

**Small & Medium Agency  
Chief Financial Officers Meeting Minutes**  
October 24, 2006

**PARTICIPANTS:**

Megan Darian, ADOA/SBO  
Biju Kamaleswaran, AGA  
Gloria Gonzales, AGA  
Debb Pearson, APA  
Julie McKnight, AUA  
Kim Smith, DJA  
Colleen McGee, ECA  
Christina Murphy, ECA  
Jeff Hessenius, GTA  
Tracy Schmidt, HDA  
Kenneth Bell, JCA  
Sharon Gulden, LDA  
Graham Bennett, LOA  
Evangeline Webster, MEA  
Beverly Alfson, OSA  
Richard Bichanich, PRA  
Tory Anderson, REA  
Charmayne Skow, SBA  
Don Bentley, SPA  
Becky Gomez, TEA  
Marcia West, TOA  
Clark Partridge, ADOA/GAO  
Mohammad Khaksari, ADOA/GAO  
Mike Smarik, ADOA/GAO  
Jan Sharon-Strieby, ADOA/GAO  
Angela Dillard, ADOA/GAO  
Larry Adams, ADOA/GAO  
Shannon Landis, ADOA/GAO  
Joanna Greenaway, ADOA/GAO  
Kjell Anderson, ADOA/GAO

***ITEMS COVERED***

*Clark Partridge – Welcome & Introductions*

**Department of Housing Agency Presentation – Tracy Schmidt**

Tracy Schmidt gave a wonderful presentation on the functionality of the Department of Housing. Tracy has been with the Department of Housing since it was established on October 1, 2002. The agency began with 38 employees and has grown to 72 employees. The Department of Housing is mostly federally funded and some of the programs it provides are as follows: community development block programs (CDBG), HOME investment partnership programs, HOPWA (which is Housing for Persons With

AIDS), special needs money (which is shelter plus care and supportive housing) to help prevent homelessness, and other special needs projects. They receive about \$12 million a year for CDBG and their HOME program receives about \$6 million a year. Their overall budget for the agency, with the federal grants and pass through funds, is about \$102 million dollars.

The Department of Housing is PCA driven using AFIS for their program budgeting. Their State funds are comprised of the State Housing Trust Fund which is funded by approximately 55% of unclaimed property funds distributed from the Department of Revenue, per statute. This is the main funding source for the financing that the Department of Housing provides. They provide gap financing for multi-family projects such as housing and apartment complexes through State and federal funds along with tax credit projects. They receive an allocation from the IRS. The department administers the tax credits and reviews, processes and underwrites applications and awards out tax credits for housing developments.

The Housing Trust Fund is used for gap financing, down payment and closing cost assistance for first time home buyers. They primarily focus on small communities and rural areas because some of the larger counties and municipalities already have housing authorities in place to help with funding. Tracy distributed the *Arizona Housing Market at a Glance* booklet which describes how the housing market is unaffordable to low income families.

The Arizona Housing Finance Authority was created by statute to allow bonding authority so they are able to issue bonds. Three series of mortgage revenue bonds are issued to help with down payment and closing cost assistant for first time home buyers in the rural communities that don't meet the federal program guidelines for median income. The Housing Department provides all the administrative support for the Finance Authority even though they are separate from the State. The Finance Authority receives a separate independent audit and is not part of the CAFR because of their bonding authority which is not a liability of the State.

The Housing Department is exempt from procurement. They have an operating budget of \$8.5 million dollars between the Finance Authority and their agency. The other \$94 million dollars is generally 'pass-through funds' from the federal government which is passed through to recipients. The Public Housing Authority Contract Administration Program has a contract with HUD to administer some of the voucher programs with the Section 8 apartment complexes. The majority of their 'pass through funds' from the HUD contract total about \$32 million. The Department of Housing spends a lot of their time reporting on Federal funds and ensuring compliance. Some of the funds distributed with the HOME and Housing Trust Funds are set up as long-term loans of 20 to 40 years and not grants. The Department of Housing accounting department is responsible for administering the loans, running amortization tables, processing invoices and aging reports on the loans. The loans they process eventually become grants.

### **Travel System**

The GAO is partnering with the Information Services Division of the ADOA to implement a web-based travel system. The system will be used to initiate travel requests and

reimbursements. Users will be able to obtain travel information online. After the preparation of the functional design documents, the information will be shared with the agencies to acquire additional recommendations or feedback on agencies' needs. After that has been completed, the programming will start. The first phase (which is the initial go live) should be around August of 2007, with other phases to follow. Eventually, the travel system should be interfaced with the travel card company. The new system should provide a better reporting structure for travel information. It should have workflows and electronic signatures integrated into its structure. The travel system will be accessible from a link on the Y.E.S. website. The new travel system database should be able to capture all aspects of travel and provide pre-packaged reporting. Agencies should be able to analyze and evaluate airfare, lodging, meals, mileage, and travel exceptions. The new system should have upfront controls to help resolve most of the travel problems before they happen. The travel policy should allow travelers to conduct the business of the State when necessary. However, it should also force employees to do so in an efficient and effective manner.

### **Travel Policy**

The GAO will be reviewing the travel policy to make appropriate changes as necessitated by the implementation of new travel system. The GAO requests input on travel issues or problems that agencies are experiencing to help make the travel policy more efficient and effective. During the policy review, considerations will be evaluated to ensure that the policy will be fair and equitable to the traveler as well as to the State. If you have information or issues concerning the travel policy, please contact Angela Dillard at [angela.dillard@azdoa.gov](mailto:angela.dillard@azdoa.gov).

### **Year End Payroll Meeting**

Mike Smarik informed the CFOs that there would be two sessions of the Calendar Year End Payroll Meeting held on November 29<sup>th</sup>. One session will be at 9:00 AM and the other one will be held at 1:30 PM in ADOA Suite 300 A, B and C located at 100 N. 15<sup>th</sup> Ave. A web story and agenda will be posted to the GAO website closer to the meeting date. It is recommended that all agency payroll staff attend one of the meetings held on November 29<sup>th</sup>.

\*\*An All State Agency memo was distributed yesterday, October 23, 2006, in reference to GAO Technical Bulletin No. 05-4 concerning compliance with IRS for Taxpayer Identification Numbers related to the processing of a handwrite for an employee death benefit. The form W-9 must be completed by the spouse or successor if either a GAO-36 A or B form is completed. The W-9 form must contain the Taxpayer Identification Number of the deceased's estate if a GAO-36 C form is completed. A 1099 will be issued to an individual, successor or estate that received the deceased's wages. The new process is effective immediately. A new Technical Bulletin (TB) will be issued which will supersede TB No. 05-4 to reflect this revision. The deceased Social Security Number will be changed to the new Taxpayer Identification Number for the payment. Once the payment is made, the Taxpayer Identification Number will be changed back to the deceased Social Security Number. This information will be covered in the Year End Payroll Meetings scheduled on November 29<sup>th</sup>. If you have any questions, please contact Mike Smarik at [mike.smarik@azdoa.gov](mailto:mike.smarik@azdoa.gov).

### **Internal Controls**

Internal controls have been tightening up in all organizations since the ENRON and WorldCom scandals. Sarbanes-Oxley Act of 2002 did not apply to non-profit organizations and government agencies. The PCAOB regulates the public side in connection to the Sarbanes-Oxley. The standards are changing. The AICPA has produced a Statement of Auditing Standards 112 (SAS 112) which changes the way that the auditors are required to look at State government's internal controls. The statement incorporates some of those concepts under Sarbanes-Oxley. The US Government Accountability Office (US GAO) has incorporated the same concepts into its Yellow Book audit which governs all entities that are receiving federal grants. One of the items is specifically an audit of internal controls. Those concepts are increasingly being applied to government. The awareness of the public and our governing officials has been changed and will continue to change. Previously, the audit reports (letters to management), from the Auditor General's Office, have been distributed to the agencies' management. The points for discussion will now be reported to the agency and the reportable conditions will now be material weaknesses. With the implementation of SAS 112, the audit reports could be escalated to those individuals responsible for the governments of the entity. The reports could be sent to the Governor, the President of the Senate, the Speaker of the House, and possibly the Joint Legislative Audit Committee. This could change the perceptions, the accountability, the follow-up, and types of questions received. Increasingly, certain standards and certain types of internal controls are expected to be maintained and considered for implementation. Overall, our internal controls could be improved. The GAO will be looking at models and tools for internal controls to help agencies ensure they have good internal controls. Currently there are statewide and agency level internal controls combined. Some agencies have limited ability to monitor specific internal controls. The GAO will be working with other states on best practices to incorporate them into internal controls. Sometimes the strongest internal control is the "tone from the top", the attitude of management.

### **AFIS Survey**

The GAO received some great suggestions, thoughts and ideas from the AFIS Survey on how we are conducting training and how we can improve on the understanding of AFIS. Some of the agencies have requested more instructor lead AFIS training classes and updating existing online training. The Arizona Government University (ASGU) will be offering classroom instruction for the AFIS Transaction Entry class on Thursday, November 30, 2006. If anyone is interested in registering for the class on November 30, please contact AZGU at (622) 771-2948. There is a prerequisite class (AFIS Overview/Concepts) required before this class can be taken.

### **Ethics**

A copy of The State of Arizona Code of Conduct was distributed to the meeting participants. The Code of Conduct can also be viewed on the GAO website under Technical Bulletin 00-3, Code of Conduct for State of Arizona Employees Engaged in Accounting, Financial and Budgeting Activities <http://www.gao.state.az.us/publications/tb/bulletins/tb003.pdf>. The Technical Bulletin was issued on April 3, 2000 and was developed by the GAO with assistance from agencies' CFOs. Clark wanted to reemphasize the Code of Conduct with the agencies. A website article on the Code of Conduct will be distributed for the agencies that were

unable to attend today's meeting. All agencies, by policy, are required to be subscribed to the GAO website.

### **Issues, Concerns, Questions**

\*\*Vendor class action suite - An agency questioned whether Clark knew anything about a class action suite in reference to vendors. Clark advised them to contact their Attorney General's Office's representative.

\*\*New purchase order system - Currently there is not a statewide purchasing system. Certain agencies utilize small purchase order systems. ADOA currently uses a small system to input requisitions and route them through an approval process but the system does not interface with SPIRIT or AFIS. ADOT and DES have full purchasing systems in place. A new purchasing system is included on the new budget request for the new financial system replacement.

\*\*Travel agency question – Clark did not know of any new efforts to provide a statewide travel agency contract. Agencies can utilize ADTRAV or any other travel agency.

\*\*Travel Card – The travel card is still being discussed with attorneys.

\*\*Same day meal – The same day meal allowance reimbursement method has not been resolved at this time. Basically, meals will be taxable on the same day, with no overnight stay. The meal allowance reimbursement will probably be paid through AFIS and reported on an employee's W-2. The new travel system should be able to help validate the coding on same day meal reimbursement. The GAO will give prior notice before it becomes effective.

### **Future Agenda Items**

**Agency Presentations (informal discussions)** – Clark requested that the CFO's share agency information with each other during the CFO meetings to create a more positive and dynamic environment. The presentations could be informal discussions on problem/issues or be more formal. An agency can share what their agency does or provide information on a successful best practice item.

#### **Payroll Card**

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

Meeting adjourned at 3:07 p.m.

The next meeting is scheduled for Tuesday, November 21, 2006 at 2:00 p.m. in the General Accounting Office.