

**Large Agency
Chief Financial Officers Meeting Minutes
September 30, 2008**

PARTICIPANTS:

Joe Whitmer, ADA
Paul Nicola, DCA
Karen Johnson, DEA
Steven Race, EDA
Michael Clark, EVA
Jim Humble, HSA
John Lake, HSA
Li Li, DJA
Chuck Le Blanc, PSA
Reed Spangler, RVA
Craig Rudolphy, DTA
Syndia Reeder, WCA
Bob Savage, GFA
Dolores Martinez, MMA
Michelle Brooks, ADA/CSB
Clark Partridge, DOA/GAO
Mike Smarik, DOA/GAO
Jan Sharon-Strieby, DOA/GAO
Angela Dillard, DOA/GAO
Jaimie Soulvie, DOA/GAO
Stu Wilbur, DOA/GAO
Tami Eckloff, DOA/GAO
Amy Newby, DOA/GAO
Anita Kleinman, DOA/GAO
Amy Aeppli, 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 the forms, only download free Adobe Reader 8.0 or later to utilize all functionality of the forms)
- Savable-blank or partially filled in or completely 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. The GAO anticipates another challenging FY end for 2009.

NSF and Favorable/Unfavorable Deposits Cleanup Project

Due to the fiscal year-end, the AFIS liaisons have not had a chance to work on the project. The liaisons will be contacting the agencies to begin the cleanup of the NSF and favorable/unfavorable deposits. Agencies are requested to resolve their newer transactions first and then work back towards to resolve the older ones. The General Ledger cleanup will be an increasing priority.

Eliminating Direct Deposit Printing and Distribution

The direct deposit advices have not been distributed since the August 15, 2008 payday. Payroll warrants are still being distributed to agencies. 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.

Another agency mentioned that they have cut the distribution of payroll warrants from 1,160 to 700 by promising their employees that warrants will no longer be available for pick up. The agency will start mailing them to their employee's

homes. Mike Smarik commented that the direct deposit percentage has gone up from 90% to 92% within the last month. ADOT is mailing their employee's payroll warrants to their employees' homes. This has reduced ADOT's payroll warrants by 25% and their direct deposit has gone up to 96%.

Q: Is there an internal control issue with mailing payroll warrants directly to employee's homes?

A: To Clark; there is no internal control issue with mailing the payroll warrants as long as they are mailed by Friday; unless Friday is a holiday. Some agencies commented that they are mailing their payroll warrants on Thursday instead of Friday.

Payroll Stuffers

Payroll stuffers are now available on Y.E.S. This has alleviated the cost of some agencies mailing or shipping their stuffers.

Bus Cards: New Contract/New Cards

The State of Arizona has entered into a new bus card five year contract with the City of Phoenix. The GAO Statewide Payroll Group renewed 6,633 bus cards for four years and has distributed the new bus cards to the agencies. The new cards are different than the old cards as they are a little thicker in order to help the card last longer. The card will not have to go through a card reader as it is a proximity card and will just have to be tapped on the card reader on the bus. The City of Phoenix is now caught up on their billing and the GAO was able to bill employees for their August fees on September 26th. Agencies need to ensure that they cancel an employee's bus card at the time of termination along with the other items on their exit package. If anyone has any issues with the new bus cards, please contact Stu Wilbur.

Upcoming Audio Conferences

Watch for email notifications on future audio conferences to be scheduled.

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. If anyone has any ideas for agenda topics, please contact Jaimie Soulvie.

P-Card and Mileage Reimbursement Audits

The GAO Internal Audit Group sent 60 letters to agency directors with attachments on unusual expenses charged on P-Cards for FY07. All but five agencies have responded to the letter. The agencies that responded did submit transaction verifications and explanations which are currently being analyzed by the GAO Internal Audit Group. Others were educated on the correct procurement procedures per law associated with the charges.

Twelve letters were sent out to agencies that had individual employees who are averaging over 1,000 miles per month for personal vehicle reimbursement. Most agencies have followed up and have assigned a State vehicle for the employee to use or they are analyzing the situations for cost effective measures.

In the future, the GAO Internal Audit Group will be looking at P-Cards and Travel Cards on a quarterly basis for unusual activity and will be sending letters to agency heads. If employees are aware that the GAO will be routinely auditing the cards there may be less inappropriate transaction activity.

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 Conflicts of Interest due to the Single Audit's statewide internal control findings. 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.

On the findings for fraud, waste and abuse there was a requirement for tracking such situations, but there were no instructions available on how to report it. The waste and abuse are issues that the agencies can deal with unless it is excessive. No matter how small, all instances related to fraud have to be reported to the GAO, the Auditor General's Office or the Attorney General's Office. Some agencies have been investigating the fraud, waste and abuse but have not reported it while other agencies said that they did not know how to report it. The new technical bulletin will clarify and provide procedures on how to report the fraud. Any comments or questions can be directed to the GAO.

Related Party and Conflict of Interest findings which include State contracts are required to be reported. Under the law related party transactions are not illegal, they just have to be disclosed and/or reported.

As part of the Single Audit Findings, the agencies that have findings coordinate their findings and the responses directly with the Auditor General's Office. The GAO is asking to be copied in all of the communications between the agency and the Auditor General's Office regarding their audit findings. This will allow the GAO to help the agency with their findings, ensure that they are completed and complete the Single Audit timely. Single Audit Findings in the State of Arizona are growing due to lack of resources and employees that will not change their way of operating.

The Federal Government is becoming increasingly concerned. Sarbanes Oxley is being incorporated into the standards of the AICPA which the Auditor General

adheres to and is also in the Yellow Book which is where they audit to for the Federal Grants in internal controls. The State has to rely on the agencies having their internal controls in place and functioning. This is why additional reporting requirements and internal control self assessments are being created.

New Policies

Administrative Adjustments & Capital Projects – Technical Bulletin 09-01 addressing the payment and release of Administrative Adjustments and Capital Project Claims was 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

The GAO is sensitive to the agency's budgetary needs and concerns. The appropriation reductions are being processed on a quarterly basis in connection with the allotments. The appropriations are straight forward. A proactive approach is being taken with the Fund Transfers because they affect cash flow. Timing of the cash flow will be required. The agencies will need to work with OSPB and contact the GAO for coordination.

GAO Staffing – Agency Cooperation

The GAO is currently down 14 staff members due to the hiring freeze and will not be able to provide additional services that agencies have been asking for. Some agency's personnel are calling the GAO about the same issues several times a day because they do not understand. Clark asked the CFO Representatives to let their staff know that the GAO is willing to help and answer their questions but 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

****SPO** is currently working on a new purchasing system for the State that will be replacing SPIRIT.

****The GAO** has recommended to ADOA to stop issuing savings bonds that are purchased through the payroll process. Savings bonds can be purchased easily by employees online.

****Q:** Is there a timeframe on when other employee reimbursement options will be available through HRIS for things other than travel? It can be very time consuming to establish and maintain an employee in AFIS for infrequent employee reimbursements.

****A:** Eventually everything related to employee reimbursements will be going through HRIS. At this time, there is no timeline available. The upgrade has to be completed first which will require a learning curve. After the upgrade is

completed then other options will be available through HRIS.

Future Agenda Items

Emphasis on Electronic ACH Payments

Payroll Card - The contract has been finalized with Bank of America for the payroll cards. The payroll card will be a new option coming later this fall. The payroll card will be a VISA card that can be used as a debit card or a credit card. Employees will be able to access their balance at an ATM or by calling an 800 number. One main feature is that the card number is different than the account number. If an employee loses their card, they can get a new card issued without changing their direct deposit. An employee can obtain cash back at merchants for no additional charge.

Internal Controls

Travel & Expense Management Sub-System

Federal Transparency Act

State Transparency Project – Clark asked the CFO Representatives if they have heard about the State Transparency Act that was passed during the last Legislative session. The Transparency Act focuses on payments made. ADOA worked out an agreement with the Legislature to provide information focusing on payments to vendors by obtaining information from AFIS. The GAO will focus on AFIS first as most of the payments go through AFIS and then they will be communicating with the large agencies that have their own systems to help set up the transparency website. The State of Arizona does not have an ERP or a Data Warehouse. The due date was changed from January 2013 to January 2011.

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

Meeting adjourned at 3:32 p.m.

The next meeting is scheduled for Tuesday, October 28, 2008 at 2:00 p.m. in the General Accounting Office.