

State of Alaska FY2009 Governor's Operating Budget

Department of Administration Finance Component Budget Summary

Component: Finance

Contribution to Department's Mission

The Division of Finance provides accounting and payroll services for state government.

Core Services

- General ledger accounting including budgets and vendor payments for all three branches of government.
- Payroll processing and accounting for all three branches of government.
- Comprehensive Annual Financial Report (CAFR) and other statewide reporting responsibilities, including oversight of state single audit requirements.
- Electronic commerce services including electronic vendor payments and the One Card Alaska credit card program.
- User documentation and information technology to support all services.

End Result	Strategies to Achieve End Result
<p>A: State payroll processing is accurate and timely.</p> <p><u>Target #1:</u> 100% of payroll transactions are processed without penalty pay caused by central processing problems.</p> <p><u>Measure #1:</u> Percentage of payroll expenditures processed without penalty pay caused by central processing problems.</p> <p><u>Target #2:</u> Maintain unscheduled downtime of the statewide payroll system (AKPAY) at less than 0.5%.</p> <p><u>Measure #2:</u> Unscheduled down time of AKPAY as a percentage of scheduled availability (currently approximately 4,000 hours per year).</p>	
End Result	Strategies to Achieve End Result
<p>B: Vendors and grantees are paid timely.</p> <p><u>Target #1:</u> Increase number of EDI payments by 5% per year.</p> <p><u>Measure #1:</u> Increase in dollars paid via EDI in current year divided by dollars paid in prior year.</p>	<p>B1: Increase number of EDI (electronic data interchange) vendors.</p> <p><u>Target #1:</u> 10% increase in the number of EDI (electronic data interchange) vendors.</p> <p><u>Measure #1:</u> % increase in the number of Electronic Data Interchange (EDI) vendors.</p>
End Result	Strategies to Achieve End Result
<p>C: Improved efficiency of credit card program for state agencies.</p> <p><u>Target #1:</u> Increase rebate on credit card program by 20% per year.</p> <p><u>Measure #1:</u> Percent increase over prior year credit card rebate.</p>	
End Result	Strategies to Achieve End Result

D: Receive GFOA Certificate of Achievement for Excellence in Financial Reporting annually on audited CAFR.

Target #1: Beginning with FY 2003 CAFR, receive certificate annually.

Measure #1: GFOA certificate

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$8,161,400

Personnel:

Full time	52
Part time	0
Total	52

Performance Measure Detail

A: Result - State payroll processing is accurate and timely.

Target #1: 100% of payroll transactions are processed without penalty pay caused by central processing problems.

Measure #1: Percentage of payroll expenditures processed without penalty pay caused by central processing problems.

% of payroll expenditures processed without penalty pay caused by central processing problems.

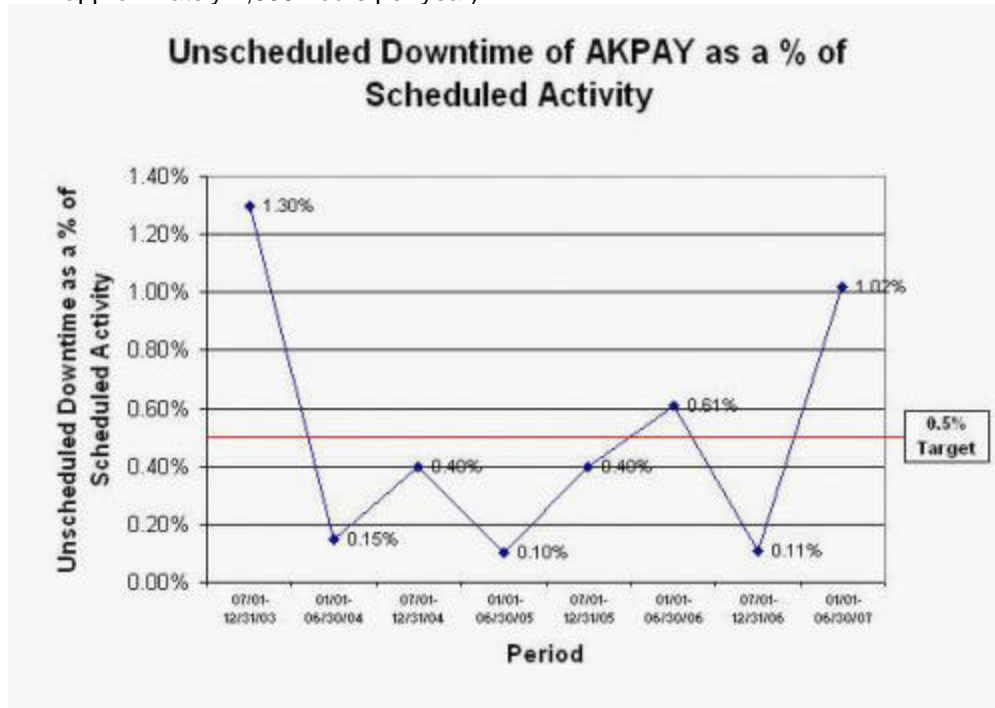
Year	YTD
FY 2004	100.0%
FY 2005	100.0%
FY 2006	100.0%
FY 2007	100.0%

Data provided on an annual basis.

Analysis of results and challenges: This measure has historically been met without exception, however retaining the measure is important because it measures the state's ability to get out the payroll timely. This effort requires consistent operation of an aging payroll system. Another aspect of the importance of this measure is the magnitude of loss should a payroll system failure occur. Penalty pay alone could be as much as \$500,000 per day.

Target #2: Maintain unscheduled downtime of the statewide payroll system (AKPAY) at less than 0.5%.

Measure #2: Unscheduled down time of AKPAY as a percentage of scheduled availability (currently approximately 4,000 hours per year).



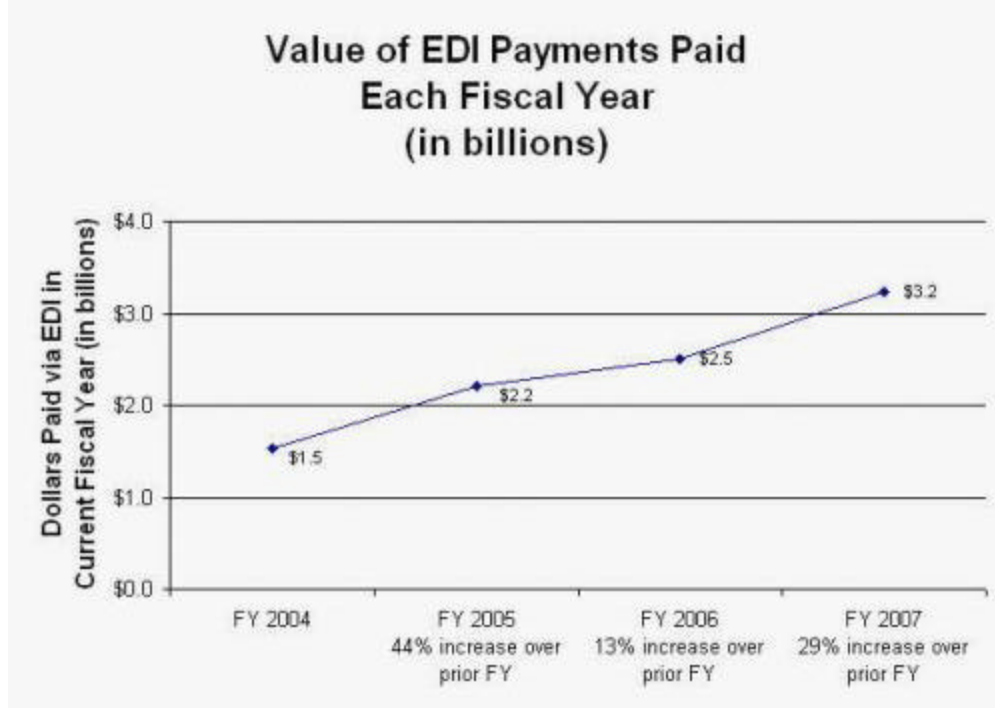
Analysis of results and challenges: *Data provided on a semi-annual basis.

Unscheduled downtime is a measure of the stability of the statewide payroll system. The system must be up for data to be entered for payroll processing.

B: Result - Vendors and grantees are paid timely.

Target #1: Increase number of EDI payments by 5% per year.

Measure #1: Increase in dollars paid via EDI in current year divided by dollars paid in prior year.



Analysis of results and challenges: * Data provided on an annual basis.

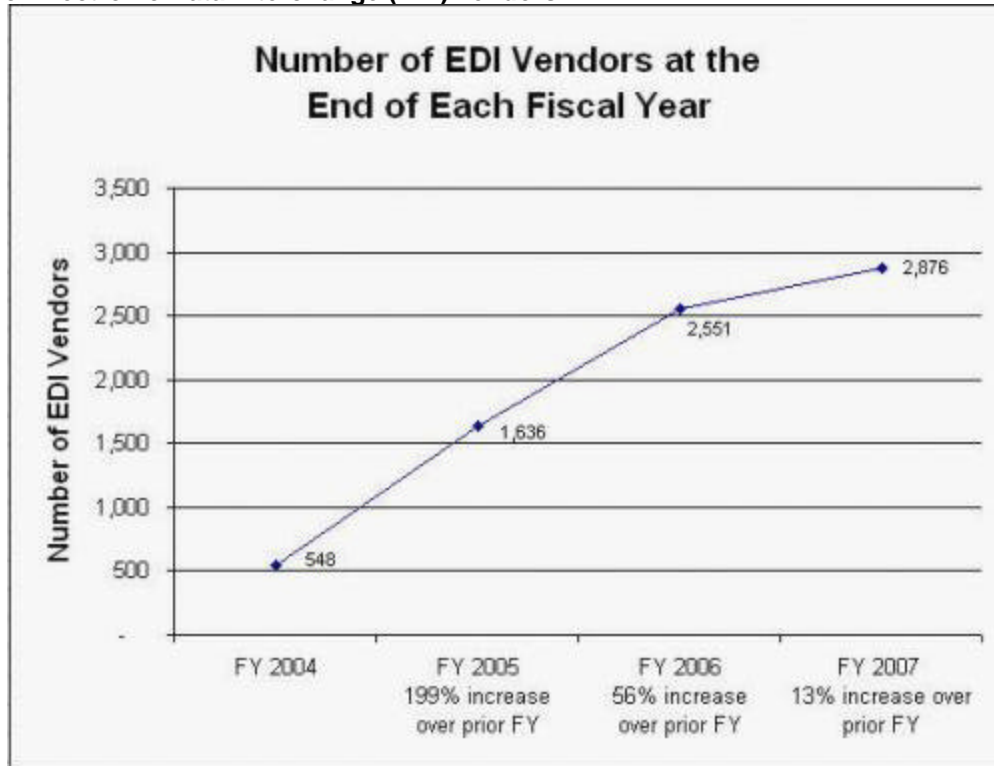
The number of EDI payments has increased annually since this measure was instituted. Efforts continue to add vendors and grantees to the electronic payment process. The division is currently working on a new infrastructure to allow vendors to research their payment information over the web and plans to have the system in place by June 2008. Electronic payments are a faster and more secure way to get payments out.

B1: Strategy - Increase number of EDI (electronic data interchange) vendors.

Target #1: 10% increase in the number of EDI (electronic data interchange) vendors.

Measure #1: % increase in the number of Electronic Data Interchange (EDI) vendors.

% increase of Electronic Data Interchange (EDI) vendors.



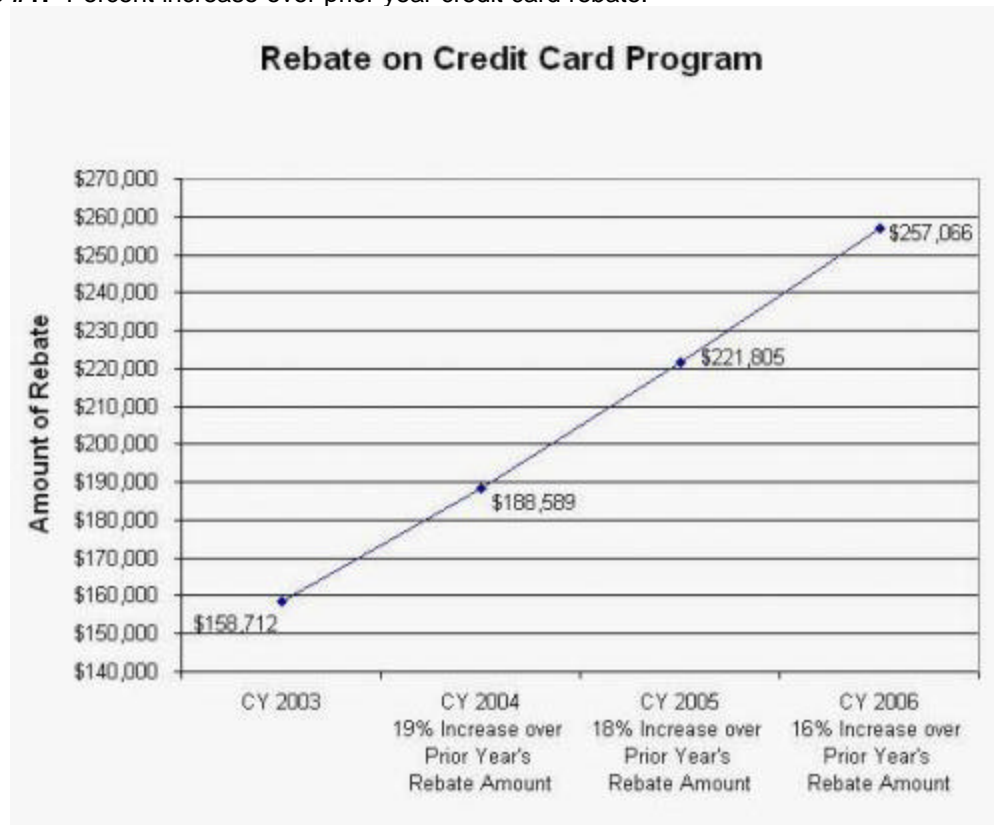
Analysis of results and challenges: * Data provided on annual basis.

The dramatic increase in Electronic Data Interchange (EDI) vendors during fiscal year 2005 stems from HB 494, the electronic payments legislation passed during the 2004 legislative session. We continue to add electronic capability to vendors at an accelerated pace. The success of this effort requires a willingness on the part of vendors to switch to electronic payments.

C: Result - Improved efficiency of credit card program for state agencies.

Target #1: Increase rebate on credit card program by 20% per year.

Measure #1: Percent increase over prior year credit card rebate.



Analysis of results and challenges: * Data provided on annual basis.

The credit card rebate has grown each year under the state's contract with First National Bank Alaska. The current contract ends December 31, 2007. The department issued RFP 2008-0200-7038 for One Card for Purchasing, Travel, Fleet, and Related Card Services on May 7, 2007 and is currently negotiating a contract.

D: Result - Receive GFOA Certificate of Achievement for Excellence in Financial Reporting annually on audited CAFR.

Target #1: Beginning with FY 2003 CAFR, receive certificate annually.

Measure #1: GFOA certificate

Analysis of results and challenges: The state has received the GFOA certificate on the audited CAFR each year since FY 2003. This is a significant accomplishment, beginning with the state's first unqualified audit opinion on the FY 2002 financial statements. The GFOA certificate is a prestigious national award, recognizing conformance with the highest standards for preparation of government financial reports.

Key Component Challenges

- Adequate staffing – The Division of Finance is comprised primarily of information technology and accounting professionals. Attracting and retaining these individuals has been challenging for years. However the imminent retirement of senior staff members, combined with the difficulty in recruiting new employees make this a crucial challenge to the division. The division is engaged in workforce planning and organizational redesign to help address this challenge.

- Aging technology – Statewide accounting, payroll, and human resources systems are built with technology that is no longer taught in most colleges. With age, they are becoming more difficult to maintain. The initial effort to procure a replacement for the statewide payroll system failed due to inadequate budget and higher than expected bids. The state is now faced with decisions as to how to proceed with the necessary replacement efforts, and securing adequate funding to implement these decisions. The division is implementing new reporting functionality for data from these existing legacy systems. This new “data warehouse” will provide for conversion of legacy data into a reporting database which will greatly simplify subsequent replacement efforts for these legacy systems.

- Expanding electronic payments – The 23rd Legislature passed HB 494 in 2004 which required the state to move payments to electronic methods. Regulations are now in place. The division is implementing new infrastructure to allow vendors to research their payment information over the web by June 2008. This is part of the Governor's efforts to increase public access to government.

- Continued improvement of training and documentation – The systems and policies for which we are responsible change constantly and new users are added every day. Keeping the training sessions and documentation current requires substantial effort.

Significant Changes in Results to be Delivered in FY2009

The division will continue to expand direct deposit and electronic payments consistent with the intent of AS 37.25.050.

Management of ALDER, Alaska Data Enterprise Reporting, the state's first enterprise data warehouse will move from development to production. It will provide secure access for state employees to our financial, payroll, and human resource information. Additionally ALDER will be used to publish public information about state expenditures on the web.

The legacy statewide systems for accounting, payroll, and human resources need to be replaced. This effort will take center stage once executive decisions are made on how to proceed.

Major Component Accomplishments in 2007

Completed the first comprehensive record retention schedule for the division. This retention schedule replaces several piecemeal schedules and covers all statewide electronic and paper records maintained by the division.

Updated the 2003 business case for replacing statewide administrative systems. This business case frames the executive decisions necessary to move ahead with this substantial retooling of state administrative infrastructure.

Updated all certifying and appointing authorities pursuant to the gubernatorial transition. Enhanced security measures for granting and maintaining these authorities in anticipation of this effort.

Substantial development of ALDER, state's first enterprise data warehouse. By FY 2009, ALDER will provide current information on the state's financial and human resources in an intuitive reporting environment. This initiative has the potential to fundamentally change how the state's business is managed.

Ongoing maintenance and enhancement of AKSAS and AKPAY. AKSAS users benefited from several improvements to the Autopay subsystem, as well as new functionality that documents the state's organization structure. AKPAY was upgraded to Empagio 6.0 to stay current with vendor maintenance requirements.

Instituted procedures to comply with Office of Foreign Asset Control (OFAC) requirements to prevent payments to prohibited parties.

Implemented internal control reporting by state agencies to comply with the Statement on Auditing Standard 112.

Received the Certificate of Excellence for Achievement in Financial Reporting from the Government Finance Officer Association. This award is the highest form of recognition in government accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. The division received its fourth consecutive annual award for the FY 2006 Comprehensive Annual Financial Report.

Statutory and Regulatory Authority

Alaska Statutes Description

09.35.330 Attachment of salary, wages, etc. of employees (mandate)
 14.40.170 Procedures for care, control, and management by the University of Alaska (UA)
 Board of Regents of UA monies, receipts, and disbursements
 14.40.290 UA property and funds generally
 14.40.400 Fund for money from sale or lease of land granted by Act of Congress
 14.43.325 Payments to the memorial scholarship revolving loan fund
 23.30.175 Computation for Workers' Compensation
 23.30.220 Determination of spendable weekly wage for Workers' Compensation
 23.40 Labor organizations
 34.45.320 Payment or delivery of abandoned property
 37.05.020 Adoption of regulations
 37.05.040 Legal custody of records
 37.05.130 General powers, responsible for all accounts and purchases
 37.05.140 Accounting system
 37.05.142 Accounting for program receipts
 37.05.150 Fund and accounts
 37.05.165 Petty cash accounts
 37.05.170 Restrictions on payments and obligations
 37.05.180 Limitation on payment of warrants
 37.05.190 Pre-audit of claims
 37.05.200 Pre-audit of receipts
 37.05.210 Fiscal reporting and statistics
 37.05.285 Payment for state purchases (includes interest provisions)
 37.05.500 Special funds
 37.05.510 Working reserve account
 37.05.910 Applicability to University of Alaska (uniform financial procedures)
 37.05.920 Fiscal year
 37.10.010 Disbursements
 37.10.030 Responsibility of officer or employee approving or certifying voucher
 37.10.050 Charges for state services; collection, accounting, and deposit of state money
 37.10.088 Department of Administration authorized to make advances to the University
 37.15.012 Continuing debt service appropriation
 37.15.170 State bond committee to certify annual principal, interest, and reserve requirements
 37.25.010 Unexpended balances of one-year appropriations
 37.25.020 Unexpended balances of appropriations for capital projects
 37.25.050 Methods of disbursement
 39.20 Compensation and allowances (includes travel regulations)
 39.27.025 Shift differential
 39.30 Insurance and supplemental employee benefits
 39.35.680 Definition of compensation for retirement system
 39.40 U.S. savings bonds
 39.45 Deferred compensation plan
 43.05.170 Payment of warrants
 44.17.010 Delegation of functions
 44.17.030 Adoption of regulations
 44.21.020 Duties of department. (2) keep general accounts, (3) approve vouchers and disburse funds for all purposes
 44.21.040 Records or accounts of claims and warrants
 44.62 Administrative procedure act
 44.77 Claims against the State

Federal Requirements

Internal Revenue Code
 Federal Insurance Contributions Act
 Fair Labor Standards Act

Federal Unemployment Tax Act
Family and Medical Leave Act
Federal Child Support Regulations
Federal Maritime Act
Cash Management Improvement Act
Freedom of Information Act
North American Free Trade Agreement (NAFTA)
U.S. Office of Foreign Asset Control Sanctions
U.S. Office of Management and Budget - Circular A-87, Cost Principles for State and Local Governments
U.S. Office of Management and Budget - Circular A-102, Grants and Cooperative Agreements with State and Local Governments
U.S. Office of Management and Budget - Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations

Contact Information
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**Finance
Component Financial Summary**

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	4,592.2	3,948.1	4,917.8
72000 Travel	21.3	3.0	3.0
73000 Services	2,978.5	3,150.1	3,206.2
74000 Commodities	93.7	34.4	34.4
75000 Capital Outlay	28.6	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	7,714.3	7,135.6	8,161.4
Funding Sources:			
1004 General Fund Receipts	5,173.6	5,212.5	5,491.5
1005 General Fund/Program Receipts	213.2	213.2	463.2
1007 Inter-Agency Receipts	1,807.1	1,709.9	1,709.9
1061 Capital Improvement Project Receipts	520.4	0.0	496.8
Funding Totals	7,714.3	7,135.6	8,161.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	43.9	0.0	0.0
Unrestricted Total		43.9	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	1,807.1	1,709.9	1,709.9
General Fund Program Receipts	51060	213.2	213.2	463.2
Capital Improvement Project Receipts	51200	520.4	0.0	496.8
Restricted Total		2,540.7	1,923.1	2,669.9
Total Estimated Revenues		2,584.6	1,923.1	2,669.9

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	5,425.7	0.0	1,709.9	7,135.6
Adjustments which will continue current level of service:				
-ETS Chargeback Redistribution	-406.2	0.0	0.0	-406.2
-FY 09 Health Insurance Increases for Exempt Employees	0.4	0.0	0.0	0.4
-FY 09 Bargaining Unit Contract Terms: General Government Unit	115.1	0.0	0.0	115.1
-FY 09 Bargaining Unit Contract Terms: Confidential Unit	39.0	0.0	0.0	39.0
Proposed budget increases:				
-Personal Services and Electronic Payment Cost Increases	250.0	0.0	0.0	250.0
-Time and Attendance System Implementation	0.0	0.0	496.8	496.8
-ALDER Operations	530.7	0.0	0.0	530.7
FY2009 Governor	5,954.7	0.0	2,206.7	8,161.4

**Finance
Personal Services Information**

Authorized Positions		Personal Services Costs		
<u>FY2008</u>				
<u>Management</u>	<u>Plan</u>	<u>FY2009</u>	<u>Governor</u>	
Full-time	45	52	Annual Salaries	3,266,874
Part-time	0	0	COLA	167,787
Nonpermanent	3	3	Premium Pay	0
			Annual Benefits	1,631,459
			<i>Less 2.93% Vacancy Factor</i>	(148,320)
			Lump Sum Premium Pay	0
Totals	48	55	Total Personal Services	4,917,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	7	0	7
Accountant IV	0	0	8	0	8
Accountant V	0	0	3	0	3
Accounting Tech I	0	0	2	0	2
Accounting Tech II	0	0	1	0	1
Administrative Assistant	0	0	1	0	1
Administrative Clerk II	0	0	1	0	1
Administrative Officer II	0	0	1	0	1
Analyst/Programmer II	0	0	3	0	3
Analyst/Programmer IV	0	0	10	0	10
Analyst/Programmer V	0	0	2	0	2
College Intern III	0	0	1	0	1
Data Processing Mgr II	0	0	2	0	2
Division Director	0	0	1	0	1
Human Resource Technician II	0	0	3	0	3
Payroll Manager	0	0	1	0	1
Payroll Specialist I	0	0	2	0	2
Payroll Specialist II	0	0	3	0	3
Payroll Specialist III	0	0	1	0	1
State Accountant	0	0	1	0	1
Student Intern III	0	0	1	0	1
Totals	0	0	55	0	55