

Office of the
Legislative Fiscal Analyst

FY 2002 Budget Recommendations

Joint Appropriations Subcommittee for
Capital Facilities and Administrative Services

Department of Administrative Services
Finance Administration

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1.0 Summary: Division of Finance

The Division of Finance is divided into six programs to accomplish the following key functions:

- Produce the State's Comprehensive Annual Financial Report;
- Ensure compliance with generally accepted accounting principles;
- Control all unrestricted and restricted funds including trust funds;
- Review all State contracts;
- Pay all bills to vendors/contractors;
- Issue all payroll checks;
- Develop, operate, and maintain accounting systems to control spending and control state assets;
- Control state loans;
- Calculate surplus funds at year end;
- Account for all state revenues collected by all agencies, including the Tax Commission.

	Analyst FY 2002 Base	Analyst FY 2002 Changes	Analyst FY 2002 Total
Financing			
General Fund	6,045,200		6,045,200
Transportation Fund	450,000		450,000
Dedicated Credits Revenue	1,180,300		1,180,300
GFR - ISF Overhead	1,451,400		1,451,400
Beginning Nonlapsing	700,000		700,000
Total	\$9,826,900	\$0	\$9,826,900
Programs			
FIN Director's Office	296,200		296,200
Payroll	2,274,300		2,274,300
Payables/Disbursing	1,616,600		1,616,600
Technical Services	1,659,100		1,659,100
Financial Reporting	1,059,800		1,059,800
Financial Information Systems	2,920,900		2,920,900
Total	\$9,826,900	\$0	\$9,826,900
FTE/Other			
Total FTE	88		88

2.0 Issues:

2.1 Mileage Reimbursement Rates

Last year, the Legislature adopted intent language that asked the Division of Finance and the Division of Fleet Operations to examine the rate for mileage reimbursement to state employees who use their personal vehicles for state business. To comply with this intent language, the Department of Administrative Services instituted a rule that lowers the reimbursement rate for personal vehicles used when state vehicles are available. The rate is tied to the per-mile cost for state sedans operated by the Division of Fleet Services.

The Department of Administrative Services projects a 45 percent reduction in mileage reimbursement costs since 1999. Since DAS is a small agency, similar *percentage* savings may not be found in other agencies. However, this is an indicator that the program is working.

DAS Mileage Reimbursement

1999: Total payment = \$28,487

2000: Total payment = \$26,220

2001: Total payment = \$7,847 (YTD) \$15,693 (annual projection)

3.0 Programs

3.1 Director's Office

The Analyst recommendation reflects a decrease in General Funds resulting from retirement savings and ISF rate reductions in Fiscal Year 2002.

	2000	2001	2002	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
General Fund	299,500	304,900	296,200	(8,700)
Total	<u>\$299,500</u>	<u>\$304,900</u>	<u>\$296,200</u>	<u>(\$8,700)</u>
Expenditures				
Personal Services	274,500	277,500	270,600	(6,900)
Out of State Travel	2,200	3,200	3,200	
Current Expense	22,800	24,200	22,400	(1,800)
Total	<u>\$299,500</u>	<u>\$304,900</u>	<u>\$296,200</u>	<u>(\$8,700)</u>
FTE/Other				
Total FTE	3	3	3	

Purpose

The Director of the Division of Finance is the State's chief fiscal officer and is responsible for the accounting structure within State government. This responsibility includes establishment of procedures for allocation of appropriated funds, accounting control over fund assets, and approval of proposed expenditures for the purchase of supplies and services. These responsibilities involve directing and maintaining a financial control system in accordance with generally accepted accounting principles (UCA 63-1-12,13).

Intent Language

In the past, the Division has used non-lapsing funds for the enhancement of electronic commerce. The Analyst continues to support this use for non-lapsing funds and recommends the following intent language:

It is the intent of the Legislature that funds for the Division of Finance not lapse.

It is the intent of the Legislature that funds for the Division of Finance which do not lapse are to be used for maintenance, operation, and development of statewide accounting systems.

3.2 Payroll

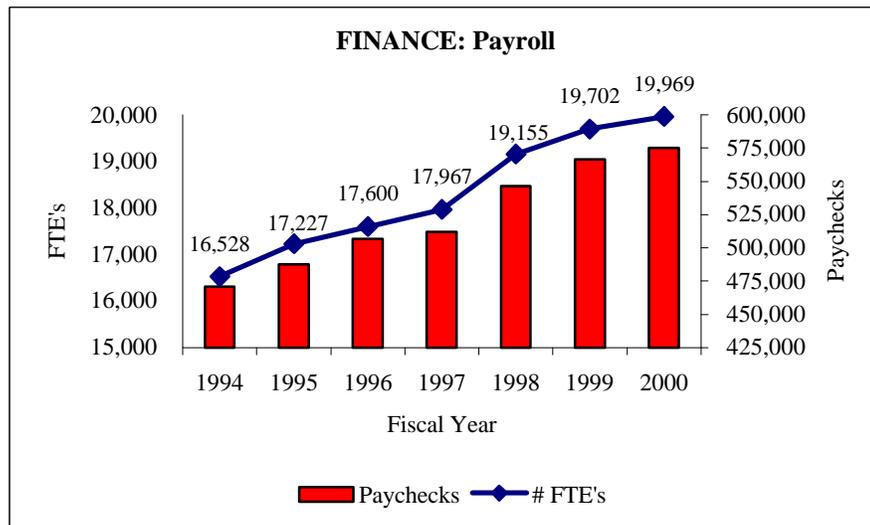
Recommendation

The Analyst is recommending a level budget, but reduced General Funds by \$168,900 for internal service fund savings.

	2000 Actual	2001 Estimated	2002 Analyst	Est/Analyst Difference
Financing				
General Fund	2,022,100	2,027,500	1,858,600	(168,900)
Dedicated Credits Revenue	18,100	18,000	15,700	(2,300)
Transfers		400,000		(400,000)
Beginning Nonlapsing		500,000	400,000	(100,000)
Closing Nonlapsing		(400,000)		400,000
Total	\$2,040,200	\$2,545,500	\$2,274,300	(\$271,200)
Expenditures				
Personal Services	786,400	792,500	773,000	(19,500)
Out of State Travel	3,400	3,000	3,000	
Current Expense	16,500	13,700	(59,100)	(72,800)
DP Current Expense	1,233,900	1,736,300	1,557,400	(178,900)
Total	\$2,040,200	\$2,545,500	\$2,274,300	(\$271,200)
FTE/Other				
Total FTE	13	13	13	

The Payroll Program collects and reports data regarding wages, overtime, benefits, retirement and insurance. These reports provide information regarding state labor distribution, number of employees, retirement eligibility and wages paid.

Performance Measures: Payroll



The State issued 575,523 paychecks in Fiscal Year 2000, an average 22,136 checks per pay period. More than seventy-five percent of payroll “checks” are actually electronically deposited into employee accounts. Processing cost per check in FY 2000 was \$2.21 per transaction, down from \$2.68 per transaction in FY 1999.

3.3 Payables/Disbursing

Recommendation

The Analyst recommendation includes a small decrease as a result of ISF savings.

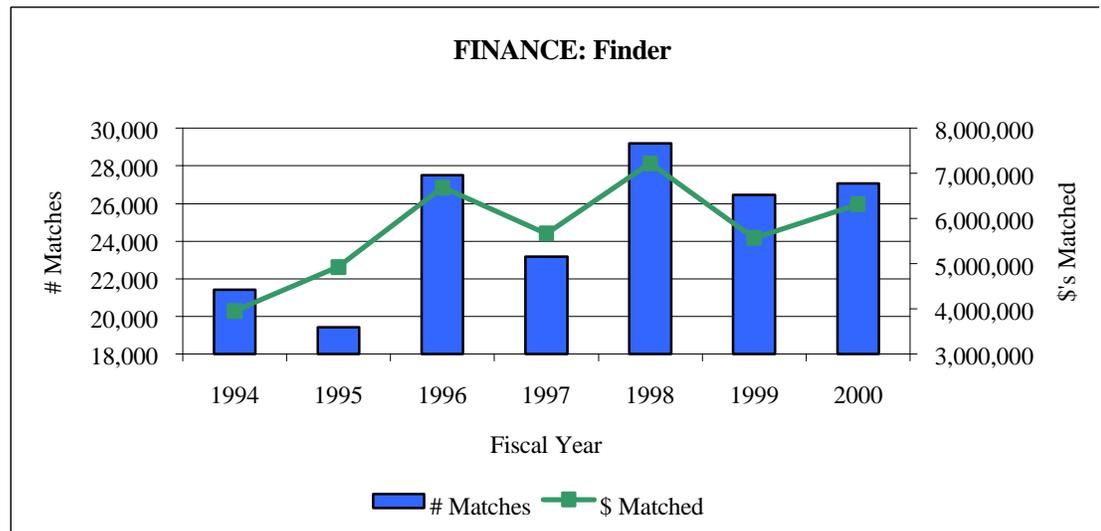
	2000 Actual	2001 Estimated	2002 Analyst	Est/Analyst Difference
Financing				
General Fund	958,200	1,056,900	1,041,000	(15,900)
Dedicated Credits Revenue	653,400	585,000	575,600	(9,400)
Total	\$1,611,600	\$1,641,900	\$1,616,600	(\$25,300)
Expenditures				
Personal Services	1,084,300	1,082,800	1,059,400	(23,400)
In-State Travel	800	800	800	
Out of State Travel		1,000	1,000	
Current Expense	526,500	557,300	555,400	(1,900)
Total	\$1,611,600	\$1,641,900	\$1,616,600	(\$25,300)
FTE/Other				
Total FTE	23	23	23	

Purpose

Payables/Disbursing audits payment requests, enters transactions into computer systems, and verifies that all transactions are properly accounted for by the central accounting system. This section also manages all checks redeemed by the bank and provides information to the public and other agencies about the status of lost, missing or cashed checks.

Finder Program

Finance administers a separate program called FINDER with the aim of improving the collection of funds owed to the State. The State Tax Commission, Courts, Universities, Office of Recovery Services, Local Municipalities, Unemployment Insurance and others send finance a list of past-due debts owed them. The FINDER program matches vendor payments and tax refunds to be paid to the database created by these lists. If a match is made, the payment or tax refund is intercepted and paid to the entity with a claim rather than the individual or company.



This function is fully funded by a \$15 administrative fee collected as debts are paid.

3.4 Technical Services

Recommendation

The recommended decrease in funds is the result of new Internal Service Fund rates.

	2000	2001	2002	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
General Fund	1,371,000	1,389,500	1,359,100	(30,400)
Beginning Nonlapsing		606,200	300,000	(306,200)
Closing Nonlapsing		(300,000)		300,000
Total	\$1,371,000	\$1,695,700	\$1,659,100	(\$36,600)
Expenditures				
Personal Services	700,600	757,700	741,100	(16,600)
In-State Travel	400	400	400	
Out of State Travel	2,900	1,700	1,700	
Current Expense	23,600	23,600	17,600	(6,000)
DP Current Expense	488,900	836,300	833,300	(3,000)
DP Capital Outlay	154,600	76,000	65,000	(11,000)
Total	\$1,371,000	\$1,695,700	\$1,659,100	(\$36,600)
FTE/Other				
Total FTE	9	10	10	

Purpose

The Technical Services Section within the Division of Finance evaluates the possible use of current and new technology for other sections within the division. It attempts to ensure technologies selected are consistent with the State's mission and support the business objectives of the Division. These objectives are met by providing technology direction and coordination, preparing and monitoring an information technology plan, conducting regular information technology coordination meetings and exploring/evaluating new technologies.

3.5 Financial Reporting

Recommendation The recommended decrease in funds is the result of new Internal Service Fund rates.

	2000	2001	2002	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
General Fund	688,300	766,100	672,800	(93,300)
Dedicated Credits Revenue	396,200	398,000	387,000	(11,000)
Total	<u>\$1,084,500</u>	<u>\$1,164,100</u>	<u>\$1,059,800</u>	<u>(\$104,300)</u>
Expenditures				
Personal Services	1,028,800	1,110,500	1,029,900	(80,600)
In-State Travel	200	200	200	
Out of State Travel	3,500	1,400	1,200	(200)
Current Expense	52,000	52,000	28,500	(23,500)
Total	<u>\$1,084,500</u>	<u>\$1,164,100</u>	<u>\$1,059,800</u>	<u>(\$104,300)</u>
FTE/Other				
Total FTE	16	17	17	

Purpose Financial Reporting issues the Comprehensive Annual Financial Report (CAFR). This report is distributed to financial managers in other states, bond rating agencies, financial institutions, the public and managers within State government. Financial Reporting also issues a report at the end of August each year to disclose the unaudited General Fund and Uniform School Fund surplus number. In addition, they set accounting standards and policies to ensure compliance with State law and generally accepted accounting principles. This program develops information for marketing long term debt (bond sales) and monitors compliance with SEC regulations.

3.6 Financial Information Systems - FINET

Recommendation The recommended budget transfers funds from other programs within the line item.

	2000	2001	2002	Est/Analyst
	Actual	Estimated	Analyst	Difference
Financing				
General Fund	921,600	708,900	817,500	108,600
Transportation Fund			450,000	450,000
Dedicated Credits Revenue	200,000	200,000	202,000	2,000
GFR - ISF Overhead	1,318,700	1,486,300	1,451,400	(34,900)
Transfers	450,000	450,000		(450,000)
Beginning Nonlapsing	1,009,100			
Closing Nonlapsing	(1,106,200)			
Total	<u>\$2,793,200</u>	<u>\$2,845,200</u>	<u>\$2,920,900</u>	<u>\$75,700</u>
Expenditures				
Personal Services	1,451,000	1,505,800	1,503,500	(2,300)
In-State Travel	100	100	400	300
Out of State Travel	4,400	4,500	4,100	(400)
Current Expense	21,600	21,600	3,500	(18,100)
DP Current Expense	1,309,200	1,313,200	1,409,400	96,200
Capital Outlay	6,900			
Total	<u>\$2,793,200</u>	<u>\$2,845,200</u>	<u>\$2,920,900</u>	<u>\$75,700</u>
FTE/Other				
Total FTE	22	22	22	

Purpose This group is responsible for coordinating incoming financial data, processing information and distributing reports to departments each month. The program tracks the State's fixed assets and loans receivable and reconciles cash accounts with the records of the State Treasurer. Because of the large amount of data processed for cost accounting at the Department of Transportation, a portion of this program is funded from the Transportation Fund.

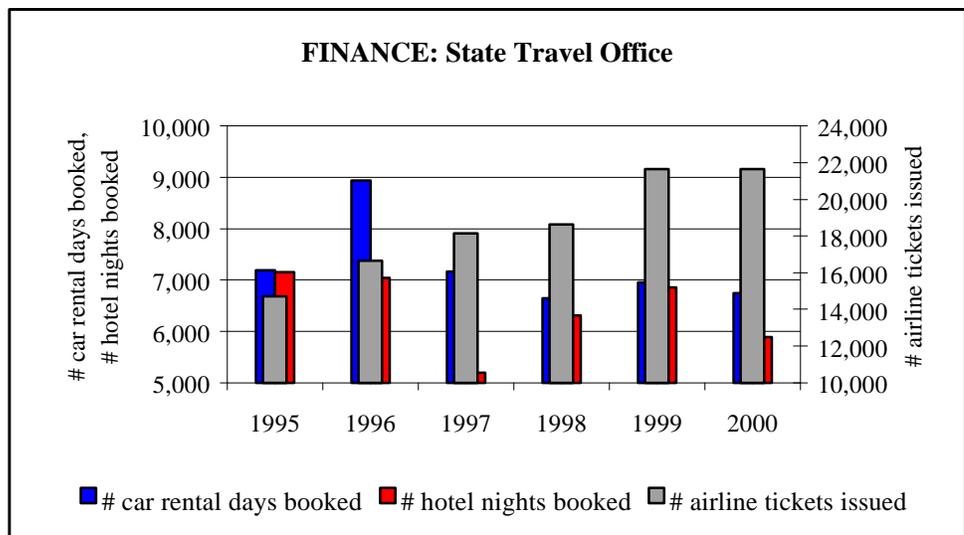
Financial Information Systems and Financial Reporting are also responsible for:

- *Cash management:* to maximize interest earnings and comply with federal cash regulations.
- *Loans receivable:* track loans that fund water quality and development projects, low income housing, and community development.
- *Revenue accounting:* establishing more detailed state revenue reporting.
- *FINET operation:* provide a Help Desk for State agency personnel and review and make recommendations for changes.
- *FINET development:* develop, test and implement changes to the accounting system.
- *Warrant reconciliation:* reconcile all warrants with bank statements and the treasurer's system.
- *User coordination:* coordinate agency interfaces with the Statewide accounting system.

3.7 Travel Office

The travel office is responsible for arranging travel for State of Utah employees. Airline tickets, hotels, rental vehicles and conference sites are all ticketed and arranged for by this office. It is operated under contract by a private sector travel agency who is paid a commission on each sale. Savings accrue to the State through a special arrangement in which expenses are deducted from the commission and the remainder is split with the State.

Last year, the Travel Office issued 21,641 airline tickets with an average ticket cost of \$286, well under the travel industry average of \$550 and \$44 less than Fiscal Year 1999. The travel office negotiated a car rental rate that is approximately \$1 million less per year than standard corporate rates. State rentals come with full insurance coverage— allowing the Division of Risk Management to offer lower liability rates.



Mileage Reimbursement

For FY 2001, the Legislature asked the Division of Finance to tie mileage reimbursement to Fleet Operation’s average per-mile cost for state sedans. The Analyst recognizes that there are legitimate reasons for using personal vehicles for state business, but also notes when personal vehicles are used at the preference of the employee, fleet operations still must maintain the vehicles on hand. Therefore, the Analyst recommends a continuation of intent language adopted last year.

It is the intent of the Legislature that the Department of Administrative Services develop and implement a mileage reimbursement program that requires agencies to reimburse employees for personal vehicle use at a rate equal or less than the per mile cost of a mid-size sedan operated by the Division of Fleet Operations. The rule may make exception for instances where State fleet vehicle is not available to the employee and for mileage reimbursements for Legislators and members of Boards and Commissions.

4.0 Additional Information: Division of Finance

	1998	1999	2000	2001	2002
Financing	Actual	Actual	Actual	Estimated	Analyst
General Fund	7,290,500	7,299,300	6,260,700	6,253,800	6,045,200
General Fund, One-time		300,000			
Transportation Fund	450,000	450,000			450,000
Dedicated Credits Revenue	1,179,400	1,267,100	1,267,700	1,201,000	1,180,300
GFR - ISF Overhead	1,514,900	1,548,300	1,318,700	1,486,300	1,451,400
Transfers	65,000		450,000	850,000	
Beginning Nonlapsing	485,000	402,300	1,009,100	1,106,200	700,000
Closing Nonlapsing	(345,300)	(1,009,100)	(1,106,200)	(700,000)	
Lapsing Balance	(2,400)				
Total	\$10,637,100	\$10,257,900	\$9,200,000	\$10,197,300	\$9,826,900
Programs					
FIN Director's Office	292,800	292,700	299,500	304,900	296,200
Payroll	1,929,000	2,009,100	2,040,200	2,545,500	2,274,300
Payables/Disbursing	1,803,700	2,011,300	1,611,600	1,641,900	1,616,600
Technical Services	1,484,200	1,510,300	1,371,000	1,695,700	1,659,100
Financial Reporting	1,140,200	1,119,300	1,084,500	1,164,100	1,059,800
Financial Information Systems	3,987,200	3,315,200	2,793,200	2,845,200	2,920,900
Total	\$10,637,100	\$10,257,900	\$9,200,000	\$10,197,300	\$9,826,900
Expenditures					
Personal Services	5,141,900	5,133,400	5,325,600	5,526,800	5,377,500
In-State Travel	900	4,700	1,500	1,500	1,800
Out of State Travel	16,900	10,400	16,400	14,800	14,200
Current Expense	732,400	692,400	663,000	692,400	568,300
DP Current Expense	3,286,400	4,142,300	3,032,000	3,885,800	3,800,100
DP Capital Outlay	1,445,600	274,700	154,600	76,000	65,000
Capital Outlay	13,000		6,900		
Total	\$10,637,100	\$10,257,900	\$9,200,000	\$10,197,300	\$9,826,900
FTE/Other					
Total FTE	92	92	86	88	88