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MEMORANDUM

TO: All Agency Heads

FROM: William Bell, Director ADOA

DATE: November 16, 2007

SUBJECT: Statewide Travel Policy and Travel Claim Processing Changes

An audit was conducted last year by the Internal Revenue Service (IRS) in which the State of Arizona was found to be in violation of IRS regulations related to certain travel reimbursements to employees. Specifically, the State was not treating reimbursements for meal expenses, when there was no overnight stay, as taxable wages. The State reached an agreement with the IRS which requires the State to treat such payments as taxable income effective January 1, 2008.

To accommodate this change in process, the General Accounting Office (GAO) will be working with the Human Resources Information Solutions team (HRIS) to implement a new process for paying travel reimbursments through the payroll system (allowing for appropriate taxes to be withheld).

It is critical that this new process be implemented by January 1, 2008. To meet this goal, the GAO will be calling on staff in your agency to assist in collecting data, completing training and implementing changes to the processing of Statewide Travel Claims. While this task has begun, we are asking that you ensure that adequate Accounting, Payroll and Information Technology (IT) resources be available to assist in this project.

The GAO will also be issuing updates to the Statewide Travel Policy, along with a summary of the changes and clarifications, later this month. Agencies should be prepared to communicate these changes to current employees traveling on State related business.

Thank you for your support in this important transition. Should you have an immediate concern or questions regarding this upcoming change, please contact the Deputy State Comptroller, Mike Smarik at 602-542-1674.

cc: Agency CFOs
    Agency HR Managers
    Agency Payroll Coordinators