

State of Alaska FY2007 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 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>C1: Maintain a professional accounting staff adequate to meet reporting requirements.</p>

<p><u>Target #1:</u> Increase rebate on credit card program by 20% per year. <u>Measure #1:</u> Percent increase over prior year credit card rebate.</p>	<p><u>Target #1:</u> Maintain adequate structures for accountability. <u>Measure #1:</u> Funds and appropriations are established per authorizing legislation.</p>
End Results	Strategies to Achieve Results
<p>D: The state's financial position and results of operations are reported properly to interested parties.</p> <p><u>Target #1:</u> 100% of state financial reporting requirements are met. <u>Measure #1:</u> Reports required under AS 37.05.210.</p> <p><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.</p>	<p>D1: Receive GFOA Certificate of Achievement for Excellence in Financial Reporting annually on audited CAFR.</p> <p><u>Target #1:</u> Beginning with FY 2003 CAFR, receive certificate annually. <u>Measure #1:</u> GFOA certificate</p>

FY2007 Resources Allocated to Achieve Results							
<p>FY2007 Component Budget: \$7,092,300</p>	<p>Personnel:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Full time</td> <td style="text-align: right;">45</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;">45</td> </tr> </table>	Full time	45	Part time	0	Total	45
Full time	45						
Part time	0						
Total	45						

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.

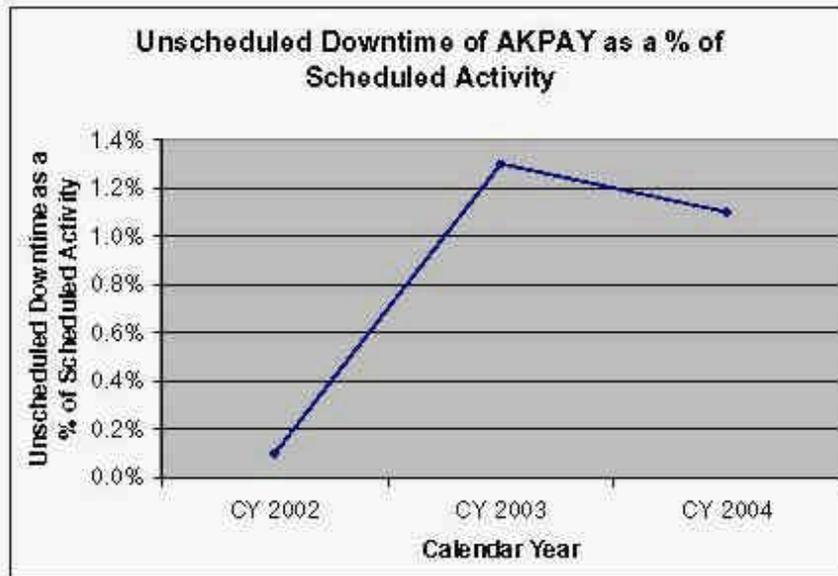
Measure #1: Percentage of payroll expenditures processed without penalty pay caused by central processing problems.

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

Fiscal Year	YTD Total
FY 2004	100.0%
FY 2005	100.0%

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.

10/01/04–12/31/04: Unscheduled downtime was 0.3% or 3 hours of 1,006.

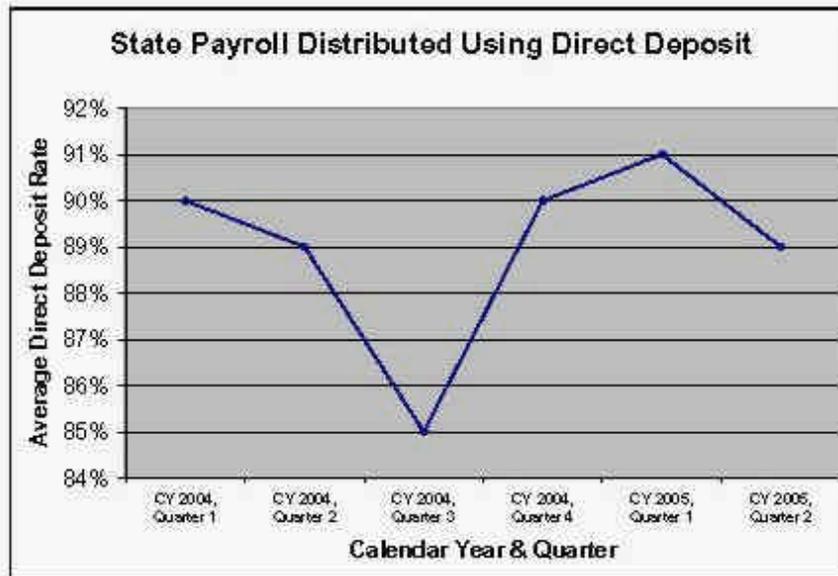
01/01/05–03/31/05: Unscheduled downtime was 0.0% of 996 hours.

04/01/05–06/30/05: Unscheduled downtime was 0.2% or 2 hours of 990.

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.
 10/01/04–12/31/04: 90% average direct deposit rate at end of reporting period.
 01/01/05–03/31/05: 91% average direct deposit rate at end of reporting period.
 04/01/05–06/30/05: 89% 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.
 10/01/04–12/31/04: Now in compliance with vendor's specified maintenance requirements.
 01/01/05–03/31/05: Now in compliance with vendor's specified maintenance requirements.
 04/01/05–06/30/05: Now in compliance with vendor's specified maintenance requirements.

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.

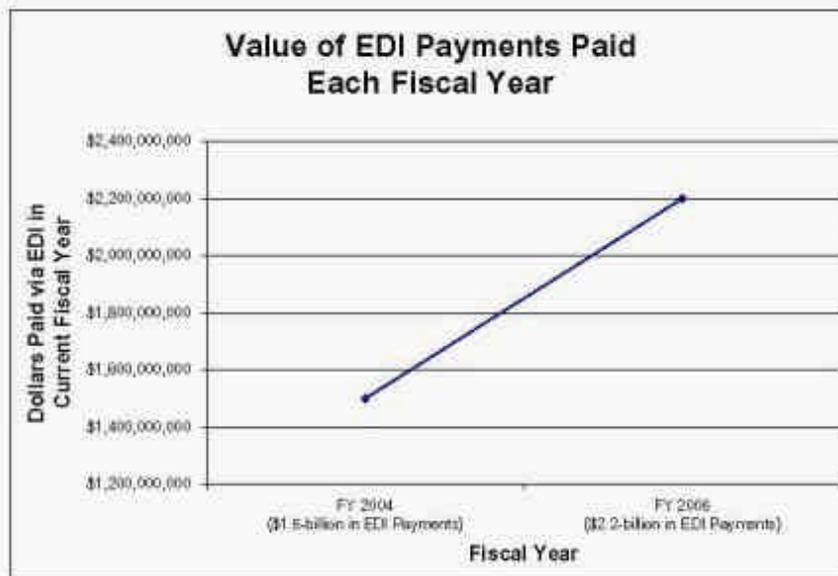
Measure #1: Percent of payments processed within one business day of certification.

% of payments processed within one business day of certification.

Fiscal Year	YTD Total
FY 2004	100.0%
FY 2005	100.0%

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:

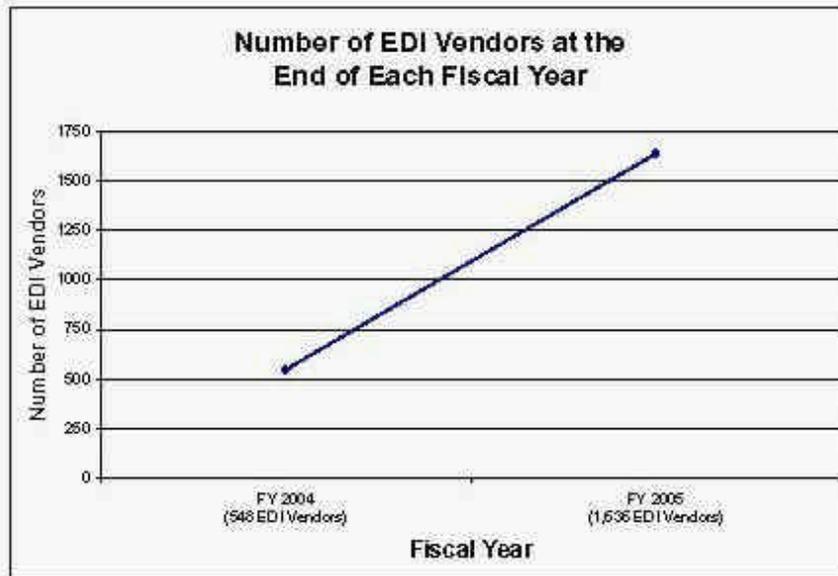
07/01/03–06/30/04: 219% increase over FY 2003. Some large dollar transactions (e.g. foundation payments and transfers to the University of Alaska) have been added in the current year resulting in total of \$1.5-billion in EDI payments.

07/01/04-06/30/05: 44% increase over FY 2004. \$2.2-billion in EDI Payments.

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: .

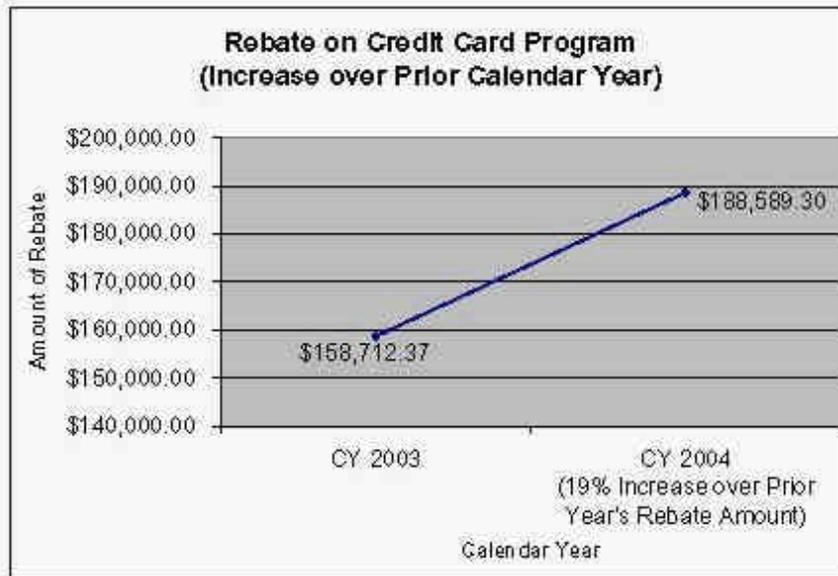
07/01/03–06/30/04: 56% increase in number of EDI vendors over FY 2003 year-end number; 548 EDI vendors at fiscal year end.

07/01/04–06/30/05: 199% increase in number of EDI vendors over FY 2004 year-end number; 1,636 EDI vendors at fiscal year end.

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.

01/01/04–12/31/04: Received a rebate of \$188,589.30 from credit card vendor for calendar year 2004; an increase of 19% over rebate received for calendar year 2003.

01/01/05–12/31/05: Results available in January 2006.

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.

10/01/04–12/31/04: All funds and appropriations established per authorizing legislation.

01/01/05–03/31/05: Dormant period for this measure; picks up dramatically following legislative session.

04/01/05–06/30/05: In process as legislation is signed by the Governor. Operating and capital budgets in body of bills complete. Other legislation in process pending signature of Governor, effective date, etc..

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.
 10/01/04–12/31/04: State Comprehensive Annual Financial Report completed by 12/15/04 deadline.
 01/01/05–03/31/05: Compensation and Travel Report of Executive Positions complete by 01/31/05 deadline.
 04/01/05–06/30/05: 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: .

07/01/03–06/30/04: 100% of federal and other external financial reporting requirements have been met

07/01/04–06/30/05: 100% of federal and other external financial reporting requirements have been met.

D1: Strategy - 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: .

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.

10/01/04–12/31/04: Received GFOA Certificate of Achievement for Excellence in Financial Reporting for FY2003 CAFR. Submitted application for certificate on FY2004 CAFR by 12/31/04 deadline. Notification of the award is announced in December of the year following CAFR submission.

01/01/05–03/31/05: Awaiting response from GFOA.

04/01/05–06/30/05: 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 is embarking on a replacement project for the state's HR/Payroll system and the introduction of a data warehouse system. We are currently working on the creation of two RFP documents and anticipate that we will have completed the review of proposals and selection of vendors for the two projects no later than July 1, 2006. Our goal is to have the new systems operational by April 30, 2008.
- Expanding electronic payments – The 23rd Legislature passed HB 494 in 2004 which requires the state to move payments to electronic methods by January 1, 2006. Regulations have been circulated for public comment, and are scheduled to be in place by January 1, 2006. The division plans to implement new infrastructure to allow vendors to research their payment information over the web in the spring of 2006.
- E-travel initiative – Better management of travel expenditures has been a goal since the beginning of the Murkowski administration. The state travel office has been 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 is 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.
- OFAC compliance – We recently became aware of federal requirements to prevent payments to entities that are the subject of sanctions administered by the Office of Foreign Asset Control in the U.S. Treasury. The division is leading the effort to establish automated matching of payments against OFAC lists to prevent illegal payments from the state to these listed entities.

Significant Changes in Results to be Delivered in FY2007

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

The e-travel initiative is a new area of management for state government. Administering this effort in an efficient, fair and firm manner continues as a priority for the division in FY 2007.

Major Component Accomplishments in 2005

Assumed responsibility for state single audit oversight. This function moved from the Office of Management and Budget during FY 2005. The division seamlessly took over the audit review and distribution workload, and coordinated state agency participation on two major information collection efforts for the U.S Government Accountability Office.

Implemented the State Travel Office for four of the fifteen executive branch agencies: the Departments of Administration, Health and Social Services, Law, and Corrections. The State Travel Office served Medicaid clients beginning January 1, 2005, generating net savings of \$467,000 in six months comprising the second half of the fiscal year.

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 second consecutive award on the FY 2004 Comprehensive Annual Financial Report.

Coordinated departmental tax training with IRS Federal, State, and Local Government Representative in January 2005. The training was attended by state agencies and the City and Borough of Juneau.

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

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	3,612.9	3,798.0	3,908.8
72000 Travel	18.3	8.0	3.0
73000 Services	3,292.2	4,526.2	3,146.1
74000 Commodities	99.0	45.2	34.4
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	7,022.4	8,377.4	7,092.3
Funding Sources:			
1004 General Fund Receipts	4,653.2	4,956.1	5,173.6
1005 General Fund/Program Receipts	0.0	212.6	213.2
1007 Inter-Agency Receipts	2,218.7	3,208.7	1,705.5
1108 Statutory Designated Program Receipts	150.5	0.0	0.0
Funding Totals	7,022.4	8,377.4	7,092.3

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	2,218.7	3,208.7	1,705.5
General Fund Program Receipts	51060	0.0	212.6	213.2
Statutory Designated Program Receipts	51063	150.5	0.0	0.0
Restricted Total		2,369.2	3,421.3	1,918.7
Total Estimated Revenues		2,369.2	3,421.3	1,918.7

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	5,168.7	0.0	3,208.7	8,377.4
Adjustments which will continue current level of service:				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	69.9	0.0	3.6	73.5
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	7.8	0.0	0.3	8.1
-FY 07 Retirement Systems Cost Increase	128.8	0.0	6.9	135.7
-Transfer State Travel Office Budget to New Component	0.0	0.0	-1,811.3	-1,811.3
Proposed budget increases:				
-Risk Management Self-Insurance Funding Increase	11.6	0.0	0.5	12.1
-Chargeback Increase	0.0	0.0	296.8	296.8
FY2007 Governor	5,386.8	0.0	1,705.5	7,092.3

**Finance
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	47	45	Annual Salaries	2,688,876
Part-time	0	0	COLA	73,537
Nonpermanent	4	4	Premium Pay	0
			Annual Benefits	1,455,794
			<i>Less 7.34% Vacancy Factor</i>	(309,407)
			Lump Sum Premium Pay	0
Totals	51	49	Total Personal Services	3,908,800

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 Clerk II	0	0	1	0	1
Administrative Manager I	0	0	1	0	1
Administrative Svcs Mgr II	0	0	1	0	1
Analyst/Programmer I	0	0	1	0	1
Analyst/Programmer IV	0	0	8	0	8
Analyst/Programmer V	0	0	3	0	3
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
Student Intern III	0	0	2	0	2
Totals	0	0	49	0	49