

**Large Agency  
Chief Financial Officers Meeting Minutes**  
January 27, 2009

**PARTICIPANTS:**

Tom Marshall, DCA  
Tim Newton, DEA  
Karen Johnson, DEA  
Craig Rudolphy, DTA  
Mike Clark, EVA  
Lizette Morgan, GFA  
Debra Rittenback, GFA  
John Moorman, HCA  
Jim Cockerham, HCA  
Su Mei Cheng, HSA  
Li Li, DJA  
Joan Thompson, LAA  
Norm Selover, OSPB  
Chuck LeBlanc, PSA  
Reed Spangler, RVA  
Tom MacConnel, RVA  
Syndia Reeder, WCA  
Clark Partridge, DOA/GAO  
Mike Smarik, DOA/GAO  
Anita Kleinman, DOA/GAO  
Angela Dillard, DOA/GAO  
Jaimie Soulvie, DOA/GAO  
Jan Sharon-Strieby, DOA/GAO  
Tami Eckloff, DOA/GAO  
Joanna Greenaway, DOA/GAO

***ITEMS COVERED***

*Clark Partridge – Welcome & Introductions*

**Upcoming CPE Training/Audio Conferences**

Unlimited capability to train 2 hours of CPE for \$249.00. NASACT has changed their conferences to webinars which will allow up to five locations to participate for the same fee. Multiple advantages can be obtained by agency participation in the conferences. If anyone has employees that are not in Phoenix and would like to attend by participating at their location, please contact the GAO.

- January 28, 2009 at 12:00 p.m., NASACT Audio Conference – “Ethics in Work and Life” – 2 hours CPE
- February 11, 2009 at 12:00 p.m., AGA Audio Conference – “Building Fraud Risk Assessment Into Audit Planning” – 2 hours CPE

The GAO is also working on CGFM training materials that may eventually be available for other agencies to participate. Any other ideas for training?

### **Payroll Calendar Year End – Any Questions?**

There were no questions concerning Payroll Calendar Year End.

### **W-2s**

On Monday, January 19<sup>th</sup> at 3:00 p.m., the W-2 vendor mailed 52,150 W-2s. A webstory was issued on Tuesday, January 20<sup>th</sup> addressing how the GAO and the agencies are to handle W-2s with incorrect addresses. There is a new feature that has been added to the W-2 forms: displayed on the first line in the window of the envelope, there will be the employee's EIN, process level, and check locator code, which can be used to route the undelivered W-2 directly back to the employee at their worksite without anyone having to open the envelope. This will help ensure the employee's W-2 privacy. This additional information will help the GAO and the agency with the misdirected mail. As a reminder, employees are not to be referred directly to the GAO—they should be referred to their own agency payroll department. Requests for 2008 duplicate W-2 forms will not be accepted until after January 31, 2009.

### **1099s**

The vendor mailed over 17,000 1099s on Thursday, January 22<sup>nd</sup>. A webstory was issued on Friday, January 23<sup>rd</sup> notifying the agencies of the distribution date. The quantity of 1099s is lower this year because the universities are mailing their own. If anyone has any questions they can leave a message on the 1099 Hotline (602) 542-5553 or contact Tiffany Franks (602) 542-6522 or Patti Ferreira (602) 542-1673 for assistance.

**Q:** What did you do with U.S. Bank and the P-Card for 1099 reporting?

**A:** Since the State policy does not allow services to be charged on the P-Card, we did not do anything. The GAO is trying to assess if there are any issues regarding services and the P-Card.

An agency representative had a concern about the communication regarding vendor address corrections that need to happen prior to the 1099s being issued. They had been working on correcting them and then found out that the 1099 information had already been released to the vendor for distribution. The agency representative suggested that next year the GAO issue a webstory with the date that the address corrections are due. Agencies need to make sure that their vendor data is being updated throughout the year.

### **Internal Controls**

The Internal Controls Survey is at the ADOA Director's Office for final review. The delay is due to the upcoming possible agency head changes with the new Governor's transition into office and the budget. The GAO Internal Controls

Survey is larger than any effort historically within the State. It is not as large as other states' assessments on internal controls or as large as Sarbanes-Oxley's. We are asking for feedback on the survey. The survey will be electronic. We are trying to get it out soon so you can assess internal controls for this fiscal year.

### **Process for Single Audit Findings**

Federal agencies are following up on some of the single audit findings before our cognizant agency, The Department of Health and Human Services (HHS), has assigned it to them (for example: Education, Department of Labor and Agriculture). The process should be that HHS goes through all of the findings and then assigns them to different Federal agencies for follow up and resolution or HHS may keep a finding for themselves for follow-up and resolution. If you have been contacted, please let the GAO Federal Group know.

The Attorney General Pro-rata payment process, which is a percentage of payroll, has been disallowed by the Federal Government (not allowable under A-87). We have been working with HHS to determine how they are going to recover payment on the disallowed costs. Within the last two weeks, HHS sent us a letter stating they will be working with the State of Arizona to cease and desist this practice because it is absolutely unacceptable. The Legislature knew this was a problem before they passed the law. Currently, the Arizona law mandates how we collect the money (based on payroll) that goes into the Attorney General Pro-rata Fund. The State of Arizona owes the Federal Government \$1.3 million dollars for FY07, FY08 and FY09 on the disallowed costs and they are asking for it by July of 2009. Currently, we do not know where we are going to come up with this money and we are trying to work it out with OSPB. Some Federal agencies are contacting State agencies directly and asking for the money now. If any Federal agency contacts your agency asking for money, please notify the GAO.

We also have the current Single Audit Process as the State of Arizona Auditor General's Office goes out and finds problems and issues. It is going to be important that the agencies coordinate responses with the GAO before they are sent to the Federal Government. The GAO may be asking questions to help improve the process and to help improve the quality of the single audit document. The documents are public record and the GAO will try and make them consistent and ensure that they are appropriate. Please keep the GAO Federal Group included on any findings and responses you may currently be discussing with the Auditor General. If we are asking questions, it is because we are trying to improve the process, not that we are trying to second guess your response.

### **Budget**

Discussions are being held on the State process and also federal influence on the flexibility with the states on use of stimulus money. Discussions are also being held on how to hopefully use the existing federal reporting processes. There may be a lot more additional reporting requirements for the stimulus

money. Just be prepared. You will need to coordinate with your agency, your federal agencies and OSPB so we can get a handle on these federal monies, especially the monies the states have to apply for.

### **Existing Budget**

We are looking at cash flow. We are trying to get an assessment on those items where you are spending \$50 million or more in a large charge chunk, excluding payroll. We will be meeting with some of you right after this meeting. If you have payments of this size going out the door, such as education, we are trying to identify those types of payments. This is a manual exercise. We may lower the threshold we are looking at later. This threshold is for both cash receipts and cash disbursements.

### **Issues, Concerns, Questions?**

**Q:** Award points for hotels, frequent flier miles, we would like to say they belong to the State but how do we enforce that?

**A:** We have always said these types of awards belong to the State, that has not changed. It was about five years ago or so the feds said they would allow their employees to keep the awards. We get into scenarios where the stay is extended. If the stay is extended and the cost is higher, the difference is taxable. In reality, the individual should be paying the difference, not the State. There are some things that need to be worked out. If we take a stand, is the event then taxable. It is not clearly defined in the law.

**Q:** Is there going to be a statewide policy on personal cell phone use on a State issued phone?

**A:** Currently if the cell phone is available for personal use, it is taxable. But there is considerable movement on Capitol Hill right now to change the law since cell phones are common place now. As long as there is no extra out of pocket cost to the employer, have it nontaxable. We are waiting to see what happens before we come out with a policy.

**Q:** We've been kicking around a cell phone allowance like the uniform allowance.

**A:** That is one idea. We need to consider all the ramifications regarding policy and budget.

**Q:** Question regarding the Relief Bill and what is approved and what is denied to be paid out of prior years?

**A:** It takes a lot of time and effort for a Relief Bill item to be reviewed by a lot of different people. If it is not cost beneficial for the item to be paid using the Relief

Bill, it will need to be paid out of the current year. That is a policy decision that was made so that a lot of time and effort is not spent to pay a bill that could easily be paid out of current year funds. If it is under \$300 the agency can go ahead and request to pay it out of the current year. The law says you can request it and GAO can approve it or deny it. We cannot dictate what you do or don't do. The agency needs to request it.

**Q:** Issue with the employee travel card. Scenario, employees with the travel card are not given travel advances. We have employees that were originally given a \$3,000 limit. Due to various reasons, I'm suspecting late payment, the limit was dropped to \$1,500. For some employees that are on a two week trip, the \$1,500 may not be enough. How are we supposed to handle the employee in travel status?

**A:** US Bank was here recently and we had discussions about these situations. In the situations we looked at, the employees had been reimbursed for their travel, but the card had not been paid. In some of those instances, the travel was starting to lap. They are living off the float of the travel card. On some of the cards, an initial credit check is not done, if payments are made late, then US Bank goes in and does a credit check and may lower the limit if there is a low credit score. The law says they can be reimbursed (not pre-paid) for travel. We try cover airfare and other large items with the agency card. We warned people up front, don't burn your bridges. I'm not aware of a situation where the problem was the agency did not reimburse the employee timely.

**Q:** But what do we tell the employees in these circumstances -- that GAO will not approve travel advances that are a result of the employee having credit problems?

**A:** I'll never say never but we are trying to get out of the travel advance business. If they had done it right, there should be no reason for a travel advance. We would look at options rather than jump right to a travel advance.

**Q:** Employee reported they have a garnishment and received a reimbursement for travel and the reimbursement was taken as part of the garnishment. Does the payroll system take garnishments on that payment?

**A:** We tried to exclude those. We have tested for that. If that is the case, please let us know so we can address it.

## **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 2:55 p.m.

The next meeting is scheduled for Tuesday, February 24, 2009, at 2:00 p.m. in the General Accounting Office.