this back to the feds.

One of the big challenges with the federal reporting requirements is it's a moving target. You will need to be flexible. Keep adapting. There are additional requirements and clarification that will be coming out so stay tuned.

### **Budget – Clark**

Clark has not heard of any additional FY09 cuts but you should be prepared for cuts whether it is FY09 or FY10. Potentially later this week there may be some legislation introduced. SB1187 or 1188 will be the general approps bill for FY10.

**Q:** For FY09 the coordination of the interagency transfers from the FY09 cuts, any word if JLBC has it on their agenda?

**A:** We have not submitted anything yet. We are waiting to gather up everything through the end of this month and then we'll be submitting them into May. Those transfers don't have to be made until June. We want to be able to submit that in about a little over a week now. Some agencies are just now discovering that they might need to have transfer done. That is why we have waited because in your situation you are ready to get it done but we can also wait to make it happen too. We don't want to report three or four different times to JLBC. We would rather gather them all up and submit them. We have a process for things to filter into instead of having a separate process for each request. If there are issues, let us know. The process is set so that they need to go to JLBC. JLBC wants three weeks notice before the meeting. Someone will need to know what is going on by mid May or end of May at the latest. We haven't checked to see if there is a June meeting of the JLBC. There is usually one tentatively scheduled in June. It is usually the second or third week in June. They like to have things three weeks in advance. Which means we would have to submit things by the third or fourth week in May which means if we don't know about it by mid May that is your last bite at the apple for this fiscal year. Some agencies may not even realize that they have a problem until mid June. Plan appropriately. Make sure you have a good expenditure plan. Make sure your payroll will clear. Once the last payroll of the fiscal year has happened, we will be working the payroll errors and if necessary we will stop agencies from spending any other money if it's really bad until the payroll has cleared.

**Q:** We are probably in that boat and we have let everyone know that. So what exactly happens in terms of being in a deficit? A Relief Bill item? From an HR standpoint we will then be in FY10 for payroll but in terms of non-payroll expenditures?

**A:** You didn't make the rule; you just have to follow it. You will probably have to make some changes.

**Q:** But from a practical standpoint what happens?

**A:** We don't close the fiscal year. We do not close the fiscal year with payroll on error.

**Q:** But what if it is a nonappropriated fund?

**A:** Then you have the authority to spend.

**Q:** What if we haven't received the money yet?

**A:** You need to allow timing in your program to receive your reimbursement. You have to make the conscious decisions and watch the timing of your grants. If you are using appropriated monies to front the grant and then you are reimbursed, if you are reimbursed and then cannot receive goods and services by June 30, you will lose the authority to spend that money.

**Q:** We have a vendor billing us back from 2006. The tricky part is its ADOA doing it. I don't think we can open up that period.

**A:** If it's beyond the Administrative Adjustment period and it's within four years, it can be submitted as a Relief Bill item if you have sufficient appropriation remaining. If it is less than \$300, you can submit your request to pay for it out of current year. Write your letter under §35-191.d but it's only up to \$300 we can approve by statute. We can't authorize \$400 but we can approve \$300 of the bill.

**Q:** Does it matter if it is three different invoices adding up to the \$400?

**A:** No that doesn't work; it's per vendor per year.

**Q:** Does it matter which appropriated fund?

**A:** No. It's \$300 per vendor per year. If one vendor is invoicing you for three different projects in the same bill, we could take a look at it.

**Q:** We could choose to pay for it from current year though right?

**A:** If you have nonappropriated or other monies available. The key is you have to have the monies available.

**Q:** Do you know if this is part of a larger project? Should we expect FY07 and FY08 bills coming through?

**A:** Clark does not know. We did have an issue that an agency did not pay their FY08 rent. They kept saying the check is in the mail. Finally some time ago the agency said they were out of money, they didn't have any money to pay their FY08 rent. Someone was being nice where the money should have been swept and now the receiving agency is out the money. Sometime there are cash flow issues but bottom line, they end up getting burned.

### **AFIS Fiscal Year End – Angela Dillard**

The profile roll was done. We had some issues with STARS. If you are still having trouble registering for the year end meetings, email the webmaster at [gaowebmr@azdoa.gov](mailto:gaowebmr@azdoa.gov) and put fiscal year end session in the subject line and say which one you want to be registered for. There will be training for FYE on 5/14/09 from 9:00 to 11:00 and on 5/28/09 from 1:00 to 3:00.

Be finalizing your profiles before the roll is done and review them after the budget is complete.

**Q:** Do you feel we will have a budget by June 30?

**A:** Clark does not know.

**Q:** Last year you loaded the prior year's appropriation information. Won't you just do that again? What is your plan this year?

**A:** If we don't have a budget, we'll have to see where we are at that point in time. Loading the prior year's appropriation information may be an option. However we can't load anything if there is no appropriation.

We knew FY09 was going to be tough. FY10 is not going to be easy either. The question is how much are they going to take in cuts vs. tax increases or other revenues. Their opportunities for fund raids are diminishing. The federal dollars are only temporary. If the federal dollars help solve the problem in FY10, then FY11 will be an issue. Will there be additional stimulus dollars?

### **Other issues, questions – Clark**

**Q:** How are the Treasury Warrants working, the borrowing?

**A:** It's working relatively well.

**Q:** If all the transfers had been processed by February, would we still have had to borrow?

**A:** Clark doesn't know how much is outstanding in transfers, but he does not think it was the \$340 million that was borrowed. He doesn't think we have \$340 million in transfers outstanding. Would it have made a difference, a little bit maybe but it wouldn't have prevented the borrowing.

The Treasurer had estimated \$300,000 in interest for this month. The way it worked out, it wasn't close to that. When you don't borrow money for very long and it's at an extremely low rate, there isn't that much interest calculated. The interest rate is about a half of a percent.

Next year is a whole different ball game. We have \$602 million at this point for K – 12 education payments that will go out July 1<sup>st</sup>. The payment was deferred and rolled over.

It's going relatively smooth. It ties up about ½ hour to an hour of Clark's day. We are working on making the process more efficient. It's come along way.

**Q:** Will we need to do borrowing in FY10 also?

**A:** Anytime we don't have sufficient funds, we will need to borrow.

### **Unemployment Insurance Rate – Clark**

The State's unemployment bill is going up. People are out of work longer. They are extending the length of time people can collect unemployment. The State has had more people losing their jobs due to the budget. The State's quarterly payment has been \$200,000's to low \$300,000's historically over the last three years. For the bill for the quarter ending December, 2008 it was \$480,000 the last quarter was \$680,000. Not everyone that had lost their jobs was in those quarters. Some were in the following quarter of the things that were already announced. It's rising dramatically, we still haven't seen the full impact and we don't know what the Legislature is going to do for FY10. We are collecting about \$376,000 per quarter so that is not sufficient. The unemployment rate is .15% or .0015. If you had an employee making \$50,000 per year the agency would pay \$75 for unemployment historically. We have to increase the rate dramatically. We went from a balance of over \$800,000 to negative in three quarters.

**Q:** You aren't going to increase the rate until next fiscal year, right?

**A:** No, we will be increasing it. The proposed change is to .412% starting the next payroll which will be the payday of May 8<sup>th</sup>.

**Q:** I'm wondering, the numbers that you have given, how accurate are they? I know someone that lost their job in January and they still are not receiving their unemployment, how many of those are there?

**A:** There are those that have qualified that haven't been paid out.

**Q:** When you are talking paying out the \$680,000, that is statewide right?

**A:** Yes, statewide.

**Q:** But not just State employees?

**A:** No this is only for State of Arizona employees but it is only the employees on our payroll system. It does not include DES, ADOT or DPS. It is just like any insurance, if you have a bad experience rating, your contribution rate goes up.

**Q:** Is that an employee or employer charge or both?

**A:** Unemployment is only an employer charge. If you have a favorable employment record, you get a favorable rate. If you are always laying people off, you will have a higher rate.

**Q:** How often is the rate adjusted?

**A:** We usually submit information to the budget offices so they can build it into the budget every fiscal year. We pay once a quarter. The next one we will see how much it goes up. It may even double the next quarter. The rate has not been adjusted for several years. We have told people since September that this was likely coming. We try to adjust without impacting agency budgets but this increase cannot be absorbed.

**Q:** When you raised the rate up to the .412%, is that planning on it doubling again?

**A:** It may have a little bit of cushion, we are trying to do only what is absolutely necessary for this fiscal year. It may even be a little bit short. We think the tendency will be for the unemployment to continue to go up rather than going down. We projected revenues over existing payroll. What happens if there are budget cuts? The base will continue to erode. We did have a base payroll of about \$98 million we have dropped to about \$91 million and change. If there are additional cuts, more people will lose their jobs. Some of the other options have already been used. Try to keep a positive spin but we have to be prepared to deal with difficult things in very short order. It has not been cast in concrete yet. The final decision will be made in the next week or so. As you are projecting your payroll, plan a little extra. Remember it is not much.

**Q:** The State change for the withhold for income changes when?

**A:** That will happen next pay day also.

**Issues, Concerns, Questions?**

None.

**Future Agenda Items**

**Emphasis on Electronic ACH Payments**

**Travel & Expense Management Sub-System**

**Payroll Card**

**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 3:16 p.m.

The next meeting is scheduled for Tuesday, May 19, 2009, at 2:00 p.m. in the General Accounting Office.