

**Large Agency
Chief Financial Officers Meeting Minutes
November 24, 2009**

PARTICIPANTS:

Joe Whitmer, ADA/MSD
Todd Bright, DEA
Tim Newton, DEA
Karen Johnson, DEA
Li Li, DJA
Cheryl Bodmer, DTA
Mike Clark, EVA
John Moorman, HCA
John Lake, HSA
Ken Bell, JCA
Chuck LeBlanc, PSA
Syndia Reeder, WCA
Clark Partridge, ADA/GAO
Mike Smarik, ADA/GAO
Anita Kleinman, ADA/GAO
Angela Dillard, ADA/GAO
Shannon Landis, ADA/GAO
Jaimie Soulvie, ADA/GAO
Stu Wilbur, ADA/GAO
Tami Eckloff, ADA/GAO
Amy Aeppli, ADA/GAO
Suzanne Allen, ADA/GAO
Ron Santa Cruz, ADA/GAO

ITEMS COVERED

Clark Partridge – Welcome & Introductions

Payroll – Stu Wilbur

The Statewide Payroll Meeting was held yesterday.

For the December 31, 2009 payday, the official payday is Friday, which is the holiday. The payday will be on Thursday, December 31st. We could pay employees on the Monday after the holiday, but traditionally when the holiday is on Friday, we pay people on the day prior. We need to make sure pay is received in 2009 for tax withholdings. The direct deposit file will go out Wednesday morning, December 30th effective Thursday December 31st. All payroll warrants will be mailed from GAO on December 31st. We have about 2,500 warrants that will be mailed. On the November 20th, the December 4th and the December 18th warrants, there will be a message on the face of the warrant

for the employee to check to make sure their address is correct and if not, fix it in YES.

In addition, we will be communicating the cash pay card to employees, which will be another option for employees to receive their pay. We cannot mandate direct deposit or the pay card. By statute we still have to give the employee a warrant if they so choose.

Q: Is there anyone piloting the cash pay card?

A: Yes, three individuals in GAO. We have done deposits and reversals to it, just like any other bank account. An employee can go into any financial institution that is a VISA member bank and make a withdrawal for their full pay once each payday without incurring a fee. The card holder can also use the ATM machine in \$20 increments twice a pay period without a fee, but may be subject to the ATM maximum withdrawal limit. Bank of America is noticing the trend is for people to use it as a purchase card. The card holder goes to Wal-Mart, Target, etc. and uses it there and then gets cash back. There are also a lot of other banking options just like a regular bank account, wiring money, etc. If they lose the card, the employee contacts Bank of America and receives a new card in the mail in 2 or 3 days. Since the card number is different than the bank account number, just the card is shut down, not the entire account. The card is theirs to keep. If they go to another employer, the employer can still make the direct deposit to the account associated with the card.

Once we get the final approval for this program, we will be sending out flyers with the warrants announcing the program and the associated forms to sign up.

Q: Does the employee go and set up the bank account or do we assign the bank account?

A: The employee would send the form into their agency payroll office saying they want to sign up for the cash pay card. There are certain terms and conditions the employee needs to sign off on. The agency payroll office would then fax or email the form to the GAO Central Payroll office. GAO Central Payroll will log into Bank of America's tool to request the card. The card would then be mailed to the employee's home.

The employee needs to understand the terms and conditions. They also need to specify how much they want deposited to the card, their entire pay, or a certain amount. The pay card is open to employees on direct deposit also, not just those currently receiving warrants.

Q: Is this card something an employee could have a certain amount loaded on to send with a child going away to college?

A: No. The card is in the employee's name. You can't give the card to someone else. The employee could put their pay on the card and then wire funds to another account.

We have asked Bank of America about a "companion" card for a spouse, etc. One of their competitors has a "companion" card feature for their cash pay card. B of A has not yet gotten back to us with a response as to whether they will offer one for this program.

We are hoping this program will help those employees, which for whatever reason cannot open a bank account, avoid paying check cashing fees. Keep in mind this program is voluntary. If an employee still wants to receive a warrant each payday, they are welcome to do that. They need to understand they may start receiving their warrant later if GAO starts mailing warrants on pay day. If they want to receive their payroll more timely, there are opportunities for them to do that.

GAO-60's Payroll Certification Form

It was easier to collect the GAO-60's when all agencies were picking up direct deposits and warrants. Now that some agencies have no warrants to pick up and there are no direct deposits, we are having a hard time collecting the forms from the agencies. We are reviewing the process to see how we can still comply with the statute without having to collect the forms.

Thursday to Friday Payday

July 1, 2011 is a Friday. Currently Friday is the official payday but we pay employees on Thursday. If we pay employees on Thursday, June 30 there will be 27 paydays in fiscal year 2011. We are currently researching options including possibly moving the payday to Friday. We are trying to push the 27 paydays in a fiscal year to 2012. If we don't, we may be looking at another \$50 million in General Fund budget cuts. The State will have a hard enough time with the 27 paydays in 2012. We will probably want to make the move to the Friday payroll sooner rather than later. When we pay employees on Thursday, and the money actually moves on Thursday, the Treasurer has to cover those warrants on Friday. When we are issuing Treasurer's Warrant Notes (TWN), it becomes problematic. We are paying interest on that money over the weekend. If we had a Friday payday, they would cover the payroll on the next business day, which would be Monday or Tuesday if it is a Monday holiday.

Q: I assume an option is to keep it on Thursdays except for that one pay period?

A: That is an option. There are other issues. We have always paid payroll on Thursday so we have a day to recover. The problem is once we establish and always pay on Thursday, even though we always say payday is Friday, could it be held up in court that if you can't pay on Thursday, will we be held liable for

treble damages? If we want to maintain that time frame for disaster recovery for an extra day we really should be paying on payday, which is Friday.

We also understand the sensitivity of payroll. When minor changes are made, it affects a lot of people. Whenever we make a change we want to try to make it well in advance and make sure it is well communicated. This would also mean that if we don't pay employees until Friday, Deferred Compensation will not reflect a payment until Monday. Employees will lose the interest earnings over the weekend. Deferred Comp would get the money on Friday but they would not be able to invest it until Monday.

As of right now we are only planning on mailing out the December 31st payroll warrants from GAO. We have been discussing mailing future payroll warrants but no decision has been reached yet. One suggestion has been for the daily payroll handwrites, have them available at the GAO front desk for a limited amount of time during the day and then they are put in the U.S. Mail.

Federal Group Supervisor – Anita Kleinman

Anita introduced Suzanne Allen who is the new supervisor in the Federal Group. Celine Baker has moved to the Financial Accounting Group to help assist with the preparation of the Comprehensive Annual Financial Report (CAFR). Suzanne has been with GAO for about 5 years. Suzanne was a supervisor in the AFIS area and has now been working in Anita's group. Most recently she has been working on the Annual Financial Report (AFR). Suzanne is working with Amanda Bennett. Amanda is working part time helping out the Central Payroll Group. Please be patient as we work through learning curves and sharing resources.

Relief Bill – Anita Kleinman

We will be putting out a web story this week to remind agencies to get your invoices together for Relief Bill items. The bill will be presented to the Legislature in January in their regular session.

ARRA Update – Jaimie Soulvie

438 reports were submitted to the Federal government by the October 10th deadline. We appreciate all the help from the agencies. We are hoping the Federal government will make minimal changes to the reporting model for the next reporting period. They are supposed to be letting us know in the next week or so if there are any changes for the next reporting period. We will communicate any changes we receive. We anticipate changes for future quarters.

AFIS will be closing January 5th, which is a Tuesday instead of Friday the 8th to allow some extra time to make the ARRA reporting deadline for the next quarter.

The SWCAP 2009 Amendment has been approved for the .5%. It actually comes in just under .5%. The billings for the .5% will come out of the Governor's Office and will be sent to the CFO's.

Q: Will the grants that did not allow for the .5% be on the billing?

A: The billing is for all ARRA grant awards except for FMAP. Any other exceptions are on a case by case basis. The billing will be paid by the agency that receives the grant award directly from the Federal government, the prime recipient, and not any downstream agencies.

The State made the decision early on that the administrative cost would be capped at .5%. It is estimated we will recover about half of what could have been recovered, but we want as much of the dollars to go to the programs as possible. The priority for the administrative dollars will be the Governor's Office of Economic Recovery and the 1512 reporting costs on a statewide basis. There are then other priorities. The Auditor General's Office costs are one priority we are going to try to cover. If we can cover the Auditor General's costs for auditing ARRA dollars, then the agencies won't have to pay additional ARRA specific audit costs. At this point we can't tell you if there will be additional audit costs that the agencies will have to pay. The Auditor General's Office has not yet received all the audit requirements.

Q: Are you working with the Auditor General's Office on the front end to inform them to please track the ARRA specific auditing costs separately?

A: Yes. The Auditor General's Office is aware and will be tracking the ARRA costs separately. For those of you with outside auditors, you will need to work with your auditors to get them to track the ARRA costs separately. Will the bill for these costs be paid for out of the ARRA dollars? We don't know at this time. The costs will definitely not be paid for out of the ARRA administrative dollars if they are not tracked separately and cannot be verified. The money cannot be used for anything other than ARRA administrative costs, otherwise we will have to pay it back to the Federal government.

Another comment on the ARA reporting, the reports are due on the 10th of the month. It does not matter how many of these days are weekends or holidays, the report is still due on the 10th day. As in January, we may need to close AFIS earlier than originally planned. The AFIS close date for the calendar quarters may be adjusted to allow more time to make the ARRA reporting deadline.

Q: Will you be putting that message out on AFIS?

A: Yes, it will be well communicated. We already did a web story. We are planning to do an update for a reminder as the date gets closer.

There is a new comp object for the payment of the .5% cost. This will be in the cover memo with the billing.

We made the case to the Federal government that ARRA dollars should be paying for ARRA costs, not sticking these costs to the State with no place to pay them from. The Federal government agreed and we worked out a plan for the estimated costs to be paid up front. For equipment we have to depreciate it out over a three year period of time. We are still able to charge those depreciation costs up front then we will pull it into the Internal Service Fund and we will recognize those costs over a three year period of time. We have been working with different areas of the Federal government. We have been working with the Division of Cost Allocation. We have been working with the Office of Management and Budget (OMB). We have received approval for the Statewide Cost Allocation Plan (SWCAP) amendment from the Division of Cost Allocation. If your Federal Cognizant Agency gives you any problems over these issues, you need to let us know. There shouldn't be any issues. OMB is working on communicating with federal agencies but these are new things, new ways of handling federal grants.

Transparency Website – Clark

We have met with some of the large agencies concerning the Transparency Website project. We are continuing to move forward. If you have questions or issues, please let us know. Please be thinking about confidentiality. Look at the law. Be thinking of your agency's information. The law talks about payments to individuals. If the vendor is a sole proprietor, that does not exclude them from reporting. It is meant for individuals receiving assistance type of payments. When we are giving information for provider payments, it will not include which individuals the payment is for. We will not be going down to that level of detail.

Issues, Concerns, Questions?

With the new procurement and purchasing system being implemented, procureaz.gov, at the time one goes to order goods and services, we want to be able to create the encumbrance for you so you don't have to enter the purchase order and then enter an encumbrance. We want the purchase order information to automatically create the encumbrance. The down side is an encumbrance is not required for nonappropriated monies or purchases less than \$1,000. Even before this project, as monies started getting tight, we started talking about requiring an encumbrance for everything. We recently had an agency that over obligated it's nonappropriated funds and they were not able to pay for everything.

To have the system create encumbrances for some, but not for others, is going to be very difficult and costly to program. One option is to require encumbrances for everything and then the encumbrance is liquidated when you pay the bill in AFIS. It makes sense but we wanted to get your feedback to see if this would impose any type of issue for you.

Q: So were you planning on changing the edits in AFIS so that encumbrances would reserve cash also?

A: We would have to look at that. There is no cash edit on the General Fund for example so we couldn't have it check cash for everything. Sometimes for Federal funds the cash is not there when we create the encumbrance. There are other situations where transactions are timed for when the revenue comes in, the bills go out. Or the agency divests money to pay bills. The preliminary answer is probably not. But, you can get report from the system that will tell you how much has been encumbered so you can look at cash from the system and compare the two. You can get the information to make management decisions but to have an edit that will completely prevent an agency from overspending, that probably won't happen.

Q: How will it work with those agencies that encumber a full year under Federal and ISA agreements and the State side only has quarterly allotments. Are you going to release all the quarterly controls?

A: No. There is a way to do a work around in the purchasing system. We will have to work through it.

Q: I think one of the things he is talking about is the indicator on the appropriation that allows them to encumber for the whole year in AFIS.

A: Correct. We have that right now.

Q: But their agency doesn't. There is a work around in the purchasing system that might work.

A: Correct. We'll have to see. There are some agencies that may be able to do it and others that can't. It may even be how the Legislature appropriates some of the dollars. If things get too tight, it may not work. When there are lump sums, there is more flexibility.

Q: You have opened this up for us to think about. What is the next step? Are we going to discuss further at the next meeting?

A: Think about it. You can convey your thoughts to Angela and then we can sit down and talk about it.

This is our last meeting until January. If we need to meet with you on some of these issues, we'll be in touch.

Have a Happy Holiday Season!

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, January 26, 2010, at 2:00 p.m. in the General Accounting Office.