

**Large Agency  
Chief Financial Officers' Meeting Minutes  
September 27, 2011**

**PARTICIPANTS:**

Joe Whitmer, ADA  
Cheryl Toone, ADA/Risk Management  
Sheryl Bodmer, DCA  
Tim Newton, DEA  
Karen Johnson, DEA  
Jasmine Kuylen, DEA  
Li Li, DJA  
Keith Fallstrom, DTA  
Ross Begnoche, EDA  
Mike Clark, EVA  
John Lake, HSA  
Kim McCreary, HUA  
Dianna Claassen, MAA  
Chuck LeBlanc, PSA  
Nancy Bennett, RTA  
Joan Jones, RVA  
Clark Partridge, ADA/GAO  
Mike Smarik, ADA/GAO  
Angela Dillard, ADA/GAO  
Anita Kleinman, ADA/GAO  
Jaimie Soulvie, ADA/GAO  
Joanna Greenaway, ADA/GAO  
Stu Wilbur, ADA/GAO  
Tami Eckloff, ADA/GAO  
Jennifer Verhelst, ADA/GAO  
Nathan Frey, STA Consulting

***ITEMS COVERED***

*Clark Partridge – Welcome & Introductions*

**AFIS Replacement – Clark Partridge**

Clark gave a PowerPoint presentation on the overview and status of the AFIS Replacement Project.

**Q:** Our agency has our own financial management system and you haven't fully decided if our system will be converted internally to the new system. If we convert internally to the new system, will we then be able to interface with other systems that we have?

**A:** Yes. We are looking at all of those options.

**Q:** Can we interface with our custodial bank?

**A:** We will be looking at all those systems. We are not yet writing all the detailed requirements for the RFP. We are talking about possibilities and what other states have done.

Key to this project is the information, feedback and cooperation we have received from the participating agencies.

**Q:** How broad is the complexity in the State of Arizona compared to other states that have implemented an ERP system?

**A:** Arizona is very comparable. STA Consulting has worked with 14 other states. They have been similar in size to Arizona. Other states have been similar to where you are coming from in terms of systems. It is not surprising to see systems that are 15 to 20 years old with similar complexities.

#### **FY12 Sweeps and Fund Transfer Questionnaires – Anita Kleinman**

When fund sweeps started in fiscal year 2008 agencies were required to fill out a Fund Transfer Questionnaire. In subsequent years if an agency was being swept from the same fund, we did not require a questionnaire to be filled out. Due to some legal issues that have come up with some of the sweeps we are requiring that a new Fund Transfer Questionnaire be sent in for all funds being swept.

#### **Microsoft Settlement – Anita Kleinman**

We have some agencies that have not taken advantage of the Microsoft Settlement monies. We have contacted the agencies with larger dollar amounts still left unused. We are now going to go back to the courts to reallocate about \$40,000.

#### **Edit Mode 2 for Administrative Adjustments – Anita Kleinman**

We currently have one user class that the agencies use to release administrative adjustments. That user class is for both claims and transfers. Because there are transfers involved, we only allow edit mode 1. A question has come up from an agency asking if we could possibly make a change to allow for edit mode 2. If we did, we would need to split things out into 2 user classes. Before we create a new user class, we are looking for agency feedback to see if there is a need to be able to enter an Administrative Adjustment in edit mode 2. Creating the new user class would be a large effort for a small incremental benefit. Administrative Adjustments by definition are already at least one month late.

The feedback from the group was that the new user class was not necessary.

### **ProcureAZ – Encumbrances – Anita Kleinman**

For agencies that have started using the ProcureAZ system, when a PO and associated encumbrance are entered into ProcureAZ, it crosses into AFIS as an encumbrance for the whole year. In some cases there is not enough quarterly allotment for the encumbrance to post. Agencies started submitting requests to OSPB to have their allotments rolled forward. Instead of the allotment roll forward request, there is an indicator on the allotment profile that can be changed. On the GAO website the form GAO-PM-20 is to set up the appropriation profile. In the middle of the form is a box to describe why you need to change the budget indicator for the particular appropriation to an E. This will allow the encumbrance to come across from ProcureAZ and will look at the available allotment through the year, not just one quarter and allow it to post.

**Q:** That makes all encumbrances not count against the allotment?

**A:** There are two lines, the allotment that is available and the allotment that has been earmarked for encumbrances. There are still the two tracking items but the encumbrance will go against the allotment for the full year instead of going on error because there isn't a sufficient amount. The appropriation ends up being the control, not the allotment. You need to be aware that you have already obligated amounts and the allotment is no longer your sole manager of your appropriation and availability.

**Q:** It won't let you overspend the allotment, it just lets you over encumber?

**A:** Correct. All the indicators for spending are still there. If an agency does not want to submit a form for each separate appropriation, a form can be submitted for all type 1 and type 2 appropriations if you choose to do this for all of them. The explanation is you are issuing blanket PO's from ProcureAZ and you want to be able to encumber for the entire year.

**Q:** Are we still on track for December implementation of phase III for ProcureAZ, the invoice phase?

**A:** It is still in the design phase. December is not going to happen. It may be ready for July 1 of the new fiscal year.

**Q:** So the new invoice piece will work with the new system? Or will we have to spend more money to get the two systems to talk?

**A:** That all needs to be looked at in detail. It depends on which solution the State picks.

### **Chapter 251 – Payroll Political Purpose Deduction – Clark Partridge**

A letter was sent out to all State employees with a payroll deduction that potentially had a political purpose. The letter reads, "The purpose of this letter is to inform you of a new statutory requirement regarding payroll deductions from employee paychecks. A.R.S. § 23-361.02(A) was recently enacted and provides as follows: "For deductions after

October 1, 2011, a public or private employer in this state shall not deduct any payment from an employee's paycheck for political purposes unless the employee annually provides written or electronic authorization to the employer for the deduction.'"

Part of the letter also states, "Please note there is pending legal action challenging the validity of the statute, and that lawsuit may affect its implementation. In addition, pursuant to A.R.S. § 23-361.02(C), the Attorney General is required to adopt rules pertaining to this new employee authorization. However, in order to allow a reasonable amount of time to meet the statutory deadline of October 1, 2011, we are sending this form to you immediately. There may be additional actions or follow-up needed pending the outcome of the litigation or the Attorney General's rulemaking, which we will communicate to you at such time either directly or through your agency."

Last Friday an injunction was put in place preventing the law from moving forward. The legal action has not been completely litigated. All the deductions will be turned back on as if nothing had happened. We will also be sending a letter to employees explaining that the original letter stated there was legal action pending. If employees want to turn off a deduction, they can send in the form to turn it off.

Stay tuned. More information will be forthcoming. We will be sending information to your payroll offices copying the CFOs. The next letter should be going out in the next day or two.

#### **Mandatory Direct Deposit – Stu Wilbur**

A reminder that September 30<sup>th</sup> is the last day that employees can submit a GAO-65 if they are not currently on direct deposit or the pay card. After the compute on October 4<sup>th</sup> we will be asking agencies to start filling out the GAO-65 on behalf of the employee. This will then instruct GAO to issue a pay card for those employees that the agency filled out the GAO-65 for. There are about 200 people that have not taken any action. Board and Commission members that may not be paid regularly but are still paid on an ongoing basis are still subject to the mandatory direct deposit.

The October 21<sup>st</sup> payday will be the pre-note process for the forms filled out after October 4<sup>th</sup> compute. The first deposit to the card should occur on November 4<sup>th</sup>. This timeline will give Bank of America 3 weeks to get the card in the mail to the employee. We still have an existing issue with employees that do not receive mail at their house. Bank of America does not allow P.O. boxes for the mailing of the pay cards as part of the Patriot Act. B of A is following federal law. We may be able to use FedEx or UPS to deliver the cards to those employees.

**Q:** You will be sending out a request to the agencies to fill out these forms on behalf of the employees?

**A:** We have been and will continue to report those employees that are continuing to not be compliant. We will send the lists out again. You will need to work with the employees. If they do not fill out the form, the agency will have to do it on their behalf.

**Q:** You are expecting on a payroll by payroll basis for the agency to sign the employees on the list up for a pay card?

**A:** Correct.

**Q:** When do you sign them up? How many weeks do you allow on an ongoing basis? We have people in transition closing out one account and saying they are going to open up another.

**A:** You can allow the employee one or two pay periods to make that happen. We may start sending a file to the bank every day which will shorten the pre-note process which will shorten the time that you need to give them.

### **Travel Policy Changes – Timely Processing Lodging Rates – Clark Partridge**

We had tried to get on the JLBC agenda for tomorrow to discuss lodging rates and adopting the federal lodging rates. We were not successful in getting on the agenda. We will continue to raise this issue.

### **Cell Phone Reimbursement – Clark Partridge**

A policy is in the works to develop a cell phone reimbursement. Instead of giving an employee a cell phone, we tell them we will pay a reimbursement via the payroll system for a cell phone. If they are required to have a cell phone for voice or data they can be reimbursed up to \$25 for voice and up to another \$25 for data. If a state cell phone is provided, they cannot have the reimbursement. The agency is responsible for making sure there is a legitimate business use for the cell phone and the employee is using it for work purposes.

**Q:** Will the employee be required to provide a copy of their monthly cell phone statement?

**A:** No. You will need to verify annually that they do have a cell phone and are using it so you may need to see a statement once a year. The employee must also agree to notify the agency when they no longer have the phone. If the employee did not notify the agency that they no longer have a phone and continued to receive the reimbursement, they must be disciplined accordingly, up to and including dismissal for defrauding your agency. The reimbursement plan is not mandatory. It is an option for agencies to eliminate a lot of work checking receipts.

**Q:** What is the timing on this?

**A:** We are targeting October 1<sup>st</sup> to implement. This plan is at management's discretion, not an employee coming and saying they want a cell phone reimbursement.

**Q:** We have the state owned phone with a pool of minutes. This seems to be working well for us. Can we continue to do this?

**A:** Yes. The reimbursement is just another option.

**Q:** The policy will be out soon?

**A:** Yes within the next couple of days.

**Q:** We have some people that the \$50 may work but we have others that it will cost more than the \$50 due to the cell phone is their only phone, the amount of minutes they use etc. Can we have some people as an exception and pay them more than the \$50?

**A:** If you want to pay people more than \$50 (voice and data), then you will have to go through their billing and reimburse them dollar for dollar. The reimbursement is an option that should work in 90% of the situations. You cannot go back and forth from month to month, paying the \$50 one month and reimbursing dollar for dollar the next month. You need to choose one way or the other.

**Q:** The reimbursement will be nontaxable?

**A:** Yes.

**Q:** It is either \$25 or \$50, not \$25 or \$75?

**A:** Correct. \$25 for voice, \$25 for data for a total of \$50. You will need to justify why the employee needs the data plan and it will need to be approved by management.

Also, employees need to understand that just because they receive this reimbursement and the employer may contact them, it does not mean they are on call and receive on call pay. The clock would start ticking for work time when an employee is actually contacted.

**Q:** If the employee has their own device and is receiving the reimbursement for the data plan so they can view email but the email has to go through the Blackberry server which is owned by the State, how is that going to work? I have asked our IT people how this will work so I can pick up the email through their server to pull the email. Their response is if they have to hook me up to the server, they have the right to wipe my phone.

**A:** That is the policy at some agencies. In agreement for using your own device and receiving the reimbursement, the agency has the right to wipe the device upon connection and disconnection from the server. You need to comply with all the agency policies and procedures for connecting a personal device to the State's information.

You cannot reimburse employees for a time period they did not have the phone or they were not using the phone for work purposes. This plan is a reimbursement, not an advance. The reimbursement must be for an entire pay period. The employee needs

to have had the phone for the entire pay period. The reimbursement is not prorated for a portion of the pay period.

**Q:** Are you doing it so that two pay periods per year there is no reimbursement?

**A:** Yes. The reimbursement will be twice per month, the first and second pay periods of the month.

**Q:** If an employee is on extended FMLA, how will that be handled?

**A:** It will depend on how long the leave is going to be. If the leave is for part of a pay period, we probably will not worry about it. If the employee is out for the entire pay period, the reimbursement should be turned off. If they are on FMLA, you shouldn't be contacting the employee so the reimbursement should be turned off.

**Q:** Should we be expecting a technical bulletin?

**A:** Yes the Technical Bulletin should be out in the next couple of days.

### **Internal Controls & Fraud Tool Kit – Clark Partridge**

Greg Vokoun has been working with the Association of Governmental Accountants (AGA) on a fraud tool kit. It is taking many different tools that are out there and pull them together as well as what you can do to address fraud. If you think you are not at risk for fraud, you are sadly mistaken. We have fraud that comes up every once in a while in the State and it is not always in the smallest of agencies where it is hardest to have a segregation of duties.

There will be CPE this week concerning how to prevent fraud.

### **Future Agenda Items**

**AFIS Training**

**NSF & Favorable/ Unfavorable Deposits Cleanup Project**

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

Meeting adjourned at 3:28 p.m.

The next meeting is scheduled for Tuesday, October 25, 2011, at 2:00 p.m. in the General Accounting Office.