

**Large Agency  
Chief Financial Officers Meeting Minutes  
February 26, 2008**

**PARTICIPANTS:**

Joe Whitmer, ADA  
Paul Nicola, DCA  
Tim Newton, DEA  
Shana Fierro, DEA  
Steven Race, EDA  
Michael Clark, EVA  
Li Li, DJA  
John Moorman, HCA  
Jim Humble, HSA  
John Lake, HSA  
Chuck LeBlanc, PSA  
Joan Jones, RVA  
Craig Rudolph, DTA  
Syndia Reeder, WCA  
Michael Kearns, CCA  
Randi Orchard, BNA  
Clark Partridge, DOA/GAO  
Mike Smarik, DOA/GAO  
Jan Sharon-Strieby, DOA/GAO  
Angela Dillard, DOA/GAO  
Joanna Greenaway, DOA/GAO  
Shannon Landis, DOA/GAO  
Diane Gorham, DOA/GAO  
Jaimie Soulvie, DOA/GAO  
Stu Wilbur, DOA/GAO  
Amy Newby, DOA/GAO

***ITEMS COVERED***

*Clark Partridge – Welcome & Introductions*

**Travel**

***\*\*Non-Compensated Board Members I-9 Required***

The Department of Administration Human Resources (HR) Division sent a notice to each agency's HR group to advise them that paper I-9s are required for all board members, whether compensated or not. Previously, only board members who received compensation had to fill out an I-9. New board members will go through the E-Verify process. This is a change from their original announcement. To view Human Resources, Policy and Procedures on I-9, effective January 1, 2008 go to [http://www.hr.state.az.us/Homepagelinks/policies/I9\\_Policy.pdf](http://www.hr.state.az.us/Homepagelinks/policies/I9_Policy.pdf).

To access the Form I-9, Employment Eligibility Verification, U.S. Department of Homeland Security, go to <http://www.uscis.gov/files/form/I-9.pdf>

**Q:** If an agency has a board member who resides across town or in a different county, do they have to come all the way into Phoenix to fill out the I-9 form at the agency. Is there any way they can complete the form without coming all the way into downtown Phoenix?

**A:** The I-9 form can be completed online and the member can show identification when they are at a board meeting.

**Q:** Would this also apply to task force members?

**A:** Yes, this would be for anyone who will need to be added into HRIS to receive reimbursement for travel.

**Q:** There is a concern with the Attorney General's language that board members are considered to be employees of the State. Board members can not be employees or they can not serve on the board.

**A:** Clark interpreted the language to be that they are employees or officers of the State. The statute states that they are employees or officers of the State. They are serving in an official capacity representing the State of Arizona. Clark will have Amy Newby make sure the wording is correct in the GAO policy.

### **\*\*ZR35.2 Security Update**

The ZR35.2 security update only affects the agencies that had the ATMS roll. On the AR35.2 form when entering travel reimbursements, there was an issue after entering the EIN and tabbing to the next field the name would not come up. This has now been fixed. This access also provides the Travel Management Specialist with some drill around capability, similar to the access provided to Timekeepers. The employee's name, position number, supervisor, and payment history are visible. The employee's social security number, their home address and rate of pay are blocked. The Travel Management Specialist will be able to see if the employee was paid for travel but not the amount that was paid.

### **Travel Policy**

The new travel policy was implemented on January 1, 2008. The attendees did not have any questions concerning the new travel policy.

### **P-Card and Travel Card**

A web story was issued today to modify the reference to the Arizona Administrative Code on Technical Bulletin 08-1 on the Statewide Purchasing Card Policies and Procedures.

Since the issuance of the policy and forms, the new card rollout is progressing very well. U.S. Bank is contacting the larger agencies and Tiffany Franks has been working with the smaller agencies.

An agency representative questioned why the new U.S. Bank P-Card cannot be used to purchase services. Clark explained that U.S. Bank has not demonstrated that they have 100% of vendor tax IDs as they are not a Qualified Purchasing Agent (QPCA). The State could run into issues if we use the P-Card for services on a vendor that we do not have tax ID information on as we would not be able to issue the vendor a 1099. Clark briefly discussed the law that Congress passed a little over a year ago that requires government entities to begin withholding 3% of payments made to vendors starting January 1, 2010. This would not include payments to non-taxable entities such as school districts, AHCCCS, or anyone receiving aide.

Clark asked the attendees if they have any comments regarding U.S. Bank. Most of the agencies have just received their cards. An agency representative mentioned that there were a few problems with the instructions sent from U.S. Bank on how to activate the new cards. One issue was when calling U.S. Bank to activate the card the prompt asked for the last four digits of the employee's Social Security Number instead of the employee's last four digits of their EIN. U.S. Bank has addressed the problem and the prompts on the call in number have been changed to reflect the utilization of the employee's EIN instead of a Social Security Number. The representative also mentioned that U.S. Bank has been very easy to work with.

One agency representative asked if anyone had issued Travel Cards. Angela advised that DEMA had ordered about 300 but they were not in attendance to respond to any questions. Other agencies were utilizing the "ghost card" instead of Travel Cards.

### **Travel Management Sub-System Update**

ADOA has purchased a Lawson Expense Management System which includes a Travel Management Subsystem. The new subsystem should address most of the travel management needs. A user group will be established to help assess the system for implementation. Hopefully the system can be standardized and flexible to address most travel requests as customization can be costly. We need to focus on the core and essential elements required to process most travel requests.

### **Payroll Benchmarking**

The GAO has received the Payroll Benchmarking study. The study has not been reviewed in enough detail to present a summary to the agencies at this time.

### **Upcoming Audio Conferences**

The GAO is asking that audio conference participants begin registering for audio conferences in STARS. The instructions to register will be distributed on the conference e-mail notification. If anyone has any problems registering in STARS they can contact AzGU.

The GAO has scheduled the following audio conferences with CPE available:  
Wednesday March 5, 2008 at 12:00 p.m. – Environmental Fraud  
Wednesday March 26, 2008 at 11:00 a.m. – Emerging Issues at FASAB & GASB  
Wednesday May 14, 2008 at 11:00 a.m. – The Anatomy of Ethical Slips in Government

### **Internal Audit Meeting with all Agencies**

Jaimie Soulvie will be creating an Internal Audit group similar to the CFO Group to hold meetings to discuss internal audit issues and share methods. The meetings will be held quarterly or semi-quarterly with the first meeting to be scheduled in either April or May. A web story will be issued to provide the date and time. Jaimie asked the CFO Representatives to inform their internal audit manager or group about the upcoming meetings and provide her with their contact information. If the agency does not have an internal audit manager or group the CFO Representative is welcome to join.

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

*Appropriation reductions:* Agencies have been questioning what would happen if the legislature passes the '08 changes on appropriation reductions. The GAO is planning on having the agencies enter in their appropriation reductions and then the GAO will do the review and release. The GAO will continue to process the supplementals.

*Vendor calls:* Vendors have been calling the GAO to find out why they are receiving a warrant. The warrants do not have any information indicating which agency sent it or what services it is paying for. Clark asked the agencies to make sure the warrant payments indicate what invoice or account the warrant is paying for. He also asked the agencies to ensure that their vendors are aware of the Vendor Payment Search website so they can look up warrants with their tax ID. The Vendor Payment Search website is located at <http://www.venpay.gao.azdoa.gov/>.

*Budget:* If there is anything that the GAO can do to help give us a call. An agency representative mentioned that health care costs will be doubling by 2015. Clark gave a brief overview of the David Walker speech he attended on February 4<sup>th</sup> titled "The Fiscal Wake-up Tour". David Walker is the Comptroller General of the U.S. and he discussed the federal government's current deficit and the challenges posed by long term demographic and economic trends. The nation's current financial condition and long-term fiscal outlook along with national healthcare were the main topics of the meeting. The U.S. GAO website has recently posted an article on how healthcare costs will be affecting State and local governments. To view more information on the U.S. GAO website go to <http://www.gao.gov/cghome.htm>.

*Hiring freeze:* The Governor issued a hiring freeze memo and in that memo it mentioned that there is a \$1.15 billion shortfall in the General Fund. The entire

yearly payroll for the State is \$1.8 billion. Even if they quit paying everyone in the State there would be enough money to cover the shortfall with only \$7 billion left to cover other expenses. Agencies need to be more aware of misuse or waste of State funds.

*Improper payments:* Clark discussed DHHS's improper payments for seven of its 300 programs they administer. The seven programs represent approximately 90% of DHHS's expenditures.

*Transparency:* Clark briefly discussed transparency and will address it further at a later date.

*Tuition reimbursement:* An agency representative questioned how the other agencies were handling tuition reimbursements and if there were any caps established. Clark advised that the IRS yearly cap on tuition reimbursement is \$5,250. Agencies have various internal policies on the cap depending if the training applies to the employee's position. If an agency chooses to exceed the cap then it will become taxable income for the employee. There is a possibility that an employee could receive the maximum tuition reimbursement from one agency and then transfer to another agency where they receive additional tuition reimbursements. The reimbursement from the second agency would be taxable; at this point, the two agencies need to communicate to ensure that there is proper reporting of the reimbursements to the IRS. Angela Dillard will investigate if an edit could be set up in AFIS that would track tuition reimbursements. In the future, an edit could possibly be done in HRIS as well to help manage the work flow.

*Military differential pay:* Military differential pay is not wages and not subject to FICA and Medicare. Those payments have to be paid through AFIS and are 1099 reportable.

## **Future Agenda Items**

### **Emphasis on Electronic Payments (Direct Deposit & ACH)**

AHCCCS has been piloting the non-distribution of direct deposit advices. All 1,300 AHCCCS employees have access to a computer and internet and 96% of their employees utilize direct deposit. AHCCCS sent three announcements to their employees to inform them that they will need to utilize Y.E.S. to access their pay information. They did not give very much notice to the employees. The only negative comment received was concerning the invalid leave balances in Y.E.S. AHCCCS addressed the issue by informing the employee that they can obtain their leave balances off of their timesheet. Other than this one comment, it really was very uneventful. The payroll staff has been extremely happy as it eliminated two to three hours of work every two weeks as they do not have to stuff the pay advice in an envelope for each employee. Per the statute requirement, if an employee signs up for direct deposit the State must

provide the employee with a statement of earnings. The GAO is interested in additional agencies who wish to volunteer to stop producing the deposit advices. The agencies must meet the criteria of every employee having access to the internet. HR is still working with SPO to obtain a contract to PDF the pay advice for Y.E.S. which would replicate the original pay advice containing all the employees leave and vacation hours.

**Payroll Stuffers**

**Payroll Card and Direct Deposit**

**Internal Controls**

We are trying to focus on some core internal control items; reconciliation, segregation of duties, informing employees about why there are internal controls, problems within internal controls and how to address or assess them. Clark asked the attendees to think about problems and potential solutions within their agencies. Agencies should focus on key items.

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

Meeting adjourned at 3:23 p.m.

The next meeting is scheduled for Tuesday, March 25, 2008 at 2:00 p.m. in the General Accounting Office.