

**Large Agency
Chief Financial Officers Meeting Minutes
April 27, 2010**

PARTICIPANTS:

Joe Whitmer, ADA/GSD
Cheryl Toone, ADA/Risk
Megan Darian, ADA/State Boards
Paul Nicola, DCA
Tim Newton, DEA
Michael Wisheart, DEA
Li Li, DJA
Sheryl Bodmer, DTA
Angela Garcia, EDA
Mike Clark, EVA
John Moorman, HCA
John Lake, HSA
Lee LeBlanc, PSA
Reed Spangler, RVA
Renee Duden, VSA
Syndia Reeder, WCA
Clark Partridge, ADA/GAO
Mike Smarik, ADA/GAO
Anita Kleinman, ADA/GAO
Jaimie Soulvie, ADA/GAO
Joanna Greenaway, ADA/GAO
Ron Santa Cruz, ADA/GAO
Tami Eckloff, ADA/GAO
Stu Wilbur, ADA/GAO
Greg Vokoun, ADA/GAO
Amy Aeppli, ADA/GAO
Yesenia Mejia, ADA/GAO

ITEMS COVERED

Clark Partridge – Welcome & Introductions

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

The Transparency Project Team consists of Clark Partridge, Mike Smarik, Joanna Greenaway, Amy Aeppli, Yesenia Mejia, Jennifer Verhelst, Angela Dillard and Greg Vokoun. This team will partner with ADOA – ISD and the state agencies.

A.R.S. § 41-725 gives the requirements for the Arizona Department of Administration (ADOA) to provide a transparency website displaying State revenues and expenditures. This statute allows the website to be brought up in phases. Phase I will be AFIS information and it requires the information to be online by January 1, 2011. Agencies are to cooperate with ADOA in the initial implementation of the website and the ongoing maintenance.

Phase I will include AFIS data. Phase II will bring non-AFIS data from agencies with external systems (like DES and AHCCCS). Phase III will be adding travel detail from HRIS and purchasing card information. Phase IV will be all other enhancements.

The State of Arizona's Transparency website will be modeled after the State of Utah's Transparency website. However the Arizona website will meet the specific needs for the State of Arizona. The Transparency Team is currently working with NIC, who is also the vendor for the web portal and created Utah's website.

The website will contain statewide revenues and expenditures by category, (Comptroller Object, Object) fund, vendor, agency, batch and document information. 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.

The website will not include confidential or sensitive information. Invoice number, vendor number and vendor address will not be displayed. We will however be collecting more information than will be displayed on the website. This additional information will be stored in the data warehouse. The data warehouse will be for state government use only. It will not be viewed by the public. Detailed information for state assistance and tax refunds will not be displayed on the website.

Technical Bulletin (TB) 10-03 was sent out. In the TB is form 709A asking for what types of confidential or sensitive information your agency has. Please make sure you return the form by April 30th.

Q: What is the phase II timeline?

A: The first part of phase II will be the file layout. We will be contacting those agencies involved to meet and discuss the file layout. It shouldn't be difficult to interface.

Q: Our programmers are trying to get an estimate for time. Once they see the layout, they can better estimate the time.

A: We have already met with DES for the layout. They felt it was pretty simple and straight forward.

The Department of Revenue refund payments will be in the totals, but the detail will not be there due to confidentiality. Confidential information is protected by law, either the law for the transparency site or another law. If you would redact information in response to a Public Information request, it will probably be redacted for the website.

New Technical Bulletin on Fund Transfers – Clark Partridge

These are specifically transfers under Section 29 last year, Section 111, 114 and 3. These transfers are to accommodate the fund sweeps by moving monies from one fund to another fund, not including the General Fund. We would like to have all transfers processed by June 15th. We cannot let them all wait until June 30th.

Payroll – New A-4 – Clark Partridge and Stu Wilbur.

The new payroll form A-4 is available on the YES website. A webstory was sent out. Encourage your employees to fill out a new A-4 form. Every employee is required to fill out a new A-4 form. A webstory will be coming out with an Excel template. This template will allow you to fill in the information now and then the template will be loaded into HRIS. You will only need to fill in the EIN, the percentage chosen and any additional amount to be withheld. The form is to be returned to GAO Payroll by 5:00 p.m. on June 23rd to be uploaded into HRIS. You cannot start keying the changes now because they will take effect now. If you chose to key directly into HRIS, you will need to wait until June 16th to start keying.

We sent out a Q & A document that covers a lot of the questions we have been receiving regarding the new A-4 process.

Q: This is only for employees that get paid through HRIS correct?

A: This is for any employee in the State of Arizona, not just state government.

Q: We have contractors that would be considered vendors, we do not pay them through HRIS. Do we need to have them fill out a form?

A: If they are employees, the new A-4 requirement applies to them. It doesn't matter if they work for the State of Arizona or somebody else. If they are an employee, they need to fill out an A-4. If you are paying somebody as a contractor, as a vendor, then no you do not have to worry about getting an A-4 from them. You should probably look at policy as to what constitutes an employee vs. an independent contractor. If they fit the requirements as an employee and you are not treating them as such, you are opening the State to a liability.

Q: Can you key in a flat dollar rate without using a percentage?

A: The employee needs to select a percentage and then they can add an additional flat dollar amount.

Q: We have some people calculating less than the minimum percentage so can they have just a flat dollar amount without the percentage?

A: No, that would not be correct. A percentage needs to be selected. We will be running a report and make sure everything is correct. The law does permit us to change the information. The minimum percentage must be selected unless the employee is claiming exempt.

Q: Does that mean you will change the form to not allow for a no percentage selection?

A: The form currently does not allow it. Input into HRIS should be based on the form. HRIS allows more options because the system is used for multiple states.

RASL Policy – Stu Wilbur

A webstory was sent out with the changes in legislation for the RASL program. The retirement deadline has been extended. The statute specifies 31 calendar days between the termination date and the effective retirement date. Previously the policy was 14 days. The statute now allows us to make lump sum payments. We will not be changing the payment process at this time. We will still be making equal payments over three years.

There is a new retirement option which allows employees to retire without terminating their employment. They just move from one status to another status. If this option is selected, the employee is not eligible for RASL. They would not have a termination date.

Q: The employee would be giving up their RASL benefit entirely, they are not deferring it until they actually terminate?

A: Correct. You have to terminate and file for retirement within 31 days. If you establish your retirement with no termination, you will be ineligible for the RASL benefit.

Q: How long do you have to terminate your employment for?

A: It just has to be a termination.

Q: So you could terminate for a day and then come back to work?

A: Correct. It needs to be a termination in HRIS.

We have updated the website, the accounting manual and all the RASL literature to reflect the changes in the statute.

Any Comments/Suggestions on Policies & Procedures; COBJs/Chart of Accounts – Clark Partridge

If you have any suggestions on policies and procedures please let us know. With the transparency website coming on board, think about how you are recording things. Look at your accuracy. If a payment to a vendor is recorded with the wrong Comptroller Object (COBJ), that is how it will be displayed on the transparency website. You may later go back and process a transfer to correct the comp obj, but the correction will not be reflected with the payment information to the vendor.

If you have millions of dollars you are paying through miscellaneous other operating, we should be talking. We may need to look at modifying the Chart of Accounts if there is something that you feel needs its own COBJ, we can discuss. Think about the way things are going to show on the website for the public. If you have any concerns, please contact us.

ARRA Update – Joanna Greenaway and Clark Partridge

On April 9th GAO and the Governor's Office of Economic Recovery (GOER) submitted 460 reports from 24 agencies and universities for the 1st quarter of 2010 to federalreporting.gov. We submitted a day before the deadline even with experiencing technical difficulties with the website. We are currently receiving feedback from federal agencies for any issues related to the reports. Most of the feedback is sent directly to the GOER's office. If you receive any feedback directly, please make sure you are coordinating your response with the GOER's office. We have been awarded approximately \$2.5 billion. We have received and expended about \$1.0 billion. Jobs reported were a little over 4,000. We appreciate the timely responses from the agencies during the reporting process.

This reporting period seemed to go much smoother. The feds did extend the reporting deadline by a week due to performance issues with the website. We did not need the extra time. In the future they will not be extending the reporting deadline like they have in the past. We have made some big improvements but we still need to get better on the reporting of the vendor payments to the subrecipients.

The billings should go out by the end of the week. If you have received a new grant award, don't forget to pay your ½ of 1% administrative cost billing. There are a few outstanding issues with the billings that we need to wrap up but most of it has been paid, thank you.

We are about 15 months away from ARRA wrapping up. Some programs maybe even sooner than that. Remind your program people of their responsibilities to

monitor subrecipients. You should be using the tools provided in the Technical Bulletin. There are checklists and tools you should be using to properly monitor your subrecipients. Start thinking about compliance and audits, the federal requirements and the specific ARRA requirements. Do the Buy American and Davis Bacon Act apply? The ARRA grants will be looked at closer than any other grant you have ever had. The accountability and the transparency will be like no other grants we have experienced before.

Federal Grants – Anita Kleinman

One of the things that has been problematic in the ARRA reporting is the way agencies are reporting their state match. When we are pulling information to report on federal expenditures, it is containing state match money. We have always had this issue when reporting the Schedule of Expenditures of Federal Awards (SEFA) which is part of the Single Audit. As we identify issues, we are contacting agencies to discuss some possible changes in how the state match is being treated. Now that we are heading to a new fiscal year, it would be a great time to look at how you are handling your state match. The Technical Bulletin that went out covering ARRA reporting suggests using a separate grant, separate fund from the federal dollars.

If you are charging personal services and ERE to a grant, you need to make sure it is for actual time worked on that grant, not an estimation or allocation, i.e. 25% of an employee's time, etc. As different states' General Fund budgets have been cut, the feds have seen a tendency to move General Fund staff to being paid from Federal monies. One state is having to pay the feds back \$45 - \$50 million dollars due to the way they were tracking expenses for their federal programs and their inability to support charges. A-87 requires an after the fact accounting for all work done on federal grants. This is not a new requirement. More emphasis is being put on this issue due to ARRA and states receiving budget cuts. Unless you have a different methodology that has been specifically approved by your cognizant agency, you should be requiring time sheets from staff working on federal grants and all hours should be accounted for in half hour increments.

We are getting better in terms of timeliness for the Single Audit. We are getting better with the CAFR which is a large part of the Single Audit. Next year should really be the year to get the CAFR done timely. The deadlines will become even more critical for the CAFR and Single Audit. The feds are discussing no longer approving extensions for late Single Audit reporting packages.

CAFR – Clark Partridge

We anticipate having the CAFR out by May 10th. The Auditor General's Office has been dealing with illness and bereavement leave. These events have slowed the finalization of the CAFR down a little. We are shooting for a shorter time frame next year and to be finalized with a January time frame. There were

several things that added to our timeframe this year that we believe should be going away next year.

If you have Single Audit findings, please get your responses in quick. We are trying to finalize the Single Audit by the end of May.

Q: The last couple of years we have gotten to a February/March timeframe and the Audit Manager has said they haven't gotten enough Single Audit coverage for the state so they need to audit 3 more programs. This has happened the last two years.

A: I would not anticipate that happening for the 2010 audit. There are enough ARRA dollars to change the weightings. ARRA is pushing more timely feedback from the auditors.

Budget & Appropriations Matters – Clark Partridge

If you are experiencing any budget issues, you need to be talking to OSPB. Again we need to be focusing over the next year on internal controls. Just about everyone has been hit with some type of budget cut. We don't have as many administrative staff as we used to. We are hearing from agencies that they don't have time to reconcile any more. If you are not reconciling, that is a "time bomb" waiting to happen.

Fiscal Year End – Clark Partridge

The profile roll has happened. First priority is to finish all the FY10 changes. There is currently a programming issue that the system is not accepting the future effective date for the FY11 appropriations. This is being worked on. The year end meetings have been scheduled on May 13th at 2:00 p.m. and May 19th at 9:00 a.m. Both sessions will be in room ADOA 300. They are scheduled for two hours but last year only lasted 45 minutes. This is a good refresher to mentally go through everything that needs to be done for fiscal year end.

Reminder of the performance pay and furlough pay budget reductions that are still coming for FY10. We are being told JLBC will have the information on the reductions to us by mid May. It is recommended that you calculate it and be prepared, even if you are not exact. There will not be enough time to react if you haven't planned properly.

Q: We use 6291 for non state employee travel. At the end of the calendar year we need to weed those out for 1099s. Can there be another comp object for non taxable travel?

A: No if you are paying someone who is not an employee for travel, it is a vendor payment and it is 1099 reportable. The vendor will take it off on their schedule for tax purposes. For example, if a vendor was conducting training,

they donated their time for the training but we have to pay their travel expenses we would make the payment as a vendor payment and it would be 1099 reportable even though it is all for travel. On the vendor end they would take those expenses off as business expenses. We'll have to talk more after the meeting to see exactly what your situation is.

In the Health Care Act there are changes to the 1099 process. Payments to individuals and corporations for goods and services will be reportable. The \$600 threshold will still apply. The penalty for noncompliance used to be \$50 per occurrence, it will now be \$100 per occurrence.

Q: Isn't there something in policy that says when contracting with vendors payment for travel should be limited?

A: Correct. The policy says you should try to keep contractor travel at the State rates. Sometimes that is not possible. The State rates have not kept up with what hotel costs are.

Q: Our contract management says that we need to put a limit in the contracts so the vendor cannot bill whatever they want to bill.

A: It should be in the terms and conditions the rates you are willing to pay. It is highly recommended that you try to stick to the State rates.

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)

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

Meeting adjourned at 3:36 p.m.

The next meeting is scheduled for Tuesday, May 25, 2010, at 2:00 p.m. in the General Accounting Office.