

**Large Agency
Chief Financial Officers Meeting Minutes**
January 25, 2011

PARTICIPANTS:

Joe Whitmer, ADA
Cheryl Toone, ADA/Risk
Cheryl Bodmer, DCA
Karen Johnson, DEA
Shana Schaller, DEA
Li Li, DJA
Craig Rudolph, DTA
Steven Race, EDA
Mike Clark, EVA
Brian Davis & Others, GFA via GoTo Meeting
John Moorman, HCA
John Lake, HSA
Dianna Claassen, MAA
Steven Curtain, MAA
Vangie Webster, MEA via GoTo Meeting
Chuck LeBlanc, PSA
Nancy Bennett, RTA
Joan Jones, RVA
Lihua Li, WCA
Clark Partridge, ADA/GAO
Tami Eckloff ADA/GAO
Jaimie Soulvie, ADA/GAO
Angela Dillard, ADA/GAO
Anita Kleinman, ADA/GAO
Joanna Greenaway, ADA/GAO
Stu Wilbur, ADA/GAO
Greg Vokoun, ADA/GAO
Amy Aeppli, ADA/GAO
Megan Duty, ADA/GAO

ITEMS COVERED

Clark Partridge – Welcome

State Transparency Project – Joanna Greenaway

December 30th the State transparency website openbooks.az.gov went live. A notification was sent out via a web story.

We have received 10-12 inquiries regarding information on the website. If the inquiries are specific to your agency's information, you will hear from us. We will contact you and

let you know the nature of the inquiry and that we have given your agency contact information to the requestor.

We are preparing to load an additional three months of data by the end of the month. October, November and December 2010 will be loaded. In the future we will be loading financial data to the website on a monthly basis. Reminder to use the confidential Comp Objects as necessary. If there is an issue, notify us immediately so we can take appropriate action to protect the data.

Please be aware when you are asking for a new fund (D23) set-up , the fund name will be displayed on the transparency website as whatever name you requested, You should make the name as meaningful as possible.

We appreciate all of your input during the soft launch. Some of the recommendations we were not able to use. Some we may be able to use in the future.

We were planning to show the marketing video for the website today but unfortunately we are having technical difficulties. There is a welcome video on the website to explain to the public what the transparency website is and what it covers and an introduction of why the public should be interested in the information.

An example of the inquiries we have received, someone asking why ADOA is paying so much for payroll charges. Items are grouped together when going from HRIS to AFIS. The inquirer wanted to know who we were paying more than \$10,000 in one transaction. It isn't one person. They are expenditures grouped together. There were also some inquiries about travel.

Q: Is there a link to the video on the website?

A: Yes.

Q: So if people are going to ask questions, they are going to contact GAO?

A: Yes. We are directing requestors to the website email openbooks@azdoa.gov. We want to see what types of questions that are being asked and see what the public's understanding is. If there is a technical issue with the transparency website, we can answer those types of questions. If the question is specifically related to an agency's transactions, we will contact you and let you know of the request and then refer the requestor to your contact person.

Q: Are these inquiries considered public information requests?

A: Yes. Some of them they are just asking a question and you can answer the question. If they want to see documents and get copies of documents, yes that is a public information request.

ARRA Update – Joanna Greenaway

We have successfully submitted 498 ARRA reports to federalreporting.gov. We appreciate all the cooperation from the agencies. The reporting period was very short, but we were able to file the reports on time by the deadline of Monday January 10, 2011.

We now have a total of **498** awards, when in the 3rd quarter award the count was 504. This is the 1st time this number has actually decreased. We are expecting this trend to continue downward as we see more reports marked “final”.

W2s – Stu Wilbur

46,822 W2s were created this year. 12,508 employees consented to receiving their W2 online and not receiving a hard copy in the mail. That will help substantially with mailing costs of W2s. The IRS requires a notice be sent when the W2 is available online. When employees consent to the electronic W2 they provide their secondary email address and the system defaults to their email address in HRIS for their primary email address. When we send the email notification and we receive returned email due to a bad address, we are then required to send a note via US Mail delivered to the employee’s home notifying the employee that their W2 is available online. We had about 528 letters that we had to mail out due to the returned email address.

Employees need to make sure their email address is correct in HRIS. We have also found that the main email address in HRIS is used by a central person; perhaps a supervisor and the five people that work for that supervisor all use the same email address. When they sign up for the consent, the email is then sent to the supervisor, not the employee.

Everything seems to be going well with viewing the W2s. We have had some script errors but believe these are due to using older browsers.

Employee Reimbursements – All thru HRIS – Stu Wilbur

This program was implemented for the first payroll of calendar year 2011. We have not updated the ZR251-AFIS Balancing Reports yet. We need to expand the range of Accounts/COBJ to show the employee reimbursement amounts. We are currently working on resolving that issue, but please let us know if you experience any other problems. A web story was sent out regarding this issue.

Q: I have a question on tool reimbursement.

A: We have drafted our initial proposed pay codes for employee reimbursement to also include tool and cell phone allowance. We are still meeting on the tool allowance. ADOT has their policy drafted. This may be something that we open up and restrict to ADOT only use. If there are any other agencies that utilize a tool allowance, please contact us.

Q: We have about 12 people we need to reimburse next payday for the tools so we need to find a way to do it.

A: We can coordinate this as a pilot. Will it be a taxable or nontaxable reimbursement?

Q: Taxable.

A: One question we had, is the \$300 per year tool allowance a one time shot or do you get X dollars per month?

Q: They can spend up to \$300 a year as they actually spend it.

A: We need to get with you regarding the details regarding purchasing and maintaining the tools and taxable or non taxable.

We have talked about the cell phone reimbursement. One of the issues is the new Telecomm contract is currently being done. We don't want to get in front of that contract. We will be suggesting a taxable cell phone stipend up to about \$30 a month. That may not cover the entire cost but it could defray much of the cost and prevent a person from carrying two cell phones and prevent your staff from having to deal with all the cell phone reimbursements, personal calls, etc. We are trying to find an option to simplify. If you want to go through the additional work for a true reimbursement, that should still be something you are able to do. We are trying to find a solution to reduce the administrative burden on the State and something that is fair and reasonable. We would appreciate any input you have on this.

Q: Are we going to hold off until the new Telecomm contract is in place?

A: Yes. We will try to coordinate and hold off until the contract is done. It would be premature to come out with something now when we are in the middle of the new contract coming out. It will take a few months for that to happen.

Federal Offsets – Clark Partridge & Anita Kleinman

We have heard from several agencies that there is a hesitancy to draw down any federal funds. They are afraid they are going to be offset and they are trying to find out if the offsets are complete. We can't ever say we are safe because we don't always know what is out there that the State may owe. The big offset that most of the agencies were hit with since last fall has been negotiated with the feds that they did over offset and we are in the process of calculating how much the overage is and then getting that money back. We will work with OSPB to determine how those monies will be paid back to the agencies.

We have a special budget item to hopefully pay the next settlement that we have not yet finished negotiating with the feds so that we do not have to go through this offset issue again and possibly repaying those agencies that were hit with the offsets.

We have also had agencies that have been waiting to be paid back from the offset they received. Now the grant is short and what do they do? You will have to come up with the funds from somewhere else to finish the purpose of the grant until such time if you do get reimbursed.

Fund Sweeps – Anita Kleinman

At the beginning of this fiscal year we asked agencies with fund sweeps when will you be able to pay. Many responded they didn't know or will not know until June. We need to start identifying now if there are issues with paying the sweep. If you wait until June to identify you have a problem, it will be too late to try to help you. We are pushing for sweeps to be completed by the end of February if there is not a cash issue. If looking at your budgets, you identify that there is going to be a cash issue, please contact Anita. There is an allowance in the bill that will allow agencies to transfer from funds that might have an excess or cash into one that is short of cash to perform the sweep. This needs to be coordinated with OSPB and JLBC and we need time to do that.

Q: So maybe we will use our debt offset in lieu of a funds sweep?

A: That is a nice thought. We are still trying to push for the offset issue to go through the Legislature.

Federal Funding Accountability and Transparency Act (FFATA) – Anita Kleinman

This is the new process of reporting on federal awards awarded after October 1, 2010. This is a monthly reporting. We only know of a handful of agencies that might have grants that fall under the new reporting requirement. We do know of some federal agencies contacting State agencies and telling them their grants need to be reported on and it was clearly an award prior to October 1st.

It is a new process and even the feds are trying to learn it. The FFATA reporting is currently only on sub awards. If you receive an award from the feds and you sub award it, then you are required to report on those sub awards. If you as an agency are going to perform the program and not sub award it, there is no reporting required. It is reported by DUNS number.

DUNS Cleanup Process – Anita Kleinman & Clark Partridge

We have put out the policy that there should only be one DUNS number per agency. However there may be a valid business reason for an agency to have more than one DUNS number.

Q: Is FFATA requiring information on vendor salaries over the federal cap? SAMPSA is requiring us to provide all the DUNS numbers, names and salaries for any employee of a vendor that makes over \$200,000 of federal wages so we have to go after our vendors for all that information.

A: What is SAMPSA?

Q: Substance abuse.

A: We don't believe there is anything like that under FFATA right now.

Currently with the Single Audit the Auditor General's Office staff has to type in all the DUNS numbers in our state tree which is close to 1,000. If we can clean it up and scale it down, there will be less manual work.

For the Single Audit, most everyone has their CAFR items in. We are finalizing things with the Auditor General's process and getting ready for the QC. We appreciate your cooperation if you get a call from Ron Santa Cruz to get things in quickly. We need the CAFR done to complete the Single Audit. We will need to push the CAFR date back a week or two behind the March 7th date. If we fall beyond two weeks late, we will not be able to get the Single Audit out by March 31, the federal deadline. The feds do not grant extensions.

We received a letter from the Department of Health and Human Services, HHS, our cognizant agency. The letter states they have reviewed our 2009 Single Audit and find our approach acceptable and our commitment to resolving statewide issues however they have concerns. There are some statewide internal control deficiencies that they will continue to monitor and need to be resolved. They are concerned about the timeliness of our reports and the fact that they are being submitted beyond the federal deadlines. This may affect the state in the following ways:

- 1) Put the State in jeopardy up to and including having to repay federal dollars due to non compliance.
- 2) They may also put a freeze on drawing down additional dollars and not let the State draw any future additional grant monies.
- 3) Our ability to apply for federal dollars and be considered as an entity for federal grant dollars.

AGA Pilot – Clark Partridge

We are trying to leverage efficient tools to mitigate risk. The Association of Governmental Accountants (AGA) is submitting for a grant from the feds. The feds have money from Congress for innovation. They are trying to look at things that are cross sectional between federal, state and local governments to see if they can find ways to improve the federal grant process.

The partnership is trying to utilize tools that have been created for other things and provide them to other entities to be able to use them effectively and efficiently. One of the things the Recovery Accountability and Transparency (RAT) Board developed in connection with ARRA was a database of entities of "bad guys" that have somehow defrauded government programs and have repeat compliance problems. It is a database of who should not be receiving federal dollars. For example with Medicaid, if you have someone that submits fraudulent claims in California and then they move state to state trying to do the same thing. Or from a DES perspective, food stamps or SNAP you have stores that might submit fraudulent claims. Those are probably ideal programs to look at for the pilot but they are very large programs.

We are looking for a smaller program. Something like maybe with doctor's offices where we do not control the vendor. The concept would be to take a list of vendors that we have and ping them against a RAT Board database and receive hits, if any, very similar to the OFAC process.

If you have a grant with vendors that might fit this type of scenario but a little bit smaller program, let Clark know.

Q: We already do this with the Medicare database. It is submitted monthly against an HHS database.

A: The HHS database is different from the RAT Board database we are trying to merge things together and see if there are other things we need to hit.

We had a conference call looking at eligibility systems. If we wanted to have systems agency by agency and program by program, the feds would probably authorize it. But if we were to build a statewide eligibility system that would qualify people for federal programs statewide and have their wage information, etc. already documented. The feds would have issue with this type of program since it might benefit another federal program or a State program. We will be starting a project to address this issue from a cost perspective with OMB, HHS, etc.

We are looking for ways to streamline, have adequate audit support and make sure the dollars are spent on the program but yet simplifying and streamlining the costs and record keeping. If you have suggestions let Clark know.

Most importantly on the Single Audit, if you have audit findings that you need to respond to, you need to get them turned around quickly. In the past we have had agencies take a month or more to respond to their audit findings. That cannot happen this year. We understand that some of these are difficult issues but if you need more time to talk about your issues, you need to be talking to your audit team now and asking what the issues are and start thinking about them now even before you get the formal written finding. Our understanding is the Auditor General has given the deadline of February 15 to give audit findings to the agencies. We expect responses to be done no later than March 1st. If that is a problem we need to start talking. If responses are received beyond March 1st, it will jeopardize our ability to hit the March 31st deadline for the Single Audit.

If your agency delays this process and we have to repay the feds federal dollars, we will be looking to your agency to pay since you were the one that caused the noncompliance. Some of these issues are not new and have been issues for years. If there is something that we can do to help you, let us know.

Office of Foreign Asset Control (OFAC) – Angela Dillard

We are still in the exploratory phase of this project. We did an initial upload of just over 50,000 vendors from AFIS which included the mail codes against the various databases

that OFAC has. We received just over 2,000 hits. Part of those were duplicates. The same vendors had hits on the different databases. After we researched all the hits, we really ended up with only 12 potential hits. The various agencies that do business with those vendors were contacted to get further information about the vendor. We need very detailed personal information about the vendor such as their birth date, mother's maiden name, place of birth, etc. The vendors that we were unable to obtain that information from were inactivated, about 5. The rest we were able to obtain the information.

We are now trying to figure out if there is a way to automate this process and do it in house instead of using the Lexis Nexus service. We have found a website that will allow us to do the match against the various databases. We are still in the testing stages but if we can make this work, it will allow us a lot more flexibility.

1099s – Angela Dillard

13,357 1099s were mailed out last week. If you have any corrections, the form GAO-94 needs to be sent to us. We have implemented a daily TIN and name matching program. This is an automated program. We get all the adds or changes from the previous day and upload it against the IRS database. If there are any issues we can take care of them right away instead of getting B Notices and potential penalties at the end of the year. We are hoping the 1099 issuance this year will be a lot smoother.

Emphasis on Electronic ACH Payments – Clark Partridge

We continue to try to address this issue. Every state around the nation has varying degrees of success with this issue. Arizona has a higher direct deposit participation than some states. Most states struggle with vendor ACH participation.

We now have the formats CTX, CCD, CCD+ and CCD Child Support to be able to pay vendors. CCD+ is what a lot of the banks have. It doesn't have as detailed of information that goes across to the vendor but it is an option. When all we had was CTX, a lot of the banks did not accept it. You just need to make sure you coordinate with the vendor to let them know what invoice you paid because they will not always get the detailed records from their bank.

Reminder to use the PCard when you can to cut down on warrant payments. The PCard will be exempt from the 3% withhold for the first 18 months of the program.

NSF & Favorable/Unfavorable Deposits Cleanup Project – Ongoing – Clark Partridge

This is an ongoing project. If you have items, make sure you are getting them cleaned up. We will discuss it every once in awhile in this meeting. We were recently dealing with a fund reconciliation and some of the issues were from when the current version AFIS was brought up and someone established an entry and now when asked, the agency has no idea why the entry was loaded from the old system. That was in 1992. If there are things on your trial balance that aren't being used, that is part of the reconciliation.

Internal Controls – Effective and Efficient – Clark Partridge

Instead of having a very lengthy boring conversation, we will be breaking the subject up over the CFO meetings. Today's topic is reconciliation. If you take the time to reconcile, if there is an issue, you will spot it.

We went out to an agency, they had not been doing reconciliations. They had a revolving fund that had not been reconciled for some months. When they were asked to produce the reconciliation, they rushed to get it done. It turns out they had fraudulent checks written against that account. Luckily the checks had been written in the last 30 days so the agency was able to recoup the money.

If you don't reconcile, how do you know where you are at? Some people reconcile revenues and expenditures and assume everything else is okay. There are items that hit cash that do not hit revenues and expenditures. Look at the trial balance periodically. Everyone is busy, a lot on our plates but there needs to be some fundamental internal controls with reconciliations, especially if there are higher risk activities, programs or operations. We will talk about risk another time.

If you have a suggestion on what you think is efficient and effective let us know. Your internal controls will need to be geared towards your operations but there are some basic internal controls that everyone should have.

NASC Conference March 23 – 25, 2011

CFOs are invited to attend the National Association of State Comptrollers (NASC) Conference. The conference will be held at the Embassy Suites 4415 E. Paradise Valley Parkway South in Phoenix (near Paradise Valley Mall). The 23rd and 24th are full days, the 25th is a half day.

A representative from the U.S. Treasury is scheduled to be there to talk about the offsets and the 3% Withhold. Hopefully we will have representatives from OMB. We will have people talking about systems and ERPs and what they have done from the accounting side to solve some of their problems. There are many things other states are experiencing that could help you go back to your programs and discuss and benefit you. It is tailored for State Comptrollers but usually the things that affect us, affect you. It is good technical CPE. We have vendors present with states that have utilized the vendor so it is not just sales pitch stuff. The OFAC process for example is based on a presentation that was given several years ago. It is \$350 to attend the conference but there is no travel. It will be 16 hours or so of CPE depending on the technical agenda.

Part of the conference is round tables where we share discussions. We had the IRS audit a number of years ago. We shared what we went through with the audit at a conference. We received a phone call not too long ago thanking us for sharing. Another state had been selected for the same type of audit. After the conference they went back and had discussions and did some cleaning up. If not for the conference, they would have had the same issues with the audit that we had. If you have any questions regarding the conference, give Clark a call.

Q: How do we sign up for the conference?

A: By going to the NASACT website, www.nasact.org. It is \$350 for about 16 hours of technical CPE with these types of subject matter experts is a pretty good deal. There are quality presenters from the feds, the vendors, etc.

Agency Needs – Clark Partridge

If there are things you need, things that are causing you problems or issues, let us know. We'll see if we can't work things out. We'd like to hear from you in case there are things we need to look at and prioritize.

Any Other Issues, Questions, Concerns?

Q: Our agency is one of the first to use ProcureAZ. We are having a lot of problems on the accounting side. Is there someone in the General Accounting Office that can be a contact with ProcureAZ accounting issues?

A: If it is a ProcureAZ system issue, sometimes the only thing we can do is refer it to the vendor, Periscope. We can really only deal with issues regarding the interface between ProcureAZ and AFIS. We can set up a meeting with your agency, GAO and the vendor.

We need to be learning from these situations and thinking of these types of things if we ever replace AFIS. Be thinking of what your needs are. What issues you are having with your accounting staff. Are there training issues? Who needs to be trained? How do we train them? We have AFIS Training as a future agenda item. We do want you to start thinking of what type of AFIS training you need. We don't have a lot of resources to put towards the AFIS training but we want to make sure we are identifying the things that are important to you to get the most value.

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 3:34 p.m.

The next meeting is scheduled for Tuesday, February 22, 2011, at 2:00 p.m. in the General Accounting Office.