

**Small & Medium Agency  
Chief Financial Officers Meeting Minutes**  
April 19, 2011

**PARTICIPANTS:**

Michelle Brooks, ADA/CSB  
Pam Rezek, AGA  
Beth Mania, AHA  
Amanda Benally, APA  
Julie McNight, AUA  
Dennis Seavers, BFA  
Dena Dotson, EPA  
Lizette Morgan, GFA via GoTo Meeting  
Lori Boncosky, GHA  
Tracy Schmidt, HDA  
Brett Larsen, ICA  
Scott Greenberg, IDA  
Sharon Gulden, LDA  
Esther Olivas, MIA  
Carol Graves, PIA via GoTo Meeting  
Miryom Snyder, PRA  
Trudy Kranendonk, RGA  
Amber Peterson, SFA  
Al Sawyer, SFA  
Celine Baker, STA  
Patricia Sandino, TEA  
Marcia West, TOA  
David Medina, TXA  
Cheryl Fraulob, UOA  
Kimberly Willett, VSA  
Renee Dudden, VSA  
Clark Partridge, ADA/GAO  
Mike Smarik, ADA/GAO  
Angela Dillard, ADA/GAO  
Anita Kleinman, ADA/GAO  
Jaimie Soulvie, ADA/GAO  
Tami Eckloff, ADA/GAO  
Stu Wilbur, ADA/GAO  
Amy Aeppli, ADA/GAO  
Megan Duty, ADA/GAO  
Jennifer Verhelst, ADA/GAO via GoTo Meeting  
Yesenia Mejia, ADA/GAO via GoTo Meeting

## **ITEMS COVERED**

*Clark Partridge – Welcome & Introductions*

### **AZNET II – Gary Hensley**

Gary is the Program Manager for the Telecommunications Program Office (TPO). Gary was asked by ADOA Director Scott Smith and Deputy Director Dave Raber to put together a PowerPoint presentation to be viewed by various agencies, boards and commissions that may not have participated in the work group sessions relative to the new RFP that went out 5 weeks ago. Gary gave a review of where we are at today, where we were in the previous contract and what we perceive with the new contract coming forward for telecommunications services for voice and data for the State network encompassing virtually every agency, board and commission.

### **Microsoft Settlement – Anita Kleinman**

There are a few things on the agenda that we really don't have updated information for you but we will be leaving them on the agenda until we get them resolved from our perspective.

Any questions on the Microsoft Settlement?

**Q:** On the attachments that came on the letters, I see our agency on the list for \$300. Does that mean that at some point in the past we purchased something from Microsoft?

**A:** No. That is the allocation of the monies that were received from the court. It was based on FTE count per agency. The amount of the settlement was allocated to each agency. To receive the reimbursement of the allocated monies, you need to provide documentation that you made an eligible purchase this year.

There is no direct correlation between what you purchased and what the settlement was. Whether you purchased something in the past or not, you now have the ability to purchase something this year and be reimbursed. Look at the qualified list to make sure what you are purchasing will be reimbursable. It will be a cash reimbursement it will not be a reduction of expenditures. It is transferring the cash for you to be able to utilize.

**Q:** If we would have liked them to be expenditures reductions, we are not offered that option?

**A:** They are being processed as operating transfers.

### **Federal Offsets – Clark Partridge**

No questions on the federal offsets.

### **Fund Sweeps – Anita Kleinman**

No questions on the Fund Sweeps

### **3% Withhold – Clark Partridge**

We are still hoping the 3% Withhold will be repealed. It is gaining more traction but we have not heard anything final yet.

### **Mandatory Direct Deposit – Clark Partridge**

Legislation has been passed. It is on the Governor's desk. It allows for employers to give employees the option for direct deposit. If the employee does not choose direct deposit, the employer, in our case the State, has the option of putting the employee on a pay card. This will eliminate the warrants.

**Q:** What about for new hires?

**A:** Same for brand new hires.

**Q:** For the first few weeks?

**A:** We are looking at the current pre-note process which occurs once every two weeks. We are looking at converting to a daily pre-note process. If we convert to a daily pre-note process, all new hires will have the opportunity to submit their direct deposit information right up front or if they don't they can potentially get their first pay check on a pay card.

**Q:** So if they do an immediate direct deposit request?

**A:** If they do an immediate direct deposit request it will be under the pre-note process we would expect it to go into their bank account right off the bat. We will still have some handwrites in certain circumstances but our goal is to eliminate the number of payroll warrants we are producing. We are still running about 2,300 payroll warrants each payday. We are hoping to move those to direct deposit or the pay card.

**Q:** On final pay outs?

**A:** It could be on a card but if it is a final pay out on a dismissal that has to be turned around real quick, we are looking at all the options. We are not ruling anything out. If you have thoughts and ideas on how to deal with it, let us know.

It can be tough when we have the 3 day deadline and the information is not entered until the 2<sup>nd</sup> or 3<sup>rd</sup> day. The idea of the pay card is it is another form of direct deposit. We would not have the card inventory in payroll to give the employee the card. The card is mailed directly from Bank of America to the

home address. We will always have the option to give out a paper warrant if that is what is in the best interest of the State.

**Q:** It has been a hardship to get the paper warrant when the agency is off the mall.

**A:** One of the options is if we move to a daily pre note process, we are submitting a file every day to the bank. It could be if they are already on direct deposit, when we do the final pay for someone, it would automatically go in as a direct deposit. We will have to weigh pros and cons of this.

**Q:** What is the bill?

**A:** HB2151

**Q:** Is this going to be optional?

**A:** No. The employee has the choice of signing up for direct deposit, if they choose not to sign up for direct deposit, the State can choose to pay them via the pay card.

**Q:** What if the employee wants direct deposit and some money put on the card?

**A:** They can do that. They can do that right now. The law won't change that. We have negotiated a great rate for this card. Usually people have to pay a check cashing business to cash a check.

**Q:** This is considered a credit card?

**A:** It is actually a banking card like you would have with a debit account. We will treat it just like a direct deposit. The card and the account have different numbers. If the employee loses their card, a new card can be issued. We do not have to change their account. It is really designed for ongoing, every pay day type of scenario. We are trying to transition those off paper warrants and give them another option for direct deposit. You can run it as a debit or a credit card.

**Q:** If the bill gets signed it will be the 90 days before it goes into effect?

**A:** Yes. We will have a roll out campaign and communicate to employees and give them an opportunity to hear and know what is happening. There will be more information coming out. They will probably get multiple notices regarding the mandatory direct deposit. We will also be putting notices right on the warrant that we will be moving to direct deposit.

**Q:** What about board members? Our board members don't come in that often.

**A:** We will do the same thing with board members. Then they do not need to worry about coming in to pick up their warrant or having it mailed to them. They already have their money. It really is a convenience. There are a lot of people that are resistant to change. This is a win win all around. This is not a bad option for employees. If they currently want to take their warrant to the bank and cash it, they can do the same thing with the pay card. They can take the card to the bank and say they want all of their money off of it. They can go to any VISA bank and get it for free, not just B of A. They aren't too many financial institutions that are not a VISA banking facility.

If there are any warrants produced, we have the option, we will probably just mail them out from GAO. Once they are in the mail, that constitutes delivery.

We have agencies that have to come and pick up a warrant, maybe two. You would no longer have to worry about doing that any more. You know who your employees are that are still receiving warrants. You know who you will need to communicate with as the information comes out. We will not implement day 1 after the law goes into effect. We will be working with you over the coming months.

**Q:** The correct word is pay card?

**A:** It is actually a payment card account which is defined by Reg E which is the federal banking regulation for networks that handles all electronic payments in the banking system. We try to mirror those federal definitions so we don't have conflicts and people, banks or financial institutions not understanding what things are.

#### **July 1, 2011 payday – Stu Wilbur**

The payday will be Friday. Please reemphasize to your agency that nobody will be paid, whether it is direct deposit or warrant, until Friday of the pay week, which is July 1<sup>st</sup>. The money will NOT be in the bank on Thursday, June 30<sup>th</sup>. Even if you bank with Bank of America, they will not be able to make the monies available to employees any earlier than Friday. The warrants that we receive for that payday will be put in the mail on Friday, not Thursday. If someone is worried about picking up their check and saying they need it for the holiday weekend, get on direct deposit, you have plenty of time plus you are getting ready for the mandatory direct deposit. Remember that if you have automated deductions from your account on Thursday for payday, the money will not be there. The State will not reimburse employees for fees incurred due to money coming out of their account and nobody told them, etc. They need to be responsible and need to prepare accordingly.

#### **AFIS Replacement – Clark Partridge**

We have had a budget issue submitted for several years for the replacement of AFIS. To date we have not received funding for this budget issue. The State is

getting more serious about replacing the system. Last year we had some challenges closing the fiscal year. We really didn't know throughout the close weekend whether we were going to be up the following Monday or not and functional to be able to make payments to the vendors of the State of Arizona. We are continually bumping up against things AFIS was not designed to do as far as size, volume, cumulative account balances, etc. Eventually we will have programmers retiring; things are not going to get better over time. We will be involving the agencies as we move through the process. As a user of the State's accounting system, you will be impacted. Be thinking about the things you wish you could do but can't. What are your frustrations? We are working on an RFP for a consultant. The first phase is developing a budget issue that we will be submitting this year. We understand fiscal year end is coming up. It will be a very busy time for all of us. There will probably be some sessions that we need your involvement. We may call a rare summer CFO meeting specifically to talk about this project.

**Q:** We would like to see more robust reporting with a new system.

**A:** Yes. There are some systems that have a dashboard waiting for you to pull it up to tell you where you stand that day. That is far different than having to wait for month end close and reporting once a month where things stand.

**Q:** What year did AFIS go live?

**A:** July 1, 1992.

We will do what we can to keep you apprised. If you have questions, give Clark a call.

#### **AFIS Training – Clark Partridge**

We will do the best we can with limited resources to keep up with AFIS training. The exercise of gearing up for a new system will put a lot of training issues into perspective. Our current AFIS training needs to be updated, we realize that. If you have critical AFIS training needs, let us know. We will see what we can do. No promises due to our limited resources.

#### **NSF & Favorable/Unfavorable Deposits – Clark Partridge**

Keep up with your NSFs and Favorable/Unfavorable deposit discrepancies. Look at your trial balance occasionally and see what the GL accounts have in them. Fiscal year is coming up and staff will be busy but it is easier if you stay on top of it.

#### **Internal Control Tip of the Month – Clark Partridge**

We have begun auditing revolving funds. We are following up with agencies that have not sent in their June 30, 2010 revolving fund reconciliations. We told agencies we were going to do this. If you haven't sent your June 30

reconciliation in, make sure you do so you are current. We have talked to some agencies that don't even know they have a revolving fund. It is on AFIS. If you are looking at your trial balance, you would see there is cash not on deposit with the Treasurer. That will be an indication that you have cash somewhere else that you are responsible for. Doing the reconciliations of your funds means not just revenues and expenditures but trial balance and cash. If you are closing out your revolving fund, make sure you are doing it correctly. You should be reimbursing your revolving fund then taking the cash and depositing it back and closing down the cash not on deposit and putting it into cash on deposit. There is a procedure in the accounting manual for closing out a revolving fund, as well as establishing one. If you stop reimbursing the revolving fund, you are still responsible for the cash. The fund custodian still has personal responsibility for the cash. Also make sure you are keeping GAO informed of who your fund custodian is. Update the form as necessary.

### **Any other Questions or Concerns?**

#### **Future Agenda Items**

**Emphasis on Electronic ACH Payments**

**NSF & Favorable/ Unfavorable Deposits Cleanup Project**

**3% Withhold**

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

Meeting adjourned at 3:14 p.m.

The next meeting is scheduled for Tuesday, May 24, 2011, at 2:00 p.m. in the General Accounting Office.