

**Small & Medium Agency  
Chief Financial Officers Meeting Minutes  
May 24, 2011**

**PARTICIPANTS:**

Biju Kamaleswaran, AGA  
Nicole ?, AGA  
Beth Mania, AHA  
Julie McNight, AUA  
Bob Savage, GFA via GoTo Meeting  
Tracy Schmidt, HDA  
Michael Hawthorne, ICA  
Ken Bell, JCA  
Sharon Gulden, LDA  
Dianna Claassen, MAA  
Lori Sheen, MAA  
Esther Olivas, MIA  
Tyler Palmer, RGA  
Amber Peterson, SFA  
Celine Baker, STA  
Patricia Sandino, TEA  
Marcia West, TOA  
Cheryl Fraulob, UOA  
Clark Partridge, ADA/GAO  
Mike Smarik, ADA/GAO  
Angela Dillard, ADA/GAO  
Anita Kleinman, ADA/GAO  
Joanna Greenaway, ADA/GAO  
Tami Eckloff, ADA/GAO  
Stu Wilbur, ADA/GAO  
Amy Aeppli, ADA/GAO

***ITEMS COVERED***

*Clark Partridge – Welcome & Introductions*

**Cash Flow Updates – Clark Partridge**

OSPB is working on automating the cash flow process from the spreadsheets agencies are sending in monthly. There has been training on the automated process. Information will still be keyed in but we will continue to look at the possibility of uploading information. The new process should be easier to maintain and be a little more structured. The first report using the new process

will be due August 15<sup>th</sup>. You can use the current spreadsheet method or the new automated method between now and August 15.

### **FY11 Final Sweeps and Appropriation Reductions – Clark Partridge**

We are moving forward with the final sweeps. We want to have things done by June 15<sup>th</sup>. Most of you will have things done well in advance of that day. There are others that we have to get done closer to fiscal year end that we cannot delay too long. There are a couple of agencies that we will be contacting to try to get the sweeps completed. We have been trying to work with agencies for cash flow purposes instead of taking the money at the beginning of the fiscal year. There are a couple of issues with the dollars being available or the timing.

If there are FY11 appropriation reductions are being worked on. There are still some reductions that need to be processed. If you have any questions please call Mary Miller at 602-542-5403.

**Q:** Are we supposed to follow the instructions from previous sweeps, there were separate appropriation numbers set up for previous sweeps? Do you just use the PCA and index we want to designate the money to come out of if it is non appropriated, cash savings transfer?

**A:** For the cash transfers you use your own index. For the regular sweeps, call Judi Kilgus at 602-542-0501.

The appropriation loads for fiscal year 12 will be available to begin loading in June. JLBC is working on the appropriations report. There are still back of the bill reductions that are being worked on.

There are still some back of the bill items to be done for fiscal year 11 also.

**Q:** Isn't the only additional fiscal year 11 reduction is the elimination of the furlough day in June?

**A:** There is a reduction for personnel. We do not know if it is specifically tied to the furlough day. There is some linkage there but it doesn't totally make sense since you are allowed the flexibility to have a furlough day to balance the budget if you need it. If you don't have the furlough day, there isn't more to take out of your budget because you are not taking it.

It is working out to be they are taking the money out of the budget and eliminating the mandatory furlough. The authority is there for you to have the furlough day if you need it to balance. OSPB is sending out an email that reminds you of this. Agencies need to be planning. Are you going to have a budget issue, if so do you need to take additional furlough days and what is your plan? When the fiscal year 11 sweeps associated with the back of the bill

information is completed, we will have a very short time frame to take those monies.

If you need to request a different allotment percentage allocation for FY12, please make sure your letter has been turned in so we can work with OSPB we start the loads. We are still having discussion regarding what the standard allotment needs to be for FY12. There are a lot of changes. The health and dental sweep has been eliminated for example.

**Q:** In regards to the letter, how soon can you provide the DAFR6220 report which details our changes? The letter is ready to go but we do not have the report.

**A:** Submit the letter now. Where that report becomes critical is once we have done the appropriation load. This letter is just to request the initial load. If you want to make changes, that is when the form really comes in to play.

### **Microsoft Settlement – Clark Partridge**

There is really nothing new to report. Just a reminder that the Microsoft Settlement is still out there. When you are planning your budget, if you can utilize those dollars this is a reminder to make sure you understand those dollars are there.

We have had about one fourth of the monies distributed back to the agencies. The other three fourths are still left. We are trying to find out if you are planning to use it. We have heard from some agencies that no, they will not be able to take advantage of it. We will be going back to the courts to try to reallocate what is left.

### **3% Withhold – Clark Partridge**

In coming out with the regulations, the IRS has delayed implementation a year. It will not be effective at this point until January 1, 2013. We are still working on the repeal. If we cannot get a repeal, we will begin working with vendors and communicating this issue.

**Q:** I have been missing this discussion. I am not sure what the 3% Withhold is referring to.

**A:** The 3% Withhold was an act that Congress passed in 2005 that was to be effective in 2006. They have been pushing the start date out. The latest act was in the ARRA legislation where they delayed it another year with the ARRA enactment.

Right now we do 1099 reporting for services over \$600. For all governments that had expenditures of \$100 million or more in a fiscal year then you would have to withhold 3% of the payment for all goods and services paid to vendors and remit

it to the feds. If you are a vendor and you are told when you bill for \$100 and you get \$97, what are you going to do? You would probably increase their bids because this will impair their cash flow. They will not get the 3% back until they file their annual tax return. There is a minimum threshold of payments \$10,000 or over.

**Q:** Purchases \$10,000 or over?

**A:** Payments \$10,000 or over. The law specifically says you cannot artificially break something up into smaller pieces specifically to avoid the 3% Withhold requirements.

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

The legislation has passed. We will be implementing the new law. We will be sending out communications to people so they will be aware of the dates and transitions. Tentatively we have decided we will be transitioning in September. We will be doing a series of communications on the GAO website in addition to the communications we have already put out.

### **July 1, 2011 payday – Clark Partridge**

All warrants will be mailed on July 1. If you have an employee that is being paid by warrant, do not expect them to pick it up in person. We will be mailing them out. It is a holiday weekend. They may not get their paycheck until Tuesday. If someone really wants to get their pay without waiting for the mail and mandatory direct deposit is coming any way, they may want to start making some of those decisions sooner rather than later.

You may want to remind your employees that are receiving warrants to make sure their address of record in HRIS is correct. We have several agencies that we mail paychecks every pay day. We are routinely getting warrants back in the mail due to bad addresses. Between the holiday and a bad address, the warrant may be significantly delayed. Have employees make sure their address is correct if they do not want to sign up for direct deposit for the July 1 pay day.

There are alternatives, there is the pay card.

**Q:** Is the pay card still an option after the mandatory direct deposit?

**A:** Yes. The pay card will be an option. It is part of the solution we will be using to mandate direct deposit. For people that do not sign up for direct deposit, they will be signed up for a pay card. We would rather have the employee fill out the form and choose their option and pick the bank that is convenient for them, they agree with the fees, etc. This is how we will take care of the un-banked.

**Q:** When an employee closes one account and opens another and they get the warrant in between, will that warrant in between go on a pay card?

**A:** We are still addressing that scenario. It probably will not go on a pay card. It will probably still be a warrant but we are still addressing it. It all depends on how we deal with the pre note process. It could be that we change and do a pre note and send a file to the bank every day, rather than once every two weeks. If we do that, there is the possibility that there will not be the lag so employees can go from one direct deposit to another if they do it in the right time frames and not have a problem.

We will still have the need for warrants in certain circumstances, handwrites, terminations. We cannot do direct deposit daily. We are trying to drive efficiencies. We are still printing about 2,000 warrants each pay day which is about 6% of employees. We are trying to drive that group to direct deposit. If we have handwrites and pre note warrants, that should be a small figure compared to what we are currently printing. We are striving to be customer service oriented and help people through this process. At the end of the grace period they will be converted to the pay card. They will be given plenty of opportunity to make the change. There are plenty of financial institutions and options for employees.

#### **CMIA draws regarding the July 1 payday (Friday) – Anita Kleinman**

This may affect more of the larger agencies that are drawing down their federal draws to be timed with the payroll for their administrative costs. For the July 1 pay day the posting in AFIS is going to be on Friday. You may need to change when you are doing your federal draw so we don't have to pay the feds interest. If you draw down on your normal schedule to have everything done on Thursday, we will have a day's worth of interest and be in noncompliance. We will put out a web story when the time gets closer but we wanted to give you advance notice that this will be an issue this year.

#### **Fiscal Year End – Clark Partridge**

The AFIS Fiscal Year End meeting was held last week. One thing that is new for this year for those agencies that are on ProcureAZ, you can start fiscal year 2012 requisitions in ProcureAZ but you cannot process them. It will attempt to create an encumbrance in AFIS and you get an error message. You can get requisitions all the way to the point before the final approver and PO's you can get it all the way to the point before you send it to the vendor.

Please be cleaning up your IT files and if you have questions or need help, contact your liaison. If you need to make mass changes to your structures we have spreadsheets available that we can assist you with to do uploads through our HostBridge software. This will save you time in keying.

**Q:** With ProcureAZ will there be any difference with the encumbrance liquidation process?

**A:** No that will not change. The ones that actually do get liquidated, if you go into ProcureAZ and you try to change something that is associated with the encumbrance, it will give you an error message until they are reestablished.

Hopefully AFIS will be up on July 1<sup>st</sup>. Closing the year last year was a challenge despite our best efforts and planning.

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

We are forming a steering committee. We selected the agencies very carefully. Many of you were considered but we can't get it too big. All agencies need to be included in this project. We will talk more about this project. The project is being led from the Governor's Office. We will be looking at the way we do business and the way we function from an accounting and financial perspective. There will be ways for you to provide your input into this process even if you are not on the steering committee. If you have a concern or question, speak up. We have a fairly good cross section of agencies and the business activities that they do. We are trying to involve the agency head, CFO and CIO for each agency. For some agencies, this may be the same person. This project is not a technology project, it is a business project. It will be changing the way the State of Arizona does business and evaluating our options. We will be using technology to drive the efficiencies and leveraging technology highly. We may be having a CFO meeting before September to try to give you an update as to where the project is. We have drafted up an RFP. We will be getting a consultant to come in and help us with our budget submittal preparation. We will evaluate high level options for the State, approximate costs, approximate timeframes, etc.

We realize it will be fiscal year end but we will probably be having conversations with agencies to make sure we understand all of the things the State of Arizona needs to be able to do. We are gathering facts, seeing what the possibilities are and seeing what might be a good fit.

**Q:** Who should we email if we have thoughts or questions?

**A:** You can send them to Clark for now but as we get further along we will probably have a dedicated source for you to contact.

The big thing right now is to be aware of this project, to know that it is coming and to know what the approach is. We want to do this as a collaborative process.

**Q:** What is the budget?

**A:** Initially we have about \$400,000 of ARRA money from the Governor's Office. Plus we have some AFIS Collections dollars that we will be utilizing also. We have to get more information so can have valid information and valid numbers to respond to questions from the Governor's Office and the Legislature. It may be

any where from Kansas spending \$44 million to another state spending \$80 million if we do not replace the personnel/payroll system at this time. We will meet with consultants that have done this multiple times in multiple states to craft our approach. In order for the consultants to give us options, they need to understand what we do.

**Q:** What is your target time frame?

**A:** Nothing is solid at this point. A potential time frame is we would like to make the budgetary request this year for the next Legislative cycle. If we get the funding for a year from now, we could be working on other things between now and then. We would then need to develop an RFP on our planned approach. That would probably take about 8 months to a year to go through that process. Kansas was two years start to finish on their recent ERP implementation. It will lower the cost and speed up the process if we don't have a lot of customized changes to the software.

**Q:** Do you know of any other states that have had their accounting system last as long as AFIS?

**A:** Yes. Idaho's system is older than ours. Ours is the RSTARS system, Idaho is still on the old STARS system. Texas is on the RSTARS, that is where our version came from but they are in the process of getting a new system. Tennessee was on STARS, they implemented a new system two years ago. Oregon, Maryland and Michigan are on the same version we are currently using. There are about eight states left that are either on STARS or RSTARS and most are planning conversions to new systems.

**Q:** It is pretty impressive that it has lasted this long.

**A:** What is more impressive is that we did not implement ADPICS which was a purchasing system with RSTARS. We have gone for years without a statewide purchasing system. According to the benchmark exercise we did some time ago we are virtually world class in efficiency because we have so little investment and we are getting a lot out of the investment.

**Q:** So where does the project stand right now, you are just starting to implement the new system?

**A:** No we are not even that far. We are just starting the project. We are developing the budget issue that will be submitted this fall but we will involve the agencies in the process. The first steering committee meeting will be next week.

### **Internal Controls – Clark Partridge**

If you have outstanding items it is important to follow up and resolve them. We are currently visiting agencies and auditing revolving funds. If agencies were

reconciling to the trial balance on AFIS, they would know the revolving fund exists, what the amounts are, etc. It is easier to resolve things when they are fresh than when they are old. For example, we currently have five requests for travel exceptions for travel claims that are more than six months old. We hit this pretty hard last fall. People need to be submitting their travel claims monthly. Imagine you are a supervisor and you have someone that is out there on the road handling constituency around the state with multiple trips. They come in nine months later and say here is my travel claim. How do you know what they did? How can you even sign off on that?

We had this issue with a large agency. Before we even looked at all the travel claims we had from them that were older than six months, we had them send a letter to all of their travels stating that they will not do this. One of the current requests we have is from this agency. This claim may not be approved. We have to drive efficiency and people have to understand it is not okay to ignore directives. That is insubordination.

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

The offsets from the additional monies the feds withheld has been taken care of and has been refunded and allocated. If you did not get a portion of that refunded, whatever is left you need to make sure you take care of in your budget. If you have a problem, you better be telling your OSPB analyst.

We wish we would have had a better outcome. We wish we could say this will not happen again but this is not true. The federal negotiators have been here yesterday & today. We already have some issues. The Attorney General pro rata continues to be an issue. It is a disallowed cost. It is not legal for anybody who has grants to pay that charge. The problem is there is a state law that says you must pay it. The GITA pro rata is also an issue. Part of it is fine, the part of the PIJ process, doesn't work. We need to change the way we do business. We are outside of the federal requirements.

#### **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 3:23 p.m.

The next meeting is scheduled for Tuesday, September 20, 2011, at 2:00 p.m. in the General Accounting Office.