

**Small & Medium Agency
Chief Financial Officers Meeting Minutes**
April 20, 2010

PARTICIPANTS:

Biju Kamalesawaran, AGA
Pam Rezek, AGA
Dan Dufalla(?), APA
Randy Frost, APA
Julie McKnight, AUA
Lori Boncoskey, GHA
Tracy Schmidt, HDA
Scott Greenburg, IDA
Ken Bell, JCA
Brett Larsen, LAA
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Evangeline Webster, MEA
Esther Olivas, MIA
Trudy Kranendonk, RGA
Don Bentley, SPA
Shari Courtney, TEA
Marcia West, TOA
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Angelica Romero, WFA
Clark Partridge, ADA/GAO
Joanna Greenaway, ADA/GAO
Anita Kleinman, ADA/GAO
Tami Eckloff, ADA/GAO
Angela Dillard, ADA/GAO
Stu Wilbur, ADA/GAO
Amy Aeppli, ADA/GAO
Greg Vokoun, ADA/GAO
Jennifer Verhelst, ADA/GAO

ITEMS COVERED

Clark Partridge – Welcome & Introductions

State Transparency Project – Joanna Greenaway, Greg Vokoun, Amy Aeppli

The project team was introduced and includes Clark Partridge, Mike Smarik, Joanna Greenaway, Angela Dillard, Greg Vokoun, Jennifer Verhelst, Amy Aeppli and Yesenia Mejia.

The legal mandate for the Transparency Website is in A.R.S. § 41-725. The Arizona Department of Administration (ADOA) is required to produce a statewide database of revenue and expenditures. The data has to be downloadable and searchable. This project may be implemented in phases. The first phase is to be live by January 1, 2011. It is stated in the law that agencies must cooperate with the ADOA during the initial implementation and the ongoing maintenance of the website.

Phase I will include AFIS data. Phase II will be bringing non-AFIS outside system information into the database. We will be working with the agencies (like DES, AHCCCS) that have the outside systems to bring the required detail into the database. Phase III will be bringing detailed purchasing card and travel information into the database. Phase IV will be for additional enhancements and possibly the universities.

The Transparency Website is currently under development. GAO is working with the vendor NIC and ADOA ISD to build the database and application. This site will be modeling after the transparency site the state of Utah has. NIC developed Utah's website. We will make sure this website meets Arizona's specifications and needs.

The website will display statewide revenues and expenditures by agency, category (Object or Comptroller Object), fund and vendor. For each payment we will disclose payment method, agency name, fund name, comptroller object name, vendor (name only), effective date, fiscal year, transaction amount and batch document information.

Test data has been pulled from the system to present a demo to the audience.

Q: Will employee compensation be shown as part of the Transparency initiative?

A: Not initially. It may be down the line. This is still a work in progress. We are currently focusing on the AFIS data

Q: Down the road, will this information be down loading into Buddies as well?

A: That will probably be more for the financial data warehouse.

Q: What is the intent behind the transparency website? So the public could see the information?

A: This transparency website is primarily for the public. The financial data warehouse is not for the public.

Q: Pulling in the AFIS document number and batch number, that won't mean anything to the public unless they use it to reference when calling and asking a question. Your current plan will be leaving out invoice number and description when a vendor is searching for information.

A: We don't always have that information in AFIS right now. Users can type anything in the description field. GAO does not have any control over it. If a user typed confidential information in the description field, we would not know. These are things we may be able to look at in future phases. Please remember the budget we have been given for completing this project is \$0. So that will limit what we can do.

Confidential information is described under A.R.S. §41-725 as personal information of those receiving State assistance, payee address and phone number, information protected by attorney/client privilege, other information that may be so designated by law.

Other information may be sensitive. There may be information that is not deemed confidential under the law, but information that we do not want to have on the website because it is sensitive, i.e. matters involving potential litigation, matters involving internal controls, etc.

We are planning on a soft launch of the website around July 1, 2010. About this time we will be giving access to certain individuals in your agency to familiarize themselves with the website and the information on the site. We are currently planning on Phase II, DES & AHCCCS being brought in before January 1, 2011.

Benefits of this website include transparency in financial reporting for the public. We are also hoping public information requests are reduced. Other states that have already brought their transparency websites online are seeing a reduction in public information requests. This site should also promote efficiency and effectiveness in reporting.

Q: Will there be a uniform approach to respond to public information requests once the website is online?

A: If the information is on the website, just direct them to the website. Because the purchasing information is not there, the information available will not answer the question what the payment is for. We won't have that link until ProcureAZ comes online sometime in the future. Even after ProcureAZ is online and fully integrated with AFIS, there are some payments that will not go through that process so it still won't answer all the questions.

Q: You are anticipating each agency would identify the parts of payment information that are sensitive or confidential and would redact that information from their reply to the public information request?

A: You would only provide documents in response to their requests. Sometimes their questions are asking for information such as all payments to vendors over a certain amount. There is no document that provides that information. Responses to public information requests are access to public documents, not agencies doing analysis for the requestor.

Q: I could see there would be elements of documents that we would want to redact, is there going to be a uniform approach to that? Or is it just going to be up to each agency?

A: A combination of both. We will have some procedures on responding but what you can and can't redact, you know your laws better than we do.

Q: How often is the information on the website going to be updated?

A: Monthly.

Q: It is not interactive/daily?

A: It is not daily initially. It may get to that point in the future but not initially.

Q: So this is just an addition to any other website? GAO has the vendor search website, the Treasurer has his transparency website, so this is just another website with information?

A: Our focus is on the website we are building. The decision has not yet been made yet as to whether we will maintain the vendor search site or not.

Q: So I can do a vendor search and see all the business that vendor does with the State?

A: Yes.

Q: Is it going to be cumulative?

A: Right now we are looking at cumulative by fiscal year. You could then download one year, then download the next year and combine the years if you needed to.

Q: How far back will the information go?

A: It will be cost driven. The larger the database of information, the more it is going to cost.

Q: Will the public be able to print and export as well as view the information?

A: Yes. We may limit the amount of data a user can download at one time. We don't want the performance of the website to deteriorate because a huge download is being done.

Q: Will this information be on a separate server from the server AFIS, the web portal, etc. is on?

A: Yes. It will be on a separate virtual server. If the performance becomes an issue, we will deal with that. We will watch and see what happens during the soft launch. The database will be held here at ADOA, not at the vendor.

Q: Will there be a concern about repeated attempts to attack the State's information?

A: Utah has said their number of attacks has gone down since going live with their transparency website. We will be keeping track of who visited the site.

New Technical Bulletin on Fund Transfers – Clark Partridge

If you have funds other than the General Fund that are having issues making the required transfers, there are certain provisions under which you can transfer cash between funds. This technical bulletin addresses those actions.

A new ARRA Technical Bulletin has also been put out for ARRA.

Q: Where do I find these new Technical Bulletins?

A: They are on the GAO website.

Payroll – New A-4 – Clark Partridge

There is also a new policy regarding the A-4's. The new law will take effect July 1st. All employees will need to fill out a new A-4 form. Instructions are given on how to address this issue. With the instructions there is a worksheet fillable in PDF for employees to select an appropriate option. This formula will be very different from what people had selected in the past. This law is now based on the percentage of federal taxable wages. A paper document must be filled out for every employee. We cannot accept an electronic document at this time. The Department of Revenue will need to allow electronic forms to be accepted. We are working on an Excel upload template for the information. Agency payroll personnel will be able to enter information onto an Excel worksheet and then the information can be uploaded from there.

Q: The paper document will go in the employee's personnel file?

A: Yes.

Q: What is the due date?

A: June 15 is the deadline we have given employees to have their new A4 turned in to their agency payroll or HR office.

Q: It affects pay beginning after?

A: June 30th.

Q: Did you say there was a template for the uploads?

A: It is currently being worked on. There is no way to delay or have an effective date for the A-4 information. If it is changed now in HRIS, it will be reflected now. We will need to wait for the compute that happens June 29th so we are trying to allow agencies to enter the information now into the Excel spreadsheet instead of having to wait until the end to do all the keying.

This is a change that all employers in the State of Arizona will be going through, not just State employees.

Q: Is there a default like single, 0 if the employee does not fill out the new form?

A: There will be a default but it will be the option previously chosen, i.e. option number 2 previously chosen will now default to the new option number 2. It is not a good idea to go with the default. It could be a significant difference in the amount withheld by letting it default. It is required that the employee fills out the new form.

Q: Where can the forms be found?

A: It is on the GAO website. A webstory was just sent out. It is also on the YES website.

RASL Policy – Stu Wilbur

There is a new RASL policy to encompass changes in legislation. The retirement deadline has been extended. The statute now states 31 calendar days from the employee's termination date to their effective retirement date to be eligible for RASL. There was no time period in statute previously, the legal opinion we had received was 14 days. We are not making any changes at this time to the payment policy. Part of the new legislation gives ADOA the authority to make a lump sum RASL payout. We are not choosing to pay in a lump sum at this time. We will be keeping our current payment policy of three payments, one third each

time, unless a situation of an employee's death. The beneficiary will then receive a lump sum payout.

There is a new retirement policy with ASRS that employees can retire and return to work the next day without ever leaving their employment. Those individuals are not eligible for RASL. RASL requires a termination date. An employee needs have a termination date in HRIS to do to be eligible for RASL and then be hired back into their position. The frequently asked questions, forms, instructions and checklist have all been updated.

Any Comments/Suggestions on Policies and Procedures – Clark Partridge

Make sure things are being recorded properly and the correct comptroller objects are being used. Questions might come up after the transparency website is online as to what you are spending your money on. You don't want to find out things were done in error. If you seem to have large amounts coded to miscellaneous, take a look at the expenditures. Is there another Comptroller Object (COBJ) that should be used? If you feel there should be a new COBJ to be more descriptive as to what you are recording, we can discuss it.

Q: The 8500 series is pretty outdated. EDP is still in there.

A: Possibly. Some of those were GITA requirements. We are making some of those changes.

Q: Since technology advances so rapidly, it is hard to know anymore if something is an equipment item or a supply item.

A: Yes.

Q: I would suggest taking a fresh look at Comptroller Object items and descriptions compared to what is in the market now.

A: Yes. The GL accounts will not be as directly seen with the transparency website as the Comptroller Objects and Agency Objects. If you use Agency Objects, start looking at those also.

Please take a look at the trial balance, the 65A screen. There are a lot of things that are coded as Due To/Due Froms. If you have no knowledge of a receivable, you should research to see if something was coded incorrectly when it was initially set up so when the transaction was completed, it didn't reverse itself out. If there is anything on the 65A screen that you don't know what it is, call your AFIS liaison for assistance.

Q: For the 1099 match at the end of the year, is there a way for us to get a list of which of our vendors are going to be inactivated? Or maybe have the request for

updated information sent automatically to the vendor so we don't have to work them one at a time?

A: Yes. That was an oversight on GAO's part notifying the agencies of the planned inactivations. The vendor will receive information if there is a B Notice issue.

Q: So you do send something to the vendor?

A: If this is a matching issue with the IRS, yes we send the vendor information asking for an update/correction. When we do a purge we don't send a notice out to the vendor. Most purges are vendors that haven't had any activity for two years. They are not purged if there is recent activity.

Q: How long do they go before they are purged?

A: If there is no payment activity or changes to the profile for two complete calendar years, the vendor is purged.

Q: You do send a notification when there is a matching issue? I have been finding there is an issue when I have gone to pay someone and they are no longer active.

A: The vendor is notified. Sometimes the vendors do not respond. We should have notified agencies that mismatches were being inactivated so agencies could check on their regular vendors to match sure there weren't any issues. This year we started getting proposed penalties from the IRS for every B notice issued. We started doing the IRS TIN and name matching to avoid paying the penalty. We should have sent the agencies a list of all the potential vendors that would be inactivated. The notification step was left out of the process. We will include this step in the future.

There are big changes in the vendor payment area with the Health Care Reform bill. Penalties will be increased, additional entities will receive 1099's and 1099's will be issued for all goods and services. More formal information will be coming from the IRS.

Q: Are we ever going to require all vendors to be paid by ACH?

A: We may require that we have the option to pay by ACH. We will always want to keep the option of paying by warrant in the event the banking system is unable to pay a vendor via ACH.

Q: I send out all the ACH information to my vendors. They want to be paid right away and not wait for the process of setting up the ACH. Then once the process

is set up, if they are not paid for 90 days, it is wiped out of the system and the process has to be started all over again.

A: That is a protection from fraud. If there is no activity, the pre-note process has to be started again. The information is still there. The 15 day pre-note process has to be started again.

Q: But the 400 screen is inactivated.

A: You just need to call GAO and it can be reactivated and then GAO can do verifications of information with the vendor. There may be some additional changes in the payment process with ProcureAZ coming online to prevent fraud.

ARRA Update – Joanna Greenaway

On Friday April 9th the ARRA Core Team completed the reporting for the first quarter of 2010. More than 440 reports were submitted. The team appreciates all the hard work from the agencies.

We are continuing to see improvement in reporting by the agencies. It is not only the 1512 reporting but it is also the monitoring and compliance. The Inspector General is more vigilant than before because more is expected of them. Questions have been raised regarding monitoring of subrecipients. A state agency was not getting copies of the Single Audits from the subrecipients and therefore was not following up on the compliance issues in the Single Audits of their subrecipients. The Federal government questioned why they were not properly monitoring and instructed the agency to withhold any further disbursements until this issue is resolved. The accountability and expectations have risen to a new level. There is big push by the feds to receive information faster. They have conducted pilots with selected states to receive the Single Audit information by December.

Federal Grants – Anita Kleinman

There have been issues with states estimating the time spent working on federal grants. The feds have re-emphasized how important it is that you have actual time spent working on a grant recorded. Also as state budgets are being cut, they have seen employees being paid out of federal dollars because there is money there, even though the employees are not working on the grant.

It has become an issue for ARRA reporting and reporting for the Schedule of Expenditures of Federal Awards (SEFA), which is part of the Single Audit, if you are using a grant in AFIS and using one phase for your federal dollars and another phase for your State match, we are pulling at the grant number level and therefore including State dollars in our federal reporting. There are other issues with recording State match. The new ARRA policy addresses this issue.

Q: Our matching dollars come from outside and are recorded as a reduction of the federal expenditures.

A: There are different ways to record the match. Please contact Anita if you have any questions. Anita.Kleinman@azdoa.gov. As we see things agencies will be contacted. We do not want to change anything mid-year but please start looking at things for FY11. When we pull the ARRA data, if it is not standardized, we will have issues. When we compare the ARRA data to the SEFA data, we are seeing inconsistencies.

Q: Are you going to come out with a new policy on State match?

A: The grant policy has been out for a long time. Some people probably don't even realize it is in the Accounting Manual. We are going to try to work on updates but the first update is in the ARRA policy. We are telling agencies to use a separate grant and separate fund.

Q: Can you use project numbers?

A: We run into issues when we need to run statewide reports. We gave agencies a lot of flexibility to do things when AFIS first came up so there is no standard. We may need to change and evolve over time. Other states are not experiencing these types of issues because their usage is standardized. This will be an on going exercise until we get it cleared up.

Q: Your goal is to have everything standardized by the 1st of July?

A: There are a lot of things we will not be able to have cleaned up by July 1. We are planning on starting with some of the easier issues. Some of the more difficult situations may take a year or two before we can get things cleaned up.

CAFR – Clark Partridge

We are anticipating the completion of the CAFR on May 7th. We do not have a date as to when it will be on the website. If you need additional information regarding the CAFR, let us know.

Budget & Appropriation Issues – Clark Partridge

Please be planning accordingly. We have met with several agencies that are having issues. Some of these agencies did not think they were going to have a problem. Once the latest budget changes were loaded, they realized that they were going to have issues. They had not read all the changes. If you have questions, make sure you are talking to your OSPB analyst.

Q: Do you know when JLBC will announce the FY10 furlough and performance pay budget reductions?

A: No. The last we had heard was mid May. Our suggestion is to guesstimate your reduction by taking your performance pay for a pay period and 10% reduction of one payroll for one furlough day. Look at what the bill says and do your own estimate of what that calculation is.

Q: The question I had when I talked with the budget office was that hopefully they are using the most current payroll information and not the information in the budget book.

A: They came up with a number that they have to get to. We are not sure what method they will use to get there. Make sure you are communicating with others in your agency so you don't get caught surprised.

Fiscal Year End – Clark Partridge

Fiscal year end is fast approaching. The profile role was last Friday. All the FY11 profiles are out on the system now. Please be reviewing those. The first appropriation load is scheduled for May 21st. If you have mass changes contact your AFIS liaison. We have our Host Bridge program to do uploads so you don't have to input everything by hand.

The two Fiscal Year End sessions are scheduled for this year on May 13th at 2:00 p.m. and May 19th at 9:00 a.m. They are scheduled for two hours. It is the same session so you only need to attend one or the other. It probably won't last the two hours.

Future Agenda Items

Emphasis on Electronic ACH Payments

NSF & Favorable/ Unfavorable Deposits Cleanup Project

Federal Funding Accountability and Transparency Act (FFATA)

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

Meeting adjourned at 3:47 p.m.

The next meeting is scheduled for Tuesday, May 18, 2010, at 2:00 p.m. in the General Accounting Office.