

**Small & Medium Agency
Chief Financial Officers Meeting Minutes**
September 19, 2006

PARTICIPANTS:

Megan Darian, ADOA/SBO
John Stevens, AGA
Biju Kamaleswaran, AGA
Debb Pearson, APA
Julie McKnight, AUA
Lizette Morgan, GFA
Jeff Hessenius, GTA
Tracy Schmidt, HDA
Denise Goode, HUA
Glenn Hurd, ICA
Kenneth Bell, JCA
Antonio Sotelo, LAA
Richard Bichanich, PRA
Carmen Flores, PVA
Charmayne Skow, SBA
Marcia West, TOA
David Medina, TXA
Cheryl Fraulob, UOA
Clark Partridge, ADOA/GAO
Mohammad Khaksari, ADOA/GAO
Mike Smarik, ADOA/GAO
Jan Sharon-Strieby, ADOA/GAO
Angela Dillard, ADOA/GAO
Randi Orchard, ADOA/GAO
Greg Voukoun, ADOA/GAO
Larry Adams, ADOA/GAO
Shannon Landis, ADOA/GAO

ITEMS COVERED

Clark Partridge – Welcome & Introductions

SECC Donations

The SECC campaign is underway. Wendy Hammon was unable to attend the meeting. Clark shared Wendy's SECC donation information with the CFO's. Wendy would like the CFO's to convey to their staff that during the open SECC campaign, SECC takes care of all of the input of pledge cards, etc. After the campaign closes, December 29, 2006, this responsibility will fall back on the agencies. The SECC Team receives calls from employees over the course of the year asking them to stop their donations, change or add them as a donor. After the end of the campaign, the SECC Team cannot change or delete an employee's donation. Depending on the agency, the change would be done either through their HR, Payroll Office or through

whoever is acting as their HR/fiscal agent. The HR/fiscal agent is able to adjust HRIS's employee deductions. If there is enough interest, Clark can arrange a training session for the agencies. If your agency would like additional training on this function, please contact Clark. If anyone has questions concerning SECC, they can contact Wendy Hammon by e-mail at wendy.hammon@azdoa.gov .

TPO

TPO has been a standing item on the CFO agenda. If anyone has any questions or concerns, either Clark can relay the information to the TPO or they can contact Sandy Clancy at (602) 542-1439 or by e-mail at sandy.clancy@azdoa.gov .

State Servicing Bank – New Contract

**A new contract was awarded to the Bank of America as the State Servicing Bank. Agencies should not notice a change as Bank of America held the previous contract and no transition is necessary. The contract is a three year contract with two one year options for a maximum of five years.

**Sometimes when revolving funds are set up with the State Servicing Bank, the Treasurers Office can use that as part of the compensating balances of the State. This is a good way for the State to utilize cash pools.

**At times, the State Servicing Bank may not be the best option due to geographical locations where there may not be a State Servicing Bank branch. In this instance, other options would need to be considered.

AFIS Survey

Some very good information has been collected from the AFIS Training Surveys. Angela is following up on some of the results from the survey. Eventually, a survey information sharing session will be arranged for the CFO's. It is important for the GAO to make sure that agencies have the appropriate AFIS support that they need. If anyone would like to participate in the AFIS Training Survey that has not already done so, please contact Angela Dillard by e-mail at angela.dillard@azdoa.gov .

IRS Audit

The GAO is still in the middle of the IRS audit negotiations. There is another call scheduled with the IRS this Thursday, September 21st. Hopefully during the negotiations, the State and the State's attorneys will be able to substantially decrease part of the \$5.6 million in penalties to the State. The State has committed to changing its business practices and improving on its operation, in hopes to help reduce the penalties. The attorneys will assist in setting up the new business practices and policies.

**Most of the agencies will be impacted by policy and procedure changes due to the IRS audit. Same day meals and changes with the taxation on uniform allowances are two of the main issues that agencies will be affected by. The GAO will contact agencies who use uniforms to obtain more information when drafting the new uniform policies and procedures.

**Same day meals – The IRS looked very closely at the 35 mile radius for the meal allowance. If there is no overnight stay, the same day meal reimbursement is supposed to be taxable. The system options and requirements for the taxation were discussed.

**Independent contractor vs. employee - GAO Technical Bulletin No. 99-6 can be referenced to determine whether an independent contractor is being treated as an employee. There will also most likely be an update to Technical Bulletin 99-6 in response to the IRS' findings. The GAO Technical Bulletin No. 99-6 is located on the GAO website under the link

<http://www.gao.state.az.us/publications/tb/bulletins/tb996.pdf>. The technical bulletin includes a series of questions to help agencies determine if someone is an employee or an independent contractor. All of the criteria included in the technical bulletin does not have to be met for the individual to be considered an employee. Employee vs. independent contractor, from an internal audit perspective, will be monitored much more closely in the future. The IRS is making the State accountable for these situations.

**University issues were also covered during the negotiations with the IRS.

**The Board Members FICA tax withholding was corrected last January. This prospective change helped during the negotiation with the IRS.

**Agencies were reminded to mark the flag in HRIS when an employee is commuting with a State vehicle. The flag will record the vehicle use as a taxable benefit. The State statutes are very restrictive on commuting with a State vehicle. Basically, you cannot use a State vehicle for anything other than an authorized State business purpose.

Travel Card

Negotiations with American Express for a travel card solution is still being pursued. Some of the legal language in their contract is contrary to State law. Hopefully this will be resolved soon. The new travel card is a good program and should provide more flexibility for State employees. This should help solve some of the current travel problems that employees are experiencing. If the travel card solution is implemented, it will be used for all travel expenses and the P-Card will only be used for purchases other than travel. The new program will include both employee liability cards and State agency liability accounts. To help more employees qualify for individual liability travel cards, American Express is only going to do an internal credit check (soft credit check) which will not affect individual credit ratings. The new travel card program should give Arizona State employees the tools they need to be successful and prevent as much out of pocket expense as possible.

Travel System

More information is being gathered to put together a new travel system that will help automate the travel claim and travel approval processes. Some of the best practices from different organizations of both the private sector and government will be incorporated into the new system. Agency participation will be requested to help with the development of the new system and to ensure that agencies' expectations are properly met. Hopefully, the new system will be up and working in about nine months to one year depending on the availability of the funding and resources. The goal is to help streamline some of the travel claim operations and provide better travel reports that will result in better travel management.

Travel – General Questions

**The Arizona Hotel and Lodging Association (AzHLA) is continuing to add hotels to

their in-state hotel list of properties that have agreed to offer the State lodging reimbursement rates on a seasonal basis. It has been difficult for AzHLA to obtain participation from hotels primarily because State agencies are not currently required to use the AzHLA website preferred list. AzHLA has been given some agency contact names and may contact some agencies to help promote some of their lodging and conference facilities. At this time, AzHLA does not have out-of-state facilities that have agreed to our lodging reimbursement rates. The preferred hotel list is currently available for the convenience of State travelers, but is not required to be utilized if lower rates can be obtained, if there is no availability at the hotels on the list, or if the location of the hotels on the list is not cost effective.

**The airlines did not want to participate in a State contract at this time.

Benchmarking

Agencies were invited to attend the Benchmarking Final Report Presentation that was held on June 29th. The benchmarking results report will be posted to the GAO website in the near future. The project will be finalized after seven or eight other states have completed their benchmarking project. Once they are done, the state-to-state comparison can be performed. A separate report on the comparison with the other states should be issued in the early part of next year, at which time another presentation may be scheduled. Most of the large agencies will be able to compare their data with other States who have the same type of agency functions. The “best practices” identified by the benchmarking can be a tool to help even the smaller agencies improve on information gathering, management and conducting business.

CAFR

A few agencies delayed the CAFR issuance for five months last year due to various reasons. The CAFR was released in May instead of December. The disclosure requirements were late and due to the bond COP holders by February 1st. Agencies were asked to revisit their information for the CAFR to help ensure the deadline is met this year.

Single Audit

**Due to the CAFR being late, the Single Audit did not go out until June. The Single Audit was due to the Federal Government by the end of March and was three months late. Agencies were reminded that some of the Federal Grant information is used for reporting the Single Audit. The GAO pulls information for the Auditor General's Office. The Auditor General's Office may go out and do selective testing at the agencies as part of the Single Audit process.

**The GAO appreciates the agencies' participation and cooperation with the CAFR, Single Audit, CMIA, and SWCAP processes to help keep them on task.

GAO Website

The Department of Administration is making some changes to the way it administers the websites in the agency. The GAO would like to know what agencies like and dislike about the GAO website. Please forward your suggestions for improvements to Clark at clark.partridge@azdoa.gov or to Jan Sharon-Strieby at jan.sharon-strieby@azdoa.gov.

Issues, Concerns, Questions

***Administrative Adjustments* – Previously, the administrative adjustments were about five weeks behind due to the legislative session running late this year. Lack of resources and appropriation loading taking first priority added to the delay. Currently, the administrative adjustments are about three weeks behind. Anita Kleinman has been working weekends and late hours trying to help get her team caught up with the administrative adjustments. Some administrative adjustments did not have sufficient documentation to validate when the goods and services were received and had to be returned to the agency(s) for more information. Next year, the GAO will try to send out better instructions or policies for the administrative adjustment process. This should help agencies that may not understand how they are processed, and what is required to process them. Other options are being considered to help streamline the administrative adjustment process. A pilot may be established next year for the high volume agencies. The Fiscal Year End Memo contains valuable information on the administrative adjustment process.

***Indirect vs. direct cost plans* were discussed by the agencies.

***Budget submittals to the OSPB and fixed assets* could be future agenda items.

Future Agenda Items

Agency Presentations (informal discussions) – Clark would like the CFO's to 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. Tracy Schmidt from the Department of Housing volunteered to do the agency presentation for the October Small & Medium CFO Meeting. Thanks Tracy!

Payroll Card

Ethics – Review Code of Conduct

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

Meeting adjourned at 3:20 p.m.

The next meeting is scheduled for Tuesday, October 24, 2006 at 2:00 p.m. in the General Accounting Office.