

State of Alaska FY2006 Governor's Operating Budget

Department of Administration Finance Component Budget Summary

Component: Finance

Contribution to Department's Mission

The mission of the Division of Finance is to provide accounting, payroll, and travel 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 state government.
- Administer state travel office serving travelers within the executive branch.
- Comprehensive Annual Financial Report 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 Results	Strategies to Achieve Results
<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>	<p>A1: Increase number of direct deposit recipients.</p> <p><u>Target #1:</u> 100% of state payroll distributed using direct deposit.</p> <p><u>Measure #1:</u> Percentage of employees receiving payroll via direct deposit.</p> <p>A2: Maintain the statewide payroll system (AKPAY) in accordance with software maintenance agreement.</p> <p><u>Target #1:</u> Install software updates by vendor maintenance due date.</p> <p><u>Measure #1:</u> Percentage of time within a year that system is within vendor specified maintenance requirements.</p>
End Results	Strategies to Achieve Results
<p>B: Vendors and grantees are paid accurately and timely.</p> <p><u>Target #1:</u> 100% of payments to vendors and grantees processed within one business day of certification.</p> <p><u>Measure #1:</u> Percent of payments processed within one business day of certification.</p> <p><u>Target #2:</u> Increase number of EDI payments by 5% per year.</p> <p><u>Measure #2:</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 EDI vendors.</p>
End Results	Strategies to Achieve Results
<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%</p>	<p>C1: Maintain a professional accounting staff adequate to meet reporting requirements.</p> <p><u>Target #1:</u> Maintain adequate structures for accountability.</p>

per year. <u>Measure #1:</u> Percent increase over prior year credit card rebate.	<u>Measure #1:</u> Funds and appropriations are established per authorizing legislation.
End Results	Strategies to Achieve Results
D: The state's financial position and results of operations are reported properly to interested parties. <u>Target #1:</u> 100% of state financial reporting requirements are met. <u>Measure #1:</u> Reports required under AS 37.05.210. <u>Target #2:</u> 100% of federal and other external financial reporting requirements are met. <u>Measure #2:</u> Percent of requirements listed under activities and outputs are met.	D1: Receive GFOA Certificate of Achievement for Excellence in Financial Reporting for first time on audited CAFR. <u>Target #1:</u> Beginning with FY 2003 CAFR, receive certificate annually. <u>Measure #1:</u> GFOA certificate

FY2006 Resources Allocated to Achieve Results									
FY2006 Component Budget: \$8,138,200	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Personnel:</td> </tr> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right;">46</td> </tr> <tr> <td style="padding-left: 20px;">Part time</td> <td style="text-align: right;">0</td> </tr> <tr> <td style="padding-left: 20px;">Total</td> <td style="text-align: right; border-top: 1px solid black;">46</td> </tr> </table>	Personnel:		Full time	46	Part time	0	Total	46
Personnel:									
Full time	46								
Part time	0								
Total	46								

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.

Analysis of results and challenges: .

07/1/03–12/31/03: 100% of payroll transactions processed without penalty pay caused by central payroll processing problems.
 01/01/04–03/31/04: 100% of payroll transactions processed without penalty pay caused by central payroll processing problems.
 03/31/04–06/30/04: 100% of payroll transactions processed without penalty pay caused by central payroll processing problems.
 07/01/04–09/30/04: 100% of payroll transactions processed without penalty pay caused by central payroll processing problems.

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: .

07/01/03–12/31/03: Calendar 2003 unscheduled downtime was 1.3%, a large increase over the .1% calculated for the previous calendar year 2002. Two mainframe upgrades were factors in the increased unscheduled downtime in 2003.
 01/01/04–03/31/04: Unscheduled downtime was 0.0% of 998 hours.

03/31/04–06/30/04: Unscheduled downtime was 0.3%, or 3 hours of 994.
 07/01/04-09/30/04: Unscheduled downtime was 0.5%, or 5 hours of 1014.

A1: Strategy - Increase number of direct deposit recipients.

Target #1: 100% of state payroll distributed using direct deposit.

Measure #1: Percentage of employees receiving payroll via direct deposit.

Analysis of results and challenges: .

07/01/03–12/31/03: 89% average direct deposit rate during calendar 2003

01/01/04–03/31/04: 90% average direct deposit rate for reporting period.

03/31/04–06/30/04: 89% average direct deposit rate at end of reporting period.

07/01/04-09/30/04: 85% average direct deposit rate at end of reporting period.

A2: Strategy - Maintain the statewide payroll system (AKPAY) in accordance with software maintenance agreement.

Target #1: Install software updates by vendor maintenance due date.

Measure #1: Percentage of time within a year that system is within vendor specified maintenance requirements.

Analysis of results and challenges: .

07/01/03–12/31/03: 50% of fiscal year to date within vendor specified maintenance requirements. Out of compliance since October 1, 2003; anticipate being back in compliance by June 30, 2004.

01/01/04–03/31/04: Still out of compliance. Anticipate being back within vendor specified requirement by 10/31/04.

03/31/04–06/30/04: Still out of compliance. Anticipate being back within vendor specified requirement by 11/15/04.

07/01/04-09/30/04: Still out of compliance. Anticipate being back within vendor specified requirement by 11/15/04.

B: Result - Vendors and grantees are paid accurately and timely.

Target #1: 100% of payments to vendors and grantees processed within one business day of certification.

Measure #1: Percent of payments processed within one business day of certification.

Analysis of results and challenges: .

07/01/03–12/31/03: 100% of payments processed within one business day of certification.

01/01/04–03/31/04: 100% of payments processed within one business day of certification.

03/31/04–06/30/04: 100% of payments processed within one business day of certification.

07/01/04-09/30/04: 100% of payments processed within one business day of certification.

Target #2: Increase number of EDI payments by 5% per year.

Measure #2: Increase in dollars paid via EDI in current year divided by dollars paid in prior year.

Analysis of results and challenges: .

07/01/03–06/30/04: 219% increase over FY 2003. Some large dollar transactions (e.g. foundation payments and transfers to the University of Alaska) have been added in the current year resulting in total of \$1.5 billion in EDI payments.

07/01/04-09/30/04: Annual measure, data available at the end of FY2005.

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 EDI vendors.

Analysis of results and challenges: .

07/01/03–12/31/03: 31% increase in first half of FY 2004 over FY 2003 year-end number.
 01/01/04–03/31/04: 44% increase as of 3/31/04.
 03/31/04–06/30/04: 56% increase as of 6/30/04.
 07/01/04–09/30/04: Data available in January 2005.

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: Period (Calendar Year):
 01/01/03–12/31/03: Received rebate of \$158,712.37 from credit card vendor for calendar year 2003.

C1: Strategy - Maintain a professional accounting staff adequate to meet reporting requirements.

Target #1: Maintain adequate structures for accountability.
Measure #1: Funds and appropriations are established per authorizing legislation.

Analysis of results and challenges: .
 07/01/03–12/31/03: All funds and appropriations established per authorizing legislation.
 01/01/04–03/31/04: Dormant period for this measure; picks up dramatically following legislative session.
 03/31/04–06/30/04: In process as legislation is signed by the Governor. Operating and capital budgets in body of bills complete. Other legislation in progress pending signature of Governor, effective date, etc.
 07/01/04–09/30/04: All funds and appropriations established per authorizing legislation.

D: Result - The state's financial position and results of operations are reported properly to interested parties.

Target #1: 100% of state financial reporting requirements are met.
Measure #1: Reports required under AS 37.05.210.

Analysis of results and challenges: .
 07/01/03–12/31/03: State Comprehensive Annual Financial report complete by 12/15/03 deadline.
 01/01/04–03/31/04: Compensation and Travel Report of Executive Positions complete by 1/31/04 deadline.
 03/31/04–06/30/04: No reports required for period.
 07/01/04–09/30/04: No reports required for period.

Target #2: 100% of federal and other external financial reporting requirements are met.
Measure #2: Percent of requirements listed under activities and outputs are met.

Analysis of results and challenges: .
 07/01/03–12/31/03: 100% of federal and other external financial reporting requirements have been met
 01/01/04–03/31/04: 100% of federal and other external financial reporting requirements have been met.
 03/31/04–06/30/04: 100% of federal and other external financial reporting requirements have been met.
 07/01/04–09/30/04: 100% of federal and other external financial reporting requirements have been met.

D1: Strategy - Receive GFOA Certificate of Achievement for Excellence in Financial Reporting for first time on audited CAFR.

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

Analysis of results and challenges: .
 07/01/03–03/31/04: Submitted application for certificate on FY 2003 CAFR by 12/31/2003 deadline. Notification of the award is announced in December of the year following CAFR submission.

04/01/04–06/30/04: Awaiting response from GFOA.

07/01/04-09/30/04: Awaiting response from GFOA.

Key Component Challenges

- Adequate staffing – The Division of Finance is comprised primarily of information technology and accounting professionals. Attracting and retaining these individuals is an ongoing challenge, and several senior staff members are nearing retirement.
- Aging technology – Statewide accounting and payroll systems are built with technology that is no longer taught in most colleges. With age, they are becoming more difficult to maintain. The division has been preparing for the eventual system replacement effort, but once it begins, it will become the largest administrative challenge facing the state since these enterprise systems were brought up decades ago.
- Expanding electronic payments – The 23rd Legislature passed HB 494 in 2004 which requires the state to move substantially all payments to electronic methods by January 1, 2006. This will require creation of regulations and new infrastructure to implement this legislation.
- E-travel initiative – Better management of travel expenditures has been a goal since the beginning of the Murkowski administration. The state travel office is being established within the Division of Finance to reach that goal. The initiative includes several aspects to improve efficiency and cut costs: automation of the travel approval and payment process; policy development and enforcement; negotiations with key vendors for reduced prices based on volume, and the ability to report travel data. Some of these management goals may not be readily acceptable to state travelers who historically have been able to make their own arrangements. The challenge will be to meet their customer service expectations while taking management control of the travel process.
- 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 FY2006

The division will expand direct deposit and electronic payments, shift payment advices to online presentment, and reduce the printing and mailing of paper.

The e-travel initiative is a new area of management for state government. Administering this effort in an efficient, fair and firm manner will be a priority for the division in FY 2006.

Another new addition to the division's workload is state single audit oversight. Moving this function from the Office of Management and Budget offers some opportunities for synergy with other statewide reporting responsibilities of the division.

Major Component Accomplishments in 2004

Streamlined the expenditure account code structure in the statewide accounting system. This long-overdue project was precipitated by the need for consistent enterprise-wide expenditure information to support the IT planning effort. The division worked with representatives from several departments to create a more intuitive structure with fewer choices for consistent management reporting. Another benefit of this project was better data to improve 1099 compliance.

Brought the statewide payroll system back into compliance with vendor-required maintenance levels. Applying two releases in a single upgrade effort brought us current and provides some breathing room to consider replacement options for this third party software product that has a dwindling number of licensed users.

Developed the ability to make electronic payments to individuals. Beginning October 1, 2004 the state's electronic payment capability was expanded to allow payments to entities without business bank accounts. This makes the convenience of electronic payments an option for areas such as foster parents and state travel reimbursements. This functionality is part of the infrastructure for implementing HB 494.

Certificate of Excellence for Achievement in Financial Reporting by the Government Finance Officer Association. This award is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment by a government and its management. This is the first time in Alaska's history that the award has been received on the state's 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
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 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

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,340.2	3,378.8	3,658.8
72000 Travel	16.9	3.0	8.0
73000 Services	2,469.2	2,718.6	4,426.2
74000 Commodities	42.6	29.2	45.2
75000 Capital Outlay	167.3	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	6,036.2	6,129.6	8,138.2
Funding Sources:			
1004 General Fund Receipts	4,341.1	4,614.7	4,819.4
1007 Inter-Agency Receipts	1,536.4	1,402.4	3,206.2
1108 Statutory Designated Program Receipts	158.7	112.5	112.6
Funding Totals	6,036.2	6,129.6	8,138.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	1,536.4	1,402.4	3,206.2
Statutory Designated Program Receipts	51063	158.7	112.5	112.6
Restricted Total		1,695.1	1,514.9	3,318.8
Total Estimated Revenues		1,695.1	1,514.9	3,318.8

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	4,614.7	0.0	1,514.9	6,129.6
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: GGU	14.3	0.0	0.7	15.0
-Transfer of PCN 01-712X and Funding from OMB for Single Audit Review Function	93.9	0.0	0.0	93.9
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	92.3	0.0	1.8	94.1
Proposed budget increases:				
-eTravel Initiative Costs	0.0	0.0	1,800.0	1,800.0
-Benefit and Wage Cost Increases	4.2	0.0	1.4	5.6
FY2006 Governor	4,819.4	0.0	3,318.8	8,138.2

**Finance
Personal Services Information**

Authorized Positions		Personal Services Costs		
FY2005 Management Plan		FY2006 Governor		
Full-time	45	46	Annual Salaries	2,677,195
Part-time	0	0	COLA	48,773
Nonpermanent	3	3	Premium Pay	0
			Annual Benefits	1,335,400
			<i>Less 6.88% Vacancy Factor</i>	(279,368)
			Lump Sum Premium Pay	0
Totals	48	49	Total Personal Services	3,782,000

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant III	0	0	6	0	6
Accountant IV	0	0	7	0	7
Accountant V	0	0	2	0	2
Accounting Tech I	0	0	2	0	2
Accounting Tech II	0	0	1	0	1
Accounting Tech III	0	0	1	0	1
Administrative Assistant	0	0	1	0	1
Administrative Clerk II	0	0	1	0	1
Administrative Svcs Mgr II	0	0	1	0	1
Analyst/Programmer I	0	0	1	0	1
Analyst/Programmer III	0	0	1	0	1
Analyst/Programmer IV	0	0	8	0	8
Analyst/Programmer V	0	0	2	0	2
College Intern I	0	0	1	0	1
College Intern II	0	0	1	0	1
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	2	0	2
Payroll Specialist III	0	0	1	0	1
State Accountant	0	0	1	0	1
State Travel Manager	0	0	1	0	1
Student Intern III	0	0	1	0	1
Totals	0	0	49	0	49