

**Large Agency
Chief Financial Officers Meeting Minutes
March 30, 2010**

PARTICIPANTS:

Joe Whitmer, ADA/GSD
Cheryl Toone, ADA/Risk
Megan Darian, ADA/State Boards Office
Jean Clark, ADA/SPO
Paul Nicola, DCA
Karen Johnson, DEA
Tim Newton, DEA
Todd Bright, DEA
Li Li, DJA
Sheryl Bodmer, DTA
Steven Race, EDA
Mike Clark, EVA
John Moorman, HCA
Jim Humble, HSA
John Lake, HSA
Chuck LeBlanc, PSA
Lu Himmelstein, PSA
Reed Spangler, RVA
Syndia Reeder, WCA
Mike Smarik, ADA/GAO
Anita Kleinman, ADA/GAO
Angela Dillard, ADA/GAO
Jaimie Soulvie, ADA/GAO
Joanna Greenaway, ADA/GAO
Tami Eckloff, ADA/GAO
Stu Wilbur, ADA/GAO
Amy Aeppli, ADA/GAO

ITEMS COVERED

Mike Smarik – Welcome & Introductions

ProcureAZ Project Status – Jean Clark SPO & Periscope Holdings

SPO has talked with just about every agency so far about the ProcureAZ project, either the interface with AFIS or the functionality of the system. They have been working with the core team members. SPO wants to make sure they are updating the CFO's on the status of the project, timing, etc. They are looking for input from the CFO's. SPO will be attending additional CFO meetings and also CIO meetings.

Phase I was a replacement of the SPIRIT system. It went live September 1, 2009 which was on time and on budget. All vendors now register in ProcureAZ. All SPO solicitations are done electronically through ProcureAZ. DES is also doing their solicitations through ProcureAZ. Agencies are also able to pull vendor lists from ProcureAZ. Training will be held tomorrow and again in July for procurement officers to roll out the solicitations to be on the system. This will include statewide and agency contracts.

Phase II will be rolling out the purchase order processing. Pre-encumbrances, encumbrances, purchase orders and interfacing with AFIS will be included in Phase II. This phase is scheduled to go live with the first group of agencies on October 1st with total completion of all agencies in July of 2011. Those of you that are in Group 1 have already been meeting. Communication and coordination with the rest of the agencies which will be grouped numbers 2 through 5 will start happening soon.

ProcureAZ will integrate directly into AFIS for account code entry and validation of encumbrances. Vendor management will also be taking place through ProcureAZ. Down the road SPO may be looking at invoice entry capability but that is currently not in the scope of the project. The goals are transparency and improve efficiency in a core purchasing system. SPO wants to be able to see what the State is purchasing off of which contracts.

The interface with AFIS will be real time. It will not be an overnight batch run interface. Technology called Host Bridge is allowing GAO to interface in real time. If there is any type of error, you will know right away. Account codes and sufficient appropriation will be validated against AFIS.

The ability to pre-encumber transactions will be part of the ProcureAZ system. Agencies that do not pre-encumber can be set up to work with your process. Once the purchase order is approved and the information is sent to the vendor, the encumbrance will hit AFIS. If there is an error message, the information will not be sent to the vendor until the error is resolved.

When change orders are processed, the encumbrance in AFIS will be updated. When the PO is sent, a check will be done to see if the vendor is in AFIS. If not, a vendor record and new mail code will be set up in AFIS, or synchronize the mail codes if that is the case. This is all done through the interface. Paperwork will not be routed to GAO. A question had come up from one of the agencies as to how items in ProcureAZ and AFIS would be matched up. The PO numbers in ProcureAZ will be matched up with the encumbrance numbers in AFIS. Information that is sent to the vendor will have both the PO and the encumbrance number. Invoices should also reference the encumbrance number.

Q: Will there be an edit check at the beginning of the process to prevent some of the common errors? For example someone doing a capital purchase but the dollar value is only \$1,000?

A: The edits are the same as if you were entering the pre-encumbrance or encumbrance directly into AFIS. There are some edits. For example there is a fixed asset threshold that you can set. You can also run a report to show what has been purchased as a fixed asset.

Q: When you talked about the pre-encumbrance transactions and that some agencies do not participate. Is it going to be set up as an agency has either all or nothing?

A: It will be at the agency level. You will not be able to choose these transactions or this division has pre-encumbrances and the others don't.

Q: When the original purchase order is created, it will reference the encumbrance. When a change order is processed on that purchase order, the system will generate a new purchase order number out of ProcureAZ?

A: No. It will be the same purchase order. There will be a change order tab, change order 1, change order 2, etc. The AFIS encumbrance would be updated with each change.

Q: The numbers would not change?

A: Correct.

Unless you had a situation where you were completely changing the account codes and we had to completely liquidate the encumbrance and reissue. If you are only increasing or decreasing, the number will remain the same.

Q: Can you elaborate a little more on the purchase order having both the encumbrance number from AFIS and the purchase order number from ProcureAZ on the purchase order?

A: If someone needs to do a search and they know one of the numbers but not the other, they can find the information. It will reference back and forth in ProcureAZ. Periscope created the print form to say if the alternate ID field is populated, to display the information on the PO. Co-ops will also be using ProcureAZ but their internal systems will not be integrated with ProcureAZ. Co-ops can use the field for their internal numbering systems.

Q: Will both sets of numbers cause confusion for the vendors and result in possible duplicate orders using both the purchase order and the encumbrance number?

A: Periscope can look at that. It is not a change to the system if it is decided to delete the encumbrance number off the PO the vendor receives. It is just like a reporting feature. Maybe SPO should talk to some vendors and see what the clearest way to communicate our information is.

Q: Most vendors have one field for a purchase order number. If they pick and choose which number, we may have problems.

A: Periscope and SPO will look in to it further.

Q: If you have a statewide contract that awards POs to several vendors under the same contract and one encumbrance that covers that group, can you assign several POs to one encumbrance?

A: You should only have one encumbrance per vendor. How are you doing it now in AFIS?

Q: One encumbrance number with no vendor number. What is the system going to require?

A: It has to have a vendor number. The way the system would handle that is you would have a contract and have a primary vendor. You would have a dummy vendor and then we have what is called vendor distributor. It will list the vendors that you can place orders with and then when you do your actual order, you pick which vendor you are going to order from. A classic example is if you had a contract with Bridgestone Firestone but you order from individual dealers as opposed to Bridgestone in Dayton Ohio for them to fill the order. Is that what you are talking about?

Q: Various vendors have their separate businesses and different tax ids.

A: They are separate vendor records but Periscope and SPO will need to look at the specific case to see how it will work. You encumber at the beginning of the year for a blanket encumbrance?

Q: Yes.

A: Our interface will require a vendor number. Any blankets we do right now should have a vendor number on them.

Q: Risk has a separate system that interfaces directly with AFIS.

A: Periscope and SPO have had discussions on the different ways the State makes payments. We will have to look at what payment can go through ProcureAZ.

Periscope will come back and present possibly the month after next month and give an update on the status of the project.

ARRA Update – Joanna Greenaway

The new reporting period for ARRA will start tomorrow. The cycle is 10 days. We will close AFIS on April 2nd. Over the weekend spreadsheets with ARRA financial information will be distributed to agencies for verification. They will be due to us by Tuesday 04/06/2010. After the AFIS grants are validated & submitted the ARRA Core Team can focus on the other entities that submit ARRA 1512 reports. Those templates are due on April 6th. The ARRA Core Group (which consists of GAO, ADOA-ISD and GOER) will be in ADOA conference room 304 which is right outside the GAO main door. If you have any problems, please stop by.

Also if you have not paid your bill for statewide admin, please send it in.

Budget – Anita Kleinman

The 7th Special Session dealing with FY10 items, the first focus will be the appropriation increases or decreases to FY10. You should have been contacted if you are one of the agencies affected. The profile roll for AFIS is going to be on April 16th. After that the FY11 appropriation information will be available for you to enter your appropriations. If you are going to make any structural changes, make sure that is done before you enter your appropriations.

For any agencies that are going to need to do transfers between funds to accommodate sweeps or fund reductions, please get them in to us as soon as possible. We will need to go through OSPB and JLBC and that will take extra time. Many agencies have said they are going to wait until the June 30th deadline. We will not be able to do all of them in one day so by early June to mid June we hope to have all the sweeps wrapped up.

Q: The Performance Pay and the furlough reduction, the \$1.7 million that will be allocated amongst the agencies, any idea when you are going to notify us? Is GAO doing the allocation?

A: It will be JLBC doing the calculation of the allocation and they will provide it to GAO and then the agencies will be notified. JLBC is looking at mid May to have the calculations done. We have provided information on salaries to OSPB.

Pay Decrease/Work Furloughs

For FY10 there is the target of \$1.7 million for the reduction of the Performance Pay and mandatory work furloughs. We have provided OSPB salary information by fund. The allocation will be done to appropriated funds and non appropriated, non federal funds. They have indicated the allocation will be based on actual salary information, not budgeted information. We provided six pay periods of

data by fund source. The bill goes into effect June 15. That date is after the end of the last pay period for FY10 charges. There will not be a mandatory work furlough day for FY10 but there are the scheduled 6 work furlough days each for FY11 and FY12. The Performance Pay will go away starting with the pay period beginning June 26th which will be paid July 16th. The same methodology will be used to allocate the \$45 million of savings for FY11 as will be used for the \$1.7 for FY10.

Q: Will they update their allocation information if things change as far as your salary cost?

A: We do not know at this point how that will work. Some agencies have asked how they are supposed to estimate and work things out if they are not notified until mid May what their reduction is. You can estimate 2.75% of your current payroll for 1 pay period and another 2.25% of one pay period to make 5% is one way to look at it.

Q: Isn't it 10%? 1 day out of 10?

A: It isn't that much of a cut the way they did it. It could be higher than the 5%. It all depends on how the funding sources work out.

Q: Which 6 pay periods did you give them? The 6 prior to this one?

A: We gave them December, January and February. Just looking at payroll for March in total, it has not varied a whole lot in total. We have been paying out in Performance Pay every pay day about \$1.6 million. That is just wages, no ERE. So it is close to the \$1.7 million. But what is currently being paid does include federal. On ADOA Human Resources website there is a lot of information on the Performance Pay and work furlough. There is a Q and A document covering a lot of things. Agencies requesting exemptions need to get their information into HR in April.

Q: The reduction will be to the appropriation and cash?

A: Yes both, the cash will be transferred to the General Fund.

Q: For FY10, FY11 and FY12?

A: For FY10 and FY11. They have not come up with target figures for FY12 yet. It will be a General Fund appropriation reduction. For other funds an appropriation will be loaded to transfer the cash to the General Fund.

We hope to have the AFIS Year End Memo published by the end of this week.

Issues, Concerns, Questions?

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 2:50 p.m.

The next meeting is scheduled for Tuesday, April 27, 2010, at 2:00 p.m. in the General Accounting Office.