

**Small & Medium Agency
Chief Financial Officers Meeting Minutes**
October 20, 2009

PARTICIPANTS:

Megan Darian, ADA
Debb Pearson, APA
Megan Duty, GFA
Lori Boncoskey, GHA
Barbara Nicholson, GTA
Gary Norem, ICA
Brett Larsen, LAA
Sharon Gulden, LDA
Esther Olivas, MIA
Cynthia Velar, PRA
Sandra Mengelkoch, PRA
Trudy Kranendonk, RGA
Shari Courtney, TEA
Marcia West, TOA
Cheryl Fraulob, UOA
Clark Partridge, ADA/GAO
Mike Smarik, ADA/GAO
Angela Dillard, ADA/GAO
Amy Newby, ADA/GAO
Joanna Greenaway, ADA/GAO
Anita Kleinman, ADA/GAO
Tami Eckloff, ADA/GAO
Amy Aeppli, ADA/GAO
Ron Santa Cruz, ADA/GAO
Yesenia Mejia, ADA/GAO
Aaron Sandeen GVA/GOER
Matt Hanson, GVA/GOER

ITEMS COVERED

Clark Partridge – Welcome & Introductions

American Recovery Reinvestment Act (ARRA) Update – Joanna Greenaway

27 hours before the first report was due, the ARRA Core Team submitted 421 reports on behalf of the State of Arizona. In order to accomplish this task the team pulled information from seven different accounting systems. It was probably the first time in the history of the State of Arizona, that this level of reporting was accomplished. There is a lot more work ahead.

Clark added that this has been a real success story not only in Arizona but nationwide. It doesn't mean the process has been perfect, but it has been a success.

ARRA Section 1512 Reporting Recap – Aaron Sandeen

Aaron gave a presentation on the American Recovery and Reinvestment Act (ARRA) 1512 reporting. This reporting is cumulative reporting from the inception of ARRA, from February 17, 2009 the reporting is cumulative for the life of the ARRA money. There are no waivers. Noncompliance is a violation of the award agreement. The first reporting deadline was October 10, 2009.

ARRA is focused on transparency and impact. The reporting will be shown on www.recovery.gov and www.azrecovery.gov. Job creation and retention is also part of the reporting.

The group spent time over the past few months with the State agencies receiving ARRA monies to put all the reporting elements together and who was responsible for the different elements. A lot of this information is up for debate. Things will differ state by state.

The Governor's request has been for the State of Arizona to take a centralized approach for the 1512 reporting. The report submitted is on behalf of the entire State including the universities. For the first reporting period, 421 reports were submitted. The majority of the information came from AFIS. Additional information were from systems from ADOT, DES, Education, ASU, NAU and U of A. For this reporting period there were 18 State agencies and universities that were reported on, and 9,902.76 jobs reported. Total funds received \$665 million. Total funds expended \$549 million.

Aaron described the software purchased for the reporting, Microsoft Stimulus 360. It is used with Microsoft Sequel Server, Sharepoint and Dynamic CRM are the main technologies associated with the software. The software was chosen mainly for its flexibility and allows changes to be made rapidly. Aaron described how the software interacts with the federal government's website for reporting.

Q: The only information that has been transmitted to www.recovery.gov so far has been the contracts?

A: Yes.

Q: Do all the agencies use the software, or just your agency?

A: There are different states and entities using this software but all have made their own adjustments to the software so they all look a little bit different. Some states have made custom systems.

Q: Will this be integrated with CLFF, the Consolidated Ledger of Federal Funds that OSPB has initiated?

A: That is something that has been talked about but has not been resolved yet.

Q: It seems like it has similar information.

A: It has some similar information. This system does not have all grant information, only ARRA grants. It has the ability to look at the performance of grants. The feds will probably expand this to expand to all grants as well.

US Bank Travel Card liability waiver – Angela Dillard

We currently have posted on the website Technical Bulletin (TB) 08-02 which has all the requirements for the travel card program for US Bank. There is a section in the TB that describes when an employee leaves State service; the agency needs to cancel the card. We just recently found out from US Bank that in addition to cancelling the card, the agency needs to inform the employee in writing that the card is being cancelled and that the employee is responsible for the remaining balance. Make sure you document this process and keep copies in case there are future issues. We will be updating the TB and including a template of the letter you can give the employee. In the mean time, please make sure that you are notifying your employees in writing of a card cancellation. Hopefully the TB will be updated in the next couple of weeks.

Q: So this is future?

A: You need to start doing this right away but prospectively. You do not need to go retroactive for someone that left six months ago. You will be contacted by US Bank if there are any issues with outstanding balances.

Q: So even though they sign the form we still need to do this?

A: That is a State form. This requirement is a US Bank requirement. It is employee liability on the card and we want to make sure it stays that way. We want to work with the employees and get them properly reimbursed so they can take care of payment on the card but they should not be using the card for anything inappropriate. They should be able to take care of that balance. You need to make sure the card is cancelled as soon as they leave. If there is a balance on the card, make sure you inform the employee that the balance is their responsibility.

Budget – Clark

Everyone has gone through a budget exercise recently. We have a budget but it is not finished yet. It seems to be a work in progress. If there is something we can do to assist you let us know. We can't solve everything but we can't help you if we don't know there are issues.

Q: Right now there is no timeline for reductions?

A: Whenever the Legislature passes the reductions. Right now there is a \$1.5 billion dollar gap in the budget that needs to be resolved. In the Legislation that was passed, there are cuts in the feed bill that some of the agencies have been able to make. Other cuts the agencies are still trying to identify, which programs, analyze the impact of the cut and their revenues. We would like to have the reductions entered into the system as soon as possible so you don't get into an overspend situation.

We will be posting this week or next week a reminder to submit your cash flow statements and General Fund appropriation projections monthly. This has not gone away from last year. These still need to be submitted to your OSPB analyst and the GAO. Be proactive. If you submit something that is not in line with what was previously submitted, for example a higher cash balance, but you have things that you still need to pay, make sure you are communicating.

The budget letter should be posted by tomorrow. It is later getting out this year being the way the budget process has turned out and also some of the instructions in the budget memo tie to the JLB C Appropriations Report. We did not know when or if we were going to receive an appropriations report. The ARRA deadline has also consumed some resource time. It is very similar to previous years. There are some things that are different, the allotment percentages for one. Make sure you review the memo.

Q: We have our recovery fund; it is in statute, money that is held in trust. Right now it is shows as a special fund so they see a big pot of money and they are treating it like a general fund and it is not. We are wondering what we can do to identify that this is a trust. It has already been swept and they are looking at sweeping it again.

A: We can inform people as to what things are but then decisions are made. Funds with federal participation have been swept so we owe the federal government money. We may run in to issues where agencies with federal funds try to make a draw and are denied because the federal government says you received the money. The State may have received the money, not necessarily your agency or program, but you still have to conduct the program in accordance with the award. It is hard for some agencies to understand that each agency is an agent for the State. The State is the legal entity that receives the awards and the funding. Please notify us if you have this situation with the federal government. Sometimes there are funds that the monies are set aside for a special purpose, but they are not a true trust, they are a perceived trust. For the funds that are perceived as a trust, the Legislature has the authority to sweep these funds.

Q: How do you go about moving the funds from a special fund to an actual trust?

A: For a formal trust, you would need to create a trust. Retirement for example is an actual trust relationship. The monies are legally set aside, not just by law but by a trust relationship and what they are limited to be used for. The Legislature would have to authorize the trust by law. You should defer to your legal counsel about how you would go about setting a trust up.

Q: Sweeps for 90/10 agencies, are they going to continue?

A: As the Legislature authorizes them, yes they will continue. You need to continue to pay attention and educate others as we go through the process. If you are swept based on an estimate of revenues, and due to the industry and/or economic times, your revenues do not come in as projected, you will be suffering an even bigger gap. That is why the cash flow and estimates of revenues and expenditures are such good tools to use. It will either validate you are where you should be, or shed the light on you are not. There still may be explanations that need to go along with your data.

The exercise that was conducted was that IF the State had a 15% to 20% reduction, what would happen. It may not be those percentages. It may be more or it may be less. The exercise was intended to inform people as to the consequences of those decisions.

Issues, Concerns, Questions?

We will probably be discussing transparency increasingly in the coming months. That project is picking up now that ARRA reporting is under way.

Q: A while back they were talking about the employee time entry. Where are we with that?

A: First they have to do the upgrade to HRIS. That project is scheduled to be completed around the first of the calendar year depending on resources. Then the ETE will be piloted and rolled out a few agencies at a time.

Q: We received some information regarding reporting on employees out with the flu.

A: Things are being looked at with the Attorney General's Office due to HIPPA. You should just hold off and wait to receive further word.

Future Agenda Items

Emphasis on Electronic ACH Payments

Travel & Expense Management Sub-System

Payroll Card

NSF & Favorable/ Unfavorable Deposits Cleanup Project

**Federal Funding Accountability and Transparency Act (FFATA)
State Transparency Project**

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

Meeting adjourned at 3:05 p.m.

The next meeting is scheduled for Tuesday, November 17, 2009, at 2:00 p.m. in the General Accounting Office.