

**Small & Medium Agency
Chief Financial Officers Meeting Minutes
September 21, 2010**

PARTICIPANTS:

Megan Darian, ADA/State Boards
Biju Kamalesawaran, AGA
Julie McKnight, AUA
Mary Adelman, BRA via GoTo Meeting
Lizette Morgan, GFA
Lori Boncoskey, GHA
Tracy Schmidt, HDA
Kim Bittrich, HIA via GoTo Meeting
Yolanda South, HIA via GoTo Meeting
Mike Hawthorne, ICA
Scott Greenburg, IDA
Ken Bell, JCA
Christa Lewis, MAA
Dianna Claassen, MAA
Lori Sheen, MAA
Esther Olivas, MIA
Madan Singh, MNA
Martin Liberman, PDA via GoTo Meeting
Trudy Kranendonk, RGA
Nancy Bennett, RTA
Joanne Williams, SDA via GoTo Meeting
Brett Larson, STA
Don Bentley, SPA
Shari Courtney, TEA
Marcia West, TOA
David Medina, TXA
Cheryl Faulob, UOA
Renee Dudden, VSA
Yolanda Mendoza, WFA
Chris Harris, Periscope Holdings
Clark Partridge, ADA/GAO
Joanna Greenaway, ADA/GAO
Anita Kleinman, ADA/GAO
Tami Eckloff, ADA/GAO
Angela Dillard, ADA/GAO
Jaimie Soulvie, ADA/GAO
Stu Wilbur, ADA/GAO
Greg Vokoun, ADA/GAO
Jennifer Verhelst, ADA/GAO
Yesenia Mejia, ADA/GAO

Amy Aeppli, ADA/GAO
Megan Duty, ADA/GAO

ITEMS COVERED

Clark Partridge – Welcome & Introductions

ProcureAZ to AFIS Interface – Chris Harris, Periscope Holdings

The first group of agencies to use the ProcureAZ to AFIS interface will go live October 1st. This group of seven agencies will be able to use the ProcureAZ system to do all their procurement processing. The system will speak with AFIS and check budgets, check accounts, pre-encumber and encumber funds and update vendor records.

Q: To what extent are agencies actually able to make purchases through ProcureAZ, which was one of the original goals of having the system? When will agencies be able to use the procurement function, which is one of the essential functions of the system? Who are the seven agencies that will be going live October 1st?

A: As of October 1st agencies will begin to do all their procurements in the system, requisitions, purchase orders, as well as receiving. Agencies have already been using the system for solicitations, things that do not require the accounting piece. As of October 1st they will be able to do all their procurement in the system. The seven agencies are, Department of Administration, Game and Fish, Juvenile Corrections, Corrections, Lottery, Commerce and Health Services.

Q: I wasn't aware that agencies are yet able to use ProcureAZ to promulgate requests for proposals, requests for quotations, invitations for bids and other procurement types of actions.

A: Clarification, thus far only statewide contracts are in the system as well as a group of 17 agencies that are doing their solicitations and contracts in the system. The initial 7 agencies as well as an additional 10 that began using the system on August 1st for solicitations and contracts are using ProcureAZ. They won't be using the system for procurement until down the line.

Q: I understand the procurement documents are in ProcureAZ as attachments, but I am not aware that SPO has been able to utilize ProcureAZ to actually administer a procurement, the back and forth communication with the prospective vendors, receiving the bids.

A: Clarification. What the system supports in terms of the solicitation function is the notification of the initial solicitation. The attachments are a large component of this information. The vendor communication of their response, the quote, is

supported. The responses can then be locked down at the end of response time. The State can then view the responses and make an award and set up the contract in the system. SPO has been using the system for the procurement function since September of 2009.

Q: In terms of buying through ProcureAZ? ProcureAZ is supposed to have a cataloging function for agencies to select the goods and services they want to purchase. ProcureAZ is supposed to go to various vendors and select those products. Is that functionality available?

A: That will be available as of October 1st to the initial seven agencies. The functionality could be used as of October 1st by other agencies but without the AFIS interface, agencies would have to do double work to enter items.

Q: What is the anticipated date that all agencies will be on board with ProcureAZ?

A: Estimated date is July of next year.

Q: Is there a list of the phases of when each agency is going to be phased in?

A: Yes there is. SPO can make that available to you.

Q: Requisitions will be done in ProcureAZ as well? We have our own internal system that interfaces with AFIS that we use to create requisitions and POs. How is that going to work?

A: At this stage not all agencies are set to go live with ProcureAZ. Some have their own legacy systems that they will continue to use. The goal is for all agencies to use ProcureAZ but SPO understands there are other systems out there. SPO has been discussing this issue with those agencies that have their own internal systems. SPO will be looking at the ability to send procurement information from ProcureAZ to the internal systems in a format they can read. This is further down the line in this project. Our desire would be to have all agencies using ProcureAZ but SPO understands that may not be possible.

Q: Do you have a project schedule listed anywhere for agencies to view if they were interesting in where you are along the implementation schedule?

A: At various times there has been a schedule on SPO's website. SPO can make sure that gets posted.

Q: Question for Clark. Are agencies required to use this system? Or is it optional?

A: Initially during the roll out, optional. Eventually down the road we may look at usage being required to use the system or the equivalent of it. For example DES and ADOT have integrated purchasing modules in connection with their systems. They interface with AFIS a little bit differently. For those agencies it would be more difficult to change. What they may be able to do is conduct the procurement in ProcureAZ and then transfer the information to their purchasing system and then interface into AFIS that way. If you have your own system, each one will need to be looked at individually. The goal will be to have as many agencies as possible using ProcureAZ, especially the procurement part. We'll have to discuss it further with Jean Clark.

Chart of Accounts – Greg Vokoun

The biggest reason for the updated Chart of Accounts is transparency. We went through descriptions, abbreviations, etc. and made sure they would be understandable to the outside world. In addition we needed to update the chart for confidentiality and clarity. We needed to break down the amount of items that were being charged to miscellaneous to correctly portray the operations of the State. Some controls and modernization also needed to be done.

Sometime this week the new Chart of Accounts will be released with a web story. The new chart is effective October 1st. The October 1st implementation date is very important due to the roll out of the transparency website. If for some reason your agency is unable to implement the changes by October 1st, you will need to write a letter to Clark explaining to him why you will not make the October 1st implementation date.

Q: Are there some accounts we have been using going away?

A: Very few. The only ones that are really going away are the midrange computer accounts.

Q: Our agency interfaces with AFIS and we have a crosswalk so I'm wondering if we will need to make changes?

A: We will work with you on that. It will be mostly adding additional ones into the crosswalk and start using those new ones. The ones that are being eliminated really weren't used anymore anyway.

We are not requiring retroactive adjustments back to the beginning of the fiscal year utilizing the new Chart of Accounts. We are encouraging it, but not requiring it. If you have any questions or suggestions regarding the Chart of Accounts, you may contact Greg Vokoun 602-542-6225 or Gregory.Vokoun@azdoa.gov.

One comment regarding the retroactive changes and the transparency website. Once you make a payment using a comptroller object, that is the comptroller object that will always be associated with that payment. If you make a payment

using the wrong comp object, you can go back with a transfer and correct the comp object, but the payment to the vendor will always show the original comp object. If you have a question on which comptroller object should be used, get it answered before it is entered instead of thinking if it is wrong we will just go back and fix it.

Q: What would appear then for the companion transaction?

A: There would be a transaction that would come through and reduce your expenditures in one area and increase them in the other.

Q: That will be on the website as well?

A: It will be on the website as a separate transaction. In total your expenditures will be correct but when the viewer drills down into the detail, the original transaction will still be there. The correction will be tied to the vendor if you put the vendor number on the transfer. The vendor number is an optional field on the transfer. You are encouraged to use it to make the correction. Those of you that have worked with us on ARRA know this. We have to have things corrected using the vendor number for the feds. Using the vendor number really is the best practice but we have not required it.

State Transparency Project – Clark Partridge & Joanna Greenaway

We have been working a lot with the agencies on their confidential information. From information sharing groups we belong to we know confidentiality is the biggest aspect and the hardest piece to manage with any transparency website. In April we put out a technical bulletin which included the new form GAO-701A which is the Transparency Confidentiality Certification. We asked your agency head to certify if your agency has sensitive and/or confidential information. Every agency returned the form. We appreciate your timely return of the form and working with us on this issue.

Out of 118 agencies only 5 agencies have confidential information in AFIS that we had to establish criteria to be able to mask the information. The changes to the Chart of Accounts will now identify confidential information. It will create efficiency in this process.

Many agencies will be receiving a letter soon confirming what we found during our review of the forms and the potentially confidential information. If you find a discrepancy in the letter, or something you disagree with, please let us know as soon as possible. It is critical to the go live in case we missed something, or misinterpreted something. We will have to make changes to the criteria we used.

Q: You may have to do that anyway because we have gone through this very quickly.

A: We understand that. We are going to try to give agencies access to the website before we go live. Only one agency will have more information masked than necessary because there is no other way to separate the information. It really worked out better than we thought it would.

We are really relying on your agency properly recording information and how we have developed criteria based on our conversations with agency personnel on how we are masking information.

Here is a walk through of the process. You start with your transaction properly coded with the new Chart of Accounts. We will apply the masking coding that will move with the transaction to the transparency website. We will extract raw data from AFIS and move it to the ADOA server where we have a database with the criteria imbedded. From the server, the NIC file is generated which goes to the vendor. The vendor hosts the application. From there it goes to the website. This why we are trying to emphasize how critical it is to have things properly coded at the source.

Q: Can you give us a timeframe between when AFIS closes and the information will be on the transparency website?

A: Data will be extracted from AFIS a week after AFIS closes. We will allow ourselves at least a week to validate. We believe the information will be posted no more than a month behind.

Considering the volume of all the statewide transactions that are being generated and the time frames we are looking at, there is not a lot of time for manual intervention. This is why the correct usage of the Chart of Accounts is critical.

Q: Are you transmitting the information to NIC with a confidential indicator? Or are you not transmitting the confidential elements?

A: The information is transmitted with a confidential indicator. All information is sent with the ability to mask so if in the future, the information needs to be unmasked, we will be able to do so. In some cases items are only confidential for a certain amount of time. In one example, information is only confidential until evidence is presented in court. Once the evidence is presented to the court, all the payments to that vendor become public, rather than confidential.

Q: So does each agency need to send you a confidentiality expiration date for each transaction?

A: Not an expiring date, just a notification when payments are no longer confidential. We may not have the manpower to ever unmask these transactions. We want to get it correct up front and then do the best we can to

manage the data going forward. We are testing to make sure confidential data is masked.

Q: Is this NIC application an Arizona GAO specific customized application?

A: No. It is the same application the State of Utah uses.

Q: You will need to be careful of shared application updates and how that affects the information.

A: We have had those discussions. NIC will not be able to upgrade without our knowledge and permission. If there are issues, the database resides with ADOA so we can go in and redact information if necessary.

Q: If you are paying one vendor from multiple funding sources. It is going to go to the fund level to show the information?

A: It will be in different dimensions. You will be able to see information from the fund level, category, etc.

Q: The lowest level is the fund? You won't show division information?

A: The lowest level is the transaction. We will try to have a demo ready for you for the next CFO meeting. Right now information is being loaded. We did not want to stop the process for a demo this month. We will have workshops to get a sense of the data. We will call on agencies to give us feedback so we can understand the strengths and weaknesses of the transparency website.

We will not have division information. When you see a payment, you will not know what division it is from. You will know the fund and comptroller object, but not the division.

Q: Will you know what program made the expenditure?

A: No, unless the fund is specific to the program.

When we go live, we will have two fiscal years of data, 2009 & 2010. We will also have year to date for 2011. We are planning a soft launch in October. We will be calling on some of you to help us review the financial data. We will be concentrating on the five agencies that indicated that they did have confidential information. Our tentative date for go live is November.

We are planning on following the OSPB program budgeting format. We will have links off the transparency website to the GAO website, ProcureAZ, government resources, financial resources and public information. We will also have a Frequently Asked Questions area, a glossary and a disclaimer. If you have

questions or suggestions on the website, contact Joanna Greenaway at 602-542-5106 or Joanna.Greenaway@azdoa.gov.

Q: For the financial highlights on the website, are those items designated by the Legislature? Or are they things GAO feels are important?

A: More the later, for example revenues and expenditures over the last 10 years. There will be pie charts showing where the money is coming from, where the money is going to by function of government. We are still working on this part but feel it will be information to help educate people where the money is.

Q: One of the things that may be helpful is when you list a funding source, describing where the revenue comes from for that funding source.

A: We are going to be spending some time in October trying to link that information together. After everything is set for what the law requires for the soft launch, we will be looking at other information can we put on the site to be useful and helpful. We will welcome all suggestions for improvement as we move forward. We have at least 700 statewide funds, adding agency funds and you probably have 1,200 or so funds. We are dealing with a lot of data trying to keep it simple, but not too simple so there is detailed information available. The site will be up by January. We are shooting for mid November.

A comment on the funds, we did make changes to the D22 screen about a year ago. The funds that are established by statute on a statewide level, there are now check boxes to indicate what type of revenue is being collected in the fund, fees, etc. and more descriptive information. If you will look at your particular funds and see if there are any updates or additional information that should be included, we would appreciate it.

Q: There isn't a narrative description of the fund though is there?

A: You will see it is quite changed. We have some of the more common revenue types and a link to the 90 screen where more of a description can be entered.

Q: So will the 90 screen information also appear on the website?

A: Not for the fund, only the comptroller objects. We will be looking at OSPB's Master List to fill in some of the information to add some perspective. You should look at your agency's information on the D22 and the D10 screens. The D10 now has a link to the 90 screen to find a description of the comptroller object.

ARRA Update – Joanna Greenaway

There will be no extensions given for the third quarter reporting. Initial analysis of the data has already begun. We will be following the same process, no changes to the process. AFIS will close on Tuesday, October 5th. Our deadline for reporting will be October 10th.

We don't have a lot of time or staffing resources to turn these financial reports around quickly. We need to rely more on systems. If there are areas you feel training needs to be provided to speed the process along, please identify those. We don't have many resources for training but if it will speed things up in the long run, we may need to look at it. If clarification of policy is needed, let us know and we can take a look at it.

Federal Funding Accountability and Transparency Act (FFATA) – Clark Partridge

We had a good turnout for the FFATA webinar. We didn't have a lot of time to prepare. We are trying to keep agencies informed about FFATA. We have another conference call this week. We don't have enough additional information at this point to share with you. Again this is for new federal grants that are received on or after October 1, 2010, for subawards that are made. If there are subawards made from these grants, they need to be reported by the end of November. If you have questions you can contact Clark, Anita Kleinman, Anita.Kleinman@azdoa.gov or Amanda Compton at Amanda.Compton@azdoa.gov.

We will also be talking about the 3% Withhold in future CFO meetings. The deadline for 3% Withhold reporting is January 1, 2012 but the requirements have not been put out yet. It is likely the requirements will not be put out until after the first of the calendar year.

Employee Reimbursements out of AFIS – Move to HRIS – Stu Wilbur

Initial research is being conducted on employee reimbursements being done through AFIS instead of HRIS. We have a number that should be treated as taxable, i.e. educational reimbursements that exceed \$5,250 in a year. We are going through all the comptroller objects in AFIS and looking for reimbursements that have been made to employees and researching to see if we need to add pay codes in HRIS to handle these reimbursements. Also what are all the reasons agencies are using AFIS instead of HRIS?

Q: If you could consider looking at the end of the fiscal year travel. It becomes a mess now that we are using HRIS. With the volume we have, we had hundreds of travel reimbursements that had to be done as handwrites at the end of the fiscal year. We will have the same problem with other reimbursements.

A: The solution to that is expensive to the budget. HRIS should be splitting and allow the ability to make payment all the way through June 30th. The General Fund payroll for the 27th pay period is an estimated \$80 million impact. To catch

up to where you could split properly would be another week so about \$120 million for just the General Fund. Other funds would have a cash flow impact.

The good news is in fiscal year 2012 with the 27 pay periods, it will catch up. Instead of being three weeks behind, it will only be one week behind. The bad news is over the next 11 to 12 years, it will decrease again and deteriorate.

Q: Are you also looking at reimbursements for things like eyeglasses and boots?

A: Yes, we are looking at any type of reimbursement to an employee. Some of those can be taxable depending on the nature and how they are administered.

Q: Is there a possibility of doing a taxable stipend to cover some of these issues? For example, cell phones.

A: There is a bill before Congress that will hopefully take care of this. Incidental personal use of the employer issued cell phone will no longer be taxable if this bill passes.

Q: The issue still remains with minutes shared agency wide. Someone still has to go through the bills and make sure people aren't using so many personal minutes that the minutes are depleted agency wide.

A: All of that is good perspective as we are looking at this issue.

Payroll Calendar – Calendar Year 2011
- FY 2012: 27 Pays – Clark Partridge

The Payroll Calendar for calendar year 2011 will be posted to the GAO website soon.

We have 27 pay days in FY2012. We have raised this issue as a budget issue with OSPB for the General Fund. July 1st is the payday. We need to make sure employees get paid on Friday. Communications will be sent out that employees will be paid that Friday, the official pay day and not Thursday.

Payroll Warrant Distribution on December 30, 2010 – Clark Partridge

Due to Friday the 31st being the holiday, we need to make sure all employees are effectively paid before the end of the calendar year for inclusion on the 2010 W2. All payroll warrants will be put in the mail on December 30th to the employees' address of record. This is the address that prints on the payroll warrant.

Q: You are mailing all blue checks?

A: Any payroll warrants for that payday will be mailed straight from GAO. We will be putting the note on the warrants starting three paydays before announcing the mailing and for employees to please check their address. Agencies cannot

hold on to the warrants. It becomes an issue of taxing the employee in one year and paying them in another. By putting the warrants in the mail, that is constructive receipt for tax purposes. This is another incentive for employees to go on direct deposit or the cash pay card.

Q: Can agencies elect to have the mailings always done from GAO?

A: We don't have the budget to always mail them out. If the number of warrants decreased, it may be an option.

Q: We don't want to have staff drive down here to pick them up.

A: We understand. There are all kinds of efficiencies with direct deposit. We are still printing between 2,300 and 2,400 warrants every pay day.

CAFR: Imperative to Meet Deadlines

Some of the deadlines have come and passed. We appreciate your efforts to submit information timely. We have reporting deadlines that we have to hit. It is imperative for the State to hit these timelines. If you have any questions, or think you might be late in meeting a deadline, let us know. Are there things we need to plan for? Last year's Single Audit submission was late due in part to the CAFR not being completed on time. That is a black mark for the State of Arizona because we were not in compliance. Every agency that has a federal grant is in noncompliance with the federal government because our Single Audit was late. I have not heard that the federal government will withhold any monies over it but the reality is that they could.

The Schedule of Expenditures of Federal Awards (SEFA) is a part of the Single Audit. We will be preparing instructions this week for those agencies that prepare their own SEFA. Some of the instructions address formatting, others are the way the information is presented.

Seven agencies have been hit with federal offsets. Because the State had swept certain funds that had federal participation, we owed the feds about \$9 million, including interest at 11 ¼%. They took what was owed to them in several recent grant draws. It is a budget issue; we have submitted it to the Legislature. The feds believe you did receive the money and you will conduct the program. If you have any questions or concerns, let us know.

Survey on Revolving Funds – Clark Partridge

Many agencies have outside bank accounts or revolving funds, some of it is petty cash on hand. We are conducting surveys on these outside monies to try to get more efficient and effective. With the option of the PCard, some agencies have found they don't need the outside bank account for emergencies any longer. Using the PCard reduces the risk and safeguarding of cash.

GAO Business Hours/Coverage – Clark Partridge

We had a situation where an agency was trying to input an encumbrance at 6:30 in the evening. Since they couldn't get in touch with anyone at GAO, they called the Help Desk. The Help Desk tracked down Angela. If something is a crisis, we want to be responsive, but in order for us to be responsive to the real crisis, the non crisis issues need to wait until business hours to be addressed. This is especially true during the furlough week when staff can only work 32 hours. We want to be responsive but coverage really is for the most part during the business hours of the State, Monday through Friday, 8:00 a.m. to 5:00 p.m., excluding holidays and furlough days.

Communications to Agencies – Clark Partridge

Reminder to make sure your agency has at least one person subscribed to receive the GAO web stories so when we send out all agency information, your agency is receiving the information. If you have recommendations on how to improve our communications, let us know.

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 3:45 p.m.

The next meeting is scheduled for Tuesday, October 19, 2010, at 2:00 p.m. in the General Accounting Office.