

**Small & Medium Agency
Chief Financial Officers Meeting Minutes
September 23, 2008**

PARTICIPANTS:

Shandra Olsson, ABA
Megan Darian, ADA
Julie McKnight, AUA
Tracy Schmidt, HDA
Diana Marczak, HUA
Glenn Hurd, ICA
Joan Thompson, LAA
Sharon Gulden, LDA
Evangeline Webster, MEA
Esther Olivas, MIA
Laurie Swartzbaugh, MIA
Miryom Snyder, PRA
Amy Besco, RCA
Tyler Palmer, RGA
Mark Carroll, SDA
Don Bentley, SPA
Shari Courtney, TEA
Marcia West, TOA
David Medina, TXA
Cheryl Fraulob, UOA
Sandy Sutton, WFA
Clark Partridge, DOA/GAO
Amy Aeppli, DOA/GAO
Angela Dillard, DOA/GAO
Jan Sharon-Strieby, DOA/GAO
Amy Newby, DOA/GAO
Joanna Greenaway, DOA/GAO
Anita Kleinman, DOA/GAO
Tami Eckloff, DOA/GAO

ITEMS COVERED

Clark Partridge – Welcome & Introductions

Updated GAO Form Presentation

Amy Aeppli is currently working on updating the GAO forms to help make filling them out easier for the agencies. Amy presented to the group the following forms with their new enhancements:

The forms below were all updated with the following features:

- Interactive PDF documents (user does not need to purchase any software to use form, only download free Adobe Reader 8.0 or later to utilize all functionality of the forms)
- Savable-blank or filled in
- Black & white GAO Seal in upper left corner
- Blue input color to easily see filled in data
- Print/Email buttons
- Drop down calendars available for all interactive dates

GAO-509 Out-of-State Travel Approval Request

- Addition of Conference, Education, and Training Registration field COBJ 7455
- Addition of “Other” fields
- Automated totals

GAO-D23 Agency Fund Authorization

- Email submission button for fund setup
- Addition of Statute/Law reference
- Text alignment (old form had text written over lines and was hard to read)
- Addition of GAAP approval

GAO-D22 Statewide Fund Authorization

- Top section of form now flows with AFIS input screen
- Now in PDF instead of Excel version

GAO-510 Pre-Encumbrance/Encumbrance

- Now interactive vs. old static version which was non-fillable
- Form now flows with AFIS input screen

AFIS Fiscal Year-End

With all the events and things considered, fiscal year-end went fairly smooth for the agencies.

NSF and Favorable/Unfavorable Deposits Cleanup Project

Due to the fiscal year-end, the AFIS liaisons have not had a chance to work on this project. The liaisons will be contacting the agencies to begin the cleanup of the NSF and favorable/unfavorable deposits.

Eliminating Direct Deposit Printing and Distribution

The direct deposit advices have not been distributed since the August 15, 2008 payday. The GAO has not heard about any problems or issues concerning the elimination. Agencies remarked that they have saved time and money by not distributing the direct deposit advices to their employees.

Q: The only complaint we had was that the time accrual is not on the Y.E.S. pay advice. When will the time accrual be on the advice posted on the Y.E.S. system?

A: The time accrual can be found on a separate screen on Y.E.S. The GAO has purchased new software to create a PDF document which will include the time accrual which should be implemented by the first of the year.

Q: Is there a statute or regulation that requires the agency to have the payroll warrant post marked by a certain date when they need to mail the payroll warrant to an employee?

A: The statute requires that the employee be paid within five business days of the end of the pay period. On a normal work week, the payroll warrant has to be delivered to the employee's place of work or placed into the U.S. Mail by Friday. If a holiday falls on the Friday, the warrant has to be delivered to the agency or placed in the mail by the following Monday. Agencies are to continue promoting direct deposit. A little later this fall, the GAO is going to offer a payroll card as an alternate option for employees to receive their pay. This option would be ideal for those employees who do not have a checking or savings account or are unable to obtain a checking or savings account.

Payroll Stuffers

Payroll stuffers are now available on Y.E.S.

Bus Cards: New Contract/New Cards

The State of Arizona has entered into new bus card five year contract with the City of Phoenix. The GAO has distributed the new bus cards to the agencies. The new cards are different than the old cards in order to help the card last longer. The card will not have to go through a card reader; it will just have to be presented to the fare machine. The cards are a little thicker than the old cards. If anyone has any issues with the new bus cards, please contact the GAO.

Upcoming Audio Conferences

The GAO has scheduled the following audio conferences with CPE available:

Wednesday September 24, 2008 at 11:00 a.m. – Implementing GASB No. 49:
A Cooperative Effort in New York

If anyone would like to attend tomorrow's audio conference and has not registered, please stop by and see Sherry Gates after the meeting or sign up online with AzGU.

Internal Audit Meeting with all Agencies

The next Internal Audit Meeting will be scheduled within the next few months. Jaimie Soulvie will be distributing an announcement when the date has been chosen for the next meeting.

P-Card Mileage Reimbursement Audits

The GAO has decided to approach auditing in a different manner. Instead of going from agency to agency to perform entire audits, the GAO has decided to choose different topics to audit throughout the various agencies. The GAO sampled some P-Card transactions with specific criteria that agency management might be interested in. The process was also geared to help educate agencies. A few agency heads contacted the GAO to thank them for bringing the transactions to their attention.

High mileage reimbursements were looked at to see if maybe the employee should be utilizing a State vehicle. Some of the reimbursements could almost pay for a new car.

If anyone has any comments on how the process was performed or have any suggestions for future audits, please contact the GAO.

Single Audit Findings

New technical bulletins will be issued in the near future on Fraud, Waste, and Abuse and Related Party and Conflict of interest. There will be new requirements which are in direct correlation with internal control issues from the single audit findings. The Auditor General has reviewed the internal controls in the State and has determined there are weaknesses. Waste and Abuse is something the agencies can deal with unless it is excessive. No matter how small, all instances of fraud have to be reported to the GAO, the Auditor General's Office and/or the Attorney General's Office. Some agencies have been investigating the fraud but have not reported it while other agencies said that they did not know how to report it. The new technical bulletin will clarify the procedures on how to report the fraud. Any comments or questions can be directed to the GAO.

Some statewide findings were focused on the GAO's ability to enforce or penalize agencies for not complying with policies on financial reporting; such as, completing closing packages and submitting financial statements on time. The FY 2007 CAFR was supposed to have been completed by December 31, 2007 and due to agencies not submitting their information in a timely manner, it was not completed until July 1, 2008. This in-turn made the FY 2007 Single Audit late as well. The Single Audit was distributed on August 22, 2008. Adhering to the financial statement deadlines is extremely important. Clark thanked the agencies for their due diligence in submitting their reporting packages on time. Clark asked the CFO Representatives to notify the GAO GAAP Group if they are going to miss the deadline.

Q: Is the GAO still going to be distributing an Internal Controls Questionnaire?

A: Yes, the GAO will be distributing an Internal Control Survey. It will not be as extensive as Sarbanes-Oxley but it will head us in the right direction. Sarbanes-Oxley does not apply specifically to governments but the government

environment auditing standards have changed due to Sarbanes-Oxley. Even the Yellow Book has changed their standards and requirements to match Sarbanes-Oxley.

New Polices:

Administrative Adjustments & Capital Projects – Technical Bulletin 09-01 addressing the payment and release of Administrative Adjustments and Capital Project Claims were posted on September 17, 2008. An instructional meeting was held on August 28th. If anyone has questions or was unable to attend the meetings they can contact Anita Kleinman or Amy Newby.

Fraud, Waste, & Abuse – will be released this fall.

Related Party & Conflict of Interest – will be released this fall.

Budget

There are two items in the budget that have affected the agencies the most and they are Appropriation Reductions and Fund Transfers. There was not a lot of time to communicate but everything has been gone through for FY08. Agencies need to focus on issues and communicate with their OSPB analyst or appropriate budget staff for FY09 issues.

Q: Do you know when all of the reductions and fund transfers will be completed?

A: By law, the fund transfers have to be completed by June 30, 2009. The appropriation reductions do not affect an agency's cash flow; it impacts agencies ability to expend. The reductions can be done anytime, the sooner the better so that agencies will not be spending at the higher rate.

Q: The hiring freeze reduction for FY09, is that being worked on?

A: Yes, it is. There was a holdup when the GAO was trying to find out what OSPB had communicated to the agencies. Confirmation of the communication was just the dollar amount, which is the reduction of the appropriation. OSPB has decided that the appropriation reductions will be done on the quarterly allotments. The agencies have the option to transfer the cash now if it is available. Agencies need to work with their OSPB analysts. The GAO is working on a web story with the instructions that should be going out this week.

Q: What about the supplemental loads?

A: Most of the supplemental loads will be effective this Friday. The web story will deal with supplemental loads as well.

Q: Can an agency pay the total reduction amount in the first quarter or does it have to be paid quarterly?

A: It really does not matter and it should not be a problem. This could help an agency plan. It would be easier for the GAO to process one transfer instead on one each quarter. Processing the transfers quarterly will give the agencies more flexibility.

GAO Staffing – Agency Cooperation

The GAO is currently down 14 staff members due to the hiring freeze. Some agency personnel are calling the GAO about the same issues over and over again. Clark asked the CFO Representatives to let their staff know that the GAO is willing to help and answer their questions but just to let them know that the GAO has a lack of resources. In some instances, the agency's supervisors or accounting offices could answer the questions instead of the employee calling the GAO.

Issues, Concerns, Questions

- Future discussions will be held concerning the large agencies mailing all warrants and the GAO mailing all other agency warrants. This will eliminate agency couriers having to pickup warrants at the GAO daily.
- **Q:** I understand that there will be changes to the existing process for ACH payments. Can you explain them?
A: Currently, Bank of America will only accept the CTX format in conjunction with ACH payments. With the new changes to GCD and CCD closed formats, there will be more options available which will allow certain vendors and their banks to accept ACH payments. This will allow the vendor to pick and choose which format they can accept.
- **Q:** Is the GAO changing their internal process with ACH verification?
A: Due to the recent increase in ACH fraud, the GAO is contacting the agencies and vendors verifying the ACH setup on some accounts. Verification usually takes place anywhere from within 2 hours to 24 hours after receiving the form. Anyone can send something into the GAO to be changed or setup. To help solve this problem in the future, the State Procurement Office is working on obtaining a new purchasing system that will replace SPIRIT. Eventually there will be an interface between the new purchasing system and AFIS which will help alleviate the fraud issues.
- **Q:** I saw where the Federal mileage reimbursement rate is going up?
- **A:** Yes, the Federal mileage reimbursement rate has gone up. The State's reimbursement rate has not gone up. The Federal lodging rates will be going up on October 1st. The GAO will be making a request to increase the mileage and lodging rates with the JLBC hopefully before the end of the year. The JLBC may not increase the mileage and lodging reimbursement rates due to the State's financial issues. Previously when evaluated, every \$.01 mileage increase costs the State \$100,000 per year.

Future Agenda Items

Emphasis on Electronic ACH Payments

Payroll Card

Internal Controls

**Travel & Expense Management Sub-System
Federal Transparency Act**

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

Meeting adjourned at 3:29 p.m.

The next meeting is scheduled for Tuesday, October 21, 2008 at 2:00 p.m. in the General Accounting Office.