



# AGENCY CFO MEETING

March 15, 2011



State Accounting Office  
of Georgia

Fiscal Leadership for Georgia

# Agenda

- ✓ Financial Reporting
- ✓ ARRA
- ✓ WCO – AP Transformation
- ✓ Travel Project
- ✓ 3% Rule
- ✓ Questions





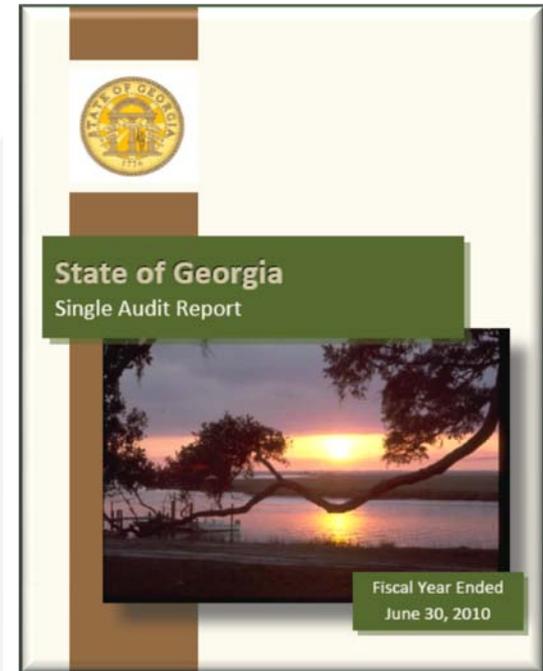
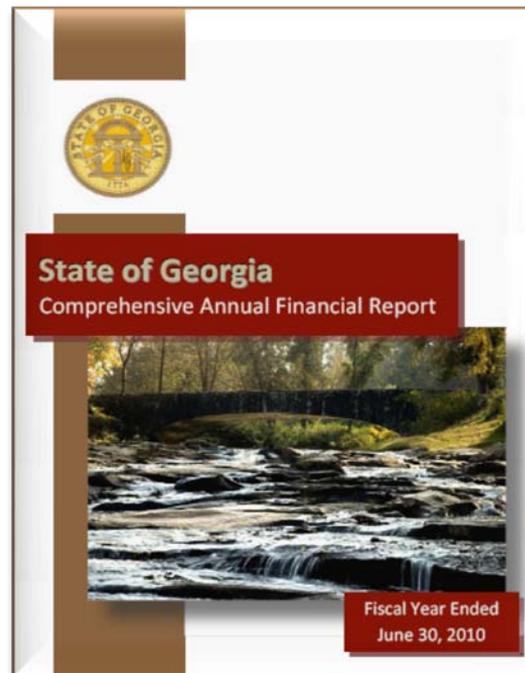
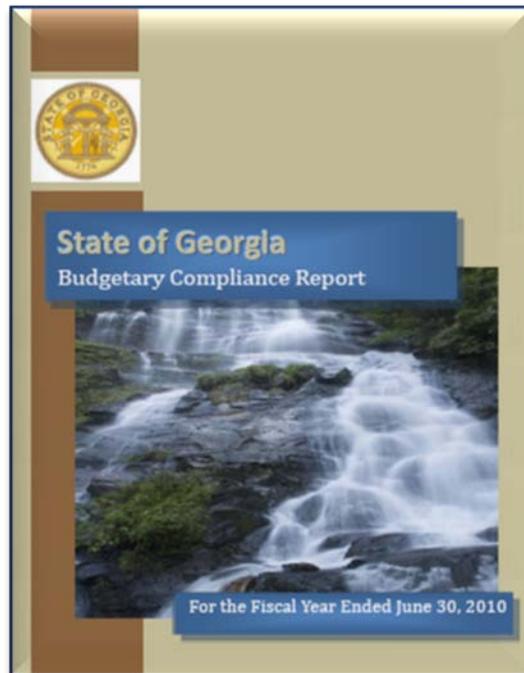
# FINANCIAL REPORTING UPDATE



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# Financial Reporting

- ✓ ALL Statewide Reporting for FY 2010 is done!
  - ❑ Thanks for your help.
  - ❑ See SAO website for copy



## Financial Reporting Update

- ✓ FY2011 BCR & CAFR
  - ❑ Faster CAFR project
  - ❑ The Fund Balance Reconciliations
    - Provided to agencies and one of the steps we are taking now to ensure a smoother production of the FB form for FY2011
  - ❑ No major changes anticipated to the BCR format for FY2011
    - No major changes to BCR criteria....will be discussing budgetary rules with OPB and DOAA as well as agencies if changes are identified
  - ❑ No significant change to the forms deadlines at this time
    - Due dates for forms will be posted within the next week



## Financial Reporting Update

- ✓ A review of journal entries processed revealed the following:

Type AJE	Budget Fund	EW Fund	Gen Fund	Other Funds	Grand Total
Entity Wide Conversion		86			86
General Fund Conversion			154		154
ISF Entries				118	118
PCA	124		1	5	130
<b>Tie Out Beg FB</b>	<b>242</b>		<b>51</b>	<b>93</b>	<b>386</b>
Other (Ending FB, Timing, Other Funds, etc.)	65		3	136	204
<b>Included/ Excluded/ Reclassifications</b>	<b>154</b>	<b>14</b>	<b>192</b>	<b>411</b>	<b>771</b>
Audit Entries	91		1		92
<b>Grand Total</b>	<b>676</b>	<b>100</b>	<b>402</b>	<b>763</b>	<b>1,941</b>



## Financial Reporting Update

- ✓ Accounting Directive on use of Fund Balance Accounts – Issued 3/4/2011
  - ❑ Directive is integral part of us meeting our objective to speed up production of the BCR
  - ❑ Any questions can be sent directly to Kris Martins ([kmartins@sao.ga.gov](mailto:kmartins@sao.ga.gov)) or to your SWAR partner
- ✓ Upcoming request for data on Funding Sources
  - ❑ Sent a list of funding sources (3/21). Need agencies to:
    - Confirm CFDA #
    - Populate information on “common” funding source (we will provide them with the common list from which to choose)
    - Select the appropriate GASB54 category (for applicable agencies)





# ARRA AND SWSA UPDATE



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# Financial Statements Findings

<b>FINDING CATEGORY</b>	<b><i>Grand Total</i></b>
<b>Expenses, Expenditures and Liabilities</b>	24
<b>Budgetary Compliance</b>	23
<b>General Ledger</b>	23
<b>Revenues, Receipts and Receivables</b>	11
<b>Capital Asset</b>	10
<b>Cash and Cash Equivalents</b>	10
<b>Financial Reporting and Disclosure</b>	10
<b>Accounting Controls (Overall)</b>	8
<b>Employee Compensation</b>	3
<b>TOTAL*</b>	<b>122</b>

\*Some findings contain multiple categories (93 findings with 29 additional categories).



# Federal Award Findings

<b>FINDING CATEGORY</b>	<i>Grand Total</i>
<b>Reporting</b>	18
<b>Special Tests and Provisions</b>	11
<b>Matching, Level of Effort, Earmarking</b>	9
<b>Allowable Costs/Cost Principles</b>	7
<b>Sub-recipient Monitoring</b>	6
<b>Cash Management</b>	5
<b>Eligibility</b>	5
<b>Activities Allowed or Un-allowed</b>	4
<b>Accounting Controls (Overall)</b>	4
<b>Equipment and Real Property Mgt</b>	2
<b>Period of Availability of Federal Funds</b>	2
<b>Program Income</b>	1
<b>TOTAL*</b>	<b>75</b>

\*Some findings contain multiple categories (67 findings with 8 additional categories).

## ARRA April 2011 Reporting Timeline

- ✓ April 1-10 Initial Submission Period
- ✓ April 11- 14 Extended Submission Period
- ✓ April 15 Prime Recipient Review
- ✓ April 16-29 Agency Review Period
- ✓ April 30 Published on Recovery.Gov





# WORKING CAPITAL OPTIMIZATION



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## Vendor ACH Conversion

- ✓ Vendor Conversion Kick-off Meeting
  - ❑ Held March 7, 2011
- ✓ Agenda of meeting was:
  - ❑ WCO Background
  - ❑ Vendor Conversion Overview/Objective
  - ❑ Vendor Conversion Efforts
  - ❑ Wrap up - Questions



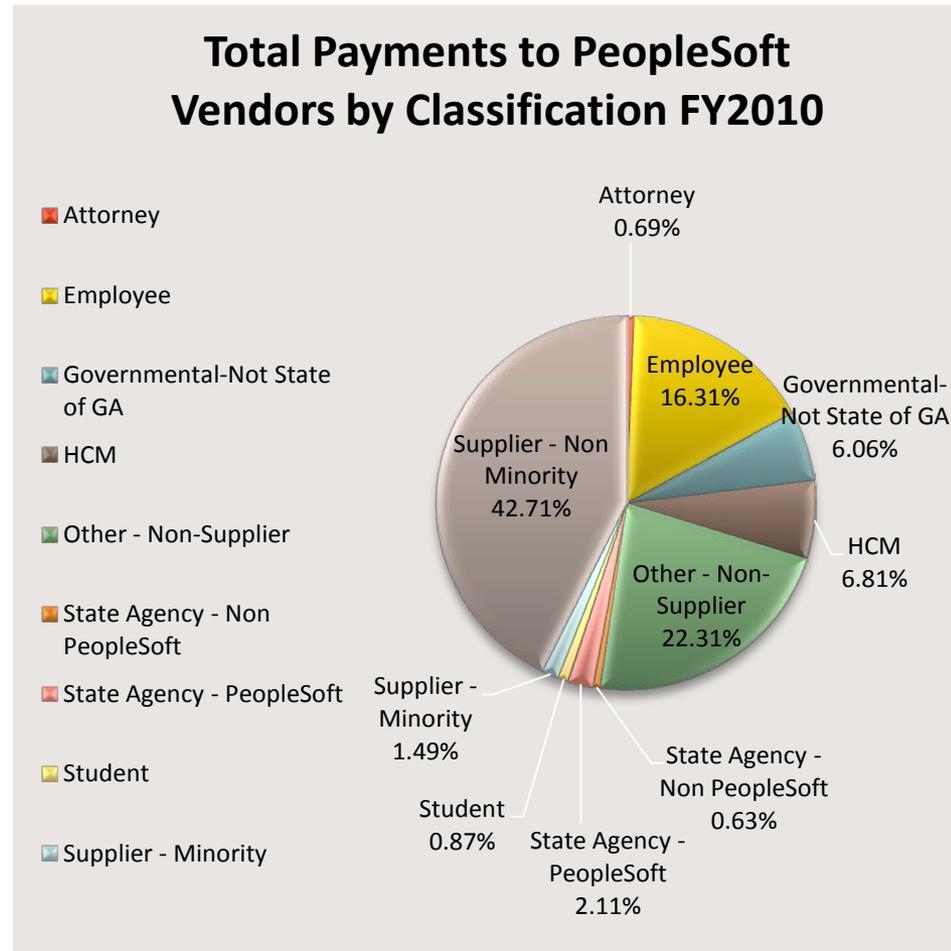
# WCO Workstreams

Cash	Cost	Service
<p><b>Extend Payment Terms</b></p> <ul style="list-style-type: none"> <li>Segmented vendor focus</li> <li>Consider move from Net 30 to Net 45</li> <li>Quarterly reporting</li> </ul>	<p><b>Reduce Transaction Cost</b></p> <ul style="list-style-type: none"> <li>Convert checks to electronic forms of payments</li> <li>Minimize document handling, processing, and audit costs</li> </ul>	<p><b>Exploit Technology</b></p> <ul style="list-style-type: none"> <li>To enable reduced document handling (imaging, workflow, p-card, and e-purchasing)</li> </ul>
<p><b>Change Payment Clock</b></p> <ul style="list-style-type: none"> <li>Move from invoice date to later of receipt of invoice or goods</li> <li>Reinforce recording of correct date in accounting system</li> </ul>	<p><b>Recover Lost Costs</b></p> <ul style="list-style-type: none"> <li>Implement recovery process</li> <li>Identify duplicate and erroneous payments and contract performance violations</li> </ul>	<p><b>Reduce Discrepancies</b></p> <ul style="list-style-type: none"> <li>Discrepancies can be eliminated by effective dispute management - identify and solve</li> </ul>
<p><b>Prevent Early Payments</b></p> <ul style="list-style-type: none"> <li>Eliminate early payments without payment discount</li> <li>Quarterly reporting to monitor numbers of days to pay vendors</li> </ul>	<p><b>Maximize discounts</b></p> <ul style="list-style-type: none"> <li>Negotiate payment discounts</li> <li>Implement dynamic discounting process to earn discounts even when not negotiated.</li> </ul>	<p><b>Create Scalability</b></p> <ul style="list-style-type: none"> <li>This can be attained by structural change such as Shared Services</li> </ul>



# Efforts to Date – Vendor Conversion

- ✓ Data Analysis
  - ❑ Centralized vendor master file
  - ❑ Approximately **590,000** payments processed in FY10
  - ❑ Approximately **76,000** vendors paid FY10
  - ❑ 10 vendor classifications



## Efforts to Date – Vendor Conversion

- ✓ Vendor Segmentation
  - ❑ Regular Vendors
    - Other, Supplier Minority, and Supplier Non Minority
    - 46,000 vendors
    - 395,000 payments
    - Not statewide contract
  - ❑ Employees
  - ❑ State Agencies
  - ❑ Statewide Contracts – DOAS collaboration



## Efforts to Date – Vendor Conversion

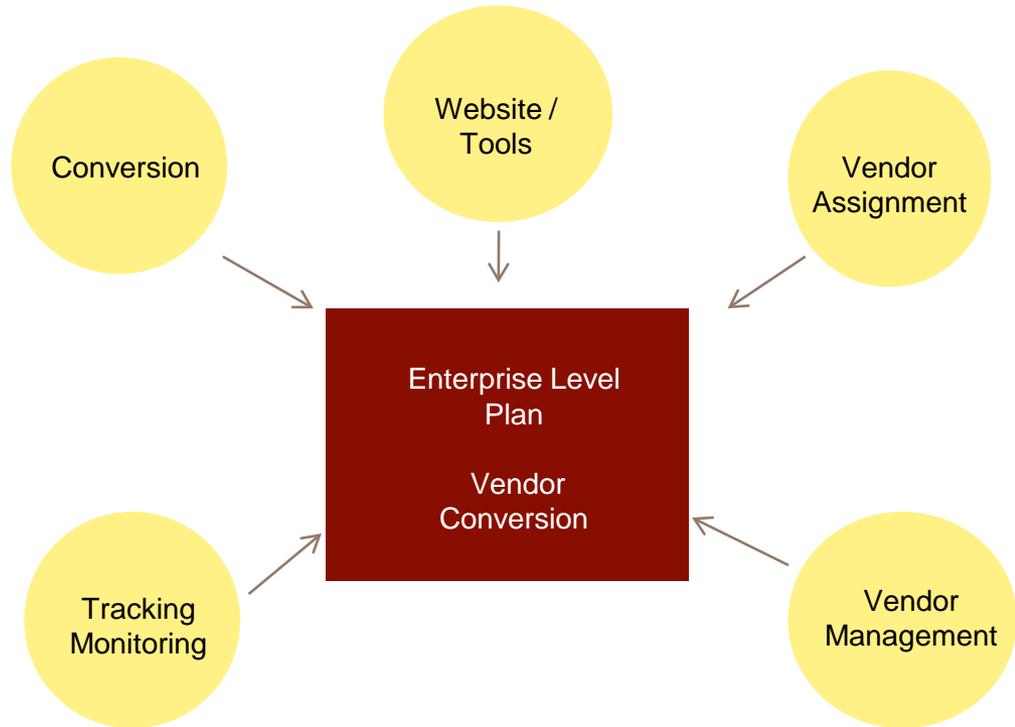
- ✓ Focus Group
  - ❑ Comprised of agencies
    - Series of meetings (Sept-Feb 2010)
    - DOC,DJJ, Forestry, DBF,DECAL,DPS,SOS,DHS
    - **Very thankful for agency participation in project!!! Can not do this without you!**
  - ❑ Conversion Defined
    - “ACH PRIMARY”
    - Default Payment Method
  - ❑ Vendor maintenance procedures
  - ❑ Vendor assignment
  - ❑ Roles & Responsibilities



# Conversion Areas of Focus

## ✓ Overall Methodology

- ❑ Focus on Suppliers and Other
- ❑ 30 payments or more annually
  - 130,000 payments
  - 1,400 vendors
- ❑ Groupings
  - Top 900
  - SAO
  - Statewide Contracts
  - All other



## Tools and Assistance

- ✓ Website – [sao.georgia.gov](http://sao.georgia.gov)
  - ❑ Conversion Flow Chart
  - ❑ Template Letter
  - ❑ ACH Enabled/Converted Query/Report
  - ❑ Bank Account Form
  - ❑ Supply Portal Training
  - ❑ FAQs



# Progress Reporting

- ✓ CHK and EFT payments by vendor class
  - Allows SAO to show how well the state overall doing converting to ACH

2009				2010				2011 - 11/10/10			
Vendor Class		Payments	Percent	Vendor Class		Payments	Percent	Vendor Class		Payments	Percent
CHK	HCM	38,876	95.99	CHK	HCM	38,454	94.91	CHK	HCM	6,883	93.51
CHK	Student	4,984	99.22	CHK	Student	5,199	99.98	CHK	Student	1,141	100.00
CHK	Attorney	3,921	97.34	CHK	Attorney	3,907	95.43	CHK	Attorney	770	93.45
CHK	Employee	63,653	61.55	CHK	Employee	58,100	59.91	CHK	Employee	10,078	51.44
CHK	Supplier - Minority	7,284	78.51	CHK	Supplier - Minority	6,672	75.39	CHK	Supplier - Minority	1,323	70.56
CHK	Other - Non-Supplier	113,963	85.29	CHK	Other - Non-Supplier	112,142	84.51	CHK	Other - Non-Supplier	18,921	79.89
CHK	Supplier - Non Minority	249,991	91.80	CHK	Supplier - Non Minority	229,811	90.48	CHK	Supplier - Non Minority	43,940	88.53
CHK	State Agency - PeopleSoft	11,929	87.91	CHK	State Agency - PeopleSoft	11,092	88.47	CHK	State Agency - PeopleSoft	1,965	82.60
CHK	Governmental-Not State of GA	22,528	61.02	CHK	Governmental-Not State of GA	20,580	57.14	CHK	Governmental-Not State of GA	4,405	54.87
CHK	State Agency - Non PeopleSoft	3,386	90.80	CHK	State Agency - Non PeopleSoft	3,163	84.08	CHK	State Agency - Non PeopleSoft	532	76.11
<b>Total CHK Payments for 2009</b>		<b>520,515</b>		<b>Total CHK Payments for 2010</b>		<b>489,120</b>		<b>Total CHK Payments for 2011</b>		<b>90,749</b>	
<b>Percentage of Total Payments by CHK</b>			<b>83.63</b>	<b>Percentage of Total Payments by CHK</b>			<b>82.26</b>	<b>Percentage of Total Payments by CHK</b>			<b>78.76</b>
Vendor Class		Payments	Percent	Vendor Class		Payments	Percent	Vendor Class		Payments	Percent
EFT	HCM	1,622	4.01	EFT	HCM	2,062	5.09	EFT/ACH	HCM	478	6.49
EFT	Student	39	0.78	EFT	Student	1	0.02	EFT/ACH			
EFT	Attorney	107	2.66	EFT	Attorney	187	4.57	EFT/ACH	Attorney	54	4.73
EFT	Employee	39,771	38.45	EFT	Employee	38,871	40.09	EFT/ACH	Employee	9,513	48.56
EFT	Supplier - Minority	1,994	21.49	EFT	Supplier - Minority	2,178	24.61	EFT/ACH	Supplier - Minority	552	29.44
EFT	Other - Non-Supplier	19,663	14.71	EFT	Other - Non-Supplier	20,557	15.49	EFT/ACH	Other - Non-Supplier	4,762	20.11
EFT	Supplier - Non Minority	22,335	8.20	EFT	Supplier - Non Minority	24,166	9.52	EFT/ACH	Supplier - Non Minority	5,695	11.47
EFT	State Agency - PeopleSoft	1,641	12.09	EFT	State Agency - PeopleSoft	1,445	11.53	EFT/ACH	State Agency - PeopleSoft	414	17.40
EFT	Governmental-Not State of GA	14,389	38.98	EFT	Governmental-Not State of GA	15,438	42.86	EFT/ACH	Governmental-Not State of GA	3,623	45.13
EFT	State Agency - Non PeopleSoft	343	9.20	EFT	State Agency - Non PeopleSoft	599	15.92	EFT/ACH	State Agency - Non PeopleSoft	167	23.89
<b>Total EFT Payments for 2009</b>		<b>101,904</b>		<b>Total EFT Payments for 2010</b>		<b>105,504</b>		<b>Total EFT Payments for 2011</b>		<b>25,258</b>	
<b>Percentage of Total Payments by EFT</b>			<b>16.37</b>	<b>Percentage of Total Payments by EFT</b>			<b>17.74</b>	<b>Percentage of Total Payments by EFT</b>			<b>21.92</b>
<b>Total Payments for 2009</b>		<b>622,419</b>		<b>Total Payments for 2010</b>		<b>594,624</b>		<b>Total Payments for 2011 - 11/11</b>		<b>115,216</b>	

- ✓ % of payments by type and BU
  - Will allow us to demonstrate how successful your agency has been in conversion process.

Bus Unit	Method	% of Payments for 3 years		
		2009	2010	2011
26000	CHK	100.00	100.00	100.00
36000	CHK	96.38	97.68	96.68
36000	ACH	3.62	2.32	3.32
40200	CHK	100.00	100.00	100.00
40800	CHK	43.93	55.13	59.00
40800	ACH	56.07	44.87	41.00
	EFT			
40900	CHK	68.33	66.75	57.46
40900	ACH	31.67	33.25	42.54
41100	CHK	98.12	97.31	96.01
41100	ACH	1.88	2.69	3.99
41400	CHK	67.65	65.34	44.08
41400	ACH	32.35	34.66	55.92
	EFT			
41500	CHK	97.34	91.86	88.16
41500	ACH	2.66	8.14	11.84
	EFT			
41800	CHK	86.84	86.92	84.54
41800	ACH	13.16	13.08	15.46





# TRAVEL PROJECT UPDATE



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## Travel Project

- ✓ Concur Software Suite
- ✓ Travel Management Company
- ✓ Online booking and expense reporting tools
- ✓ Travel Policy revisions
  - Mileage rate change memo





# 3% PROJECT UPDATE



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## 3% Rule

- ✓ **IRS SECTION 3402(t)**
  - ❑ **Generally requires 3% withholding on payments for property and services over \$10,000**
    - Invoice for \$10,000
    - Vendor paid \$9,700 by agency
    - IRS paid \$300 by agency
    - Vendor paid in full
  - ❑ Applies to payments made after December 31, 2011
  - ❑ Applies to state governments and all subdivisions or instrumentalities of state government
  - ❑ Withholding required at the time of payment
- ✓ **FAILURE TO WITHHOLD**
  - ❑ Government becomes liable for the tax.



## Update on 3%....

- ✓ Debate in D.C. whether law will be repealed.
  - ❑ Updated during NASACT Conference and periodic NASACT task Force calls
  - ❑ No firm conclusion so many states are proceeding with implementation plans.
  
- ✓ Communication to agencies on Wednesday.
  - ❑ Introduction to law
  - ❑ Announcement of plans for implementation team
  - ❑ Coordination with DOAS, APOs at agencies, and SAO will be important
  - ❑ Some states have added as many as 3-4 FTEs to implement law.





# COMMUNICATIONS



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## Communications

- ✓ 2/21/2011 - Document Direct Suppress Follow Up
- ✓ 2/28/2011 – Vendor Group Update
- ✓ 3/2/2011 - Shared Services Assessment Project
- ✓ 3/4/2011 - WCO Update Memo
- ✓ 3/4/2011 - Accounting Directive (AD 201101 Fund Balance Accounts)
  
- ✓ 3% launch communication is going out tomorrow
- ✓ PS close dates will be on the on the website by COB



