

Office of the  
Legislative Fiscal Analyst

## **FY 2003 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;
- Review all State contracts;
- Pay all bills to vendors/contractors and issue payroll checks;
- Develop, operate, and maintain accounting systems to control spending, state assets and state loans;
- Account for revenues collected by all agencies,

	<b>Analyst FY 2003 Base</b>	<b>Analyst FY 2003 Changes</b>	<b>Analyst FY 2003 Total</b>
<b>Financing</b>			
General Fund	6,429,900	16,500	6,446,400
Transportation Fund	450,000		450,000
Dedicated Credits Revenue	1,195,100		1,195,100
GFR - ISF Overhead	1,342,800		1,342,800
Beginning Nonlapsing	300,000		300,000
<b>Total</b>	<b>\$9,717,800</b>	<b>\$16,500</b>	<b>\$9,734,300</b>
<b>Programs</b>			
FIN Director's Office	1,409,200	(100)	1,409,100
Payroll	1,508,900	(1,900)	1,507,000
Payables/Disbursing	1,659,400	(1,200)	1,658,200
Technical Services	1,499,400	24,000	1,523,400
Financial Reporting	1,120,200	(100)	1,120,100
Financial Information Systems	2,520,700	(4,200)	2,516,500
<b>Total</b>	<b>\$9,717,800</b>	<b>\$16,500</b>	<b>\$9,734,300</b>
<b>FTE/Other</b>			
Total FTE	84		84

The

*Analyst FY 2003 Base* budget recommendation includes the *Revised Estimate* from FY 2002 as approved by the Executive Appropriations Committee and the following items:

- Adjustment for FY 2002 one-time programs;
- Payroll cost of an extra day in FY 2003;
- Transfers of Market Comparability Adjustments; and,
- Net changes for Internal Service Fund rates.

FY 2003 changes reflect the incremental costs of across the board reductions and annualization of partial budget cuts approved for FY 2002 along with transfers within the line item and transfers from other divisions to ensure efficient operations.

## 2.0 Issues:

### 2.1 Mileage Reimbursement Rates

During the 2000 General Session, 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 fifty 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*

FY 1999: Total payment = \$28,296

FY 2000: Total payment = \$26,220

FY 2001: Total payment = \$13,758

**3.0 Programs**

**3.1 Director's Office**

	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>Est/Analyst</b>
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	313,300	311,200	1,409,100	1,097,900
General Fund, One-time		(100)		100
<b>Total</b>	<b>\$313,300</b>	<b>\$311,100</b>	<b>\$1,409,100</b>	<b>\$1,098,000</b>
<b>Expenditures</b>				
Personal Services	282,900	280,500	284,600	4,100
Out of State Travel	3,400	3,400	3,200	(200)
Current Expense	26,900	27,100	1,121,300	1,094,200
DP Current Expense	100	100		(100)
<b>Total</b>	<b>\$313,300</b>	<b>\$311,100</b>	<b>\$1,409,100</b>	<b>\$1,098,000</b>
<b>FTE/Other</b>				
Total FTE	3	3	3	

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 nonlapsing funds for the enhancement of electronic commerce. The Analyst continues to support this use for nonlapsing 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.*

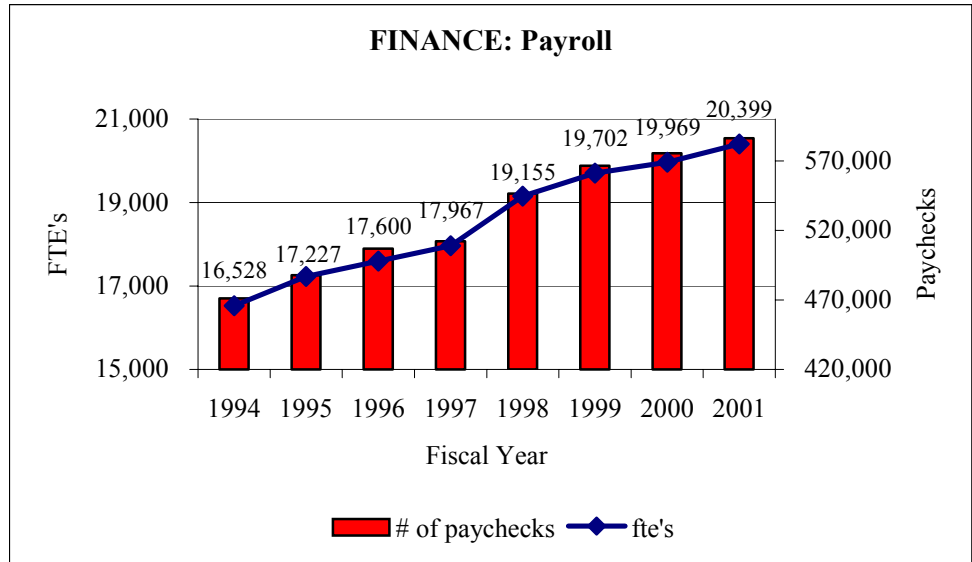
### 3.2 Payroll

#### Recommendation

	2001	2002	2003	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
General Fund	2,145,200	2,243,600	1,493,900	(749,700)
General Fund, One-time		(14,400)		14,400
Dedicated Credits Revenue	17,600	17,000	13,100	(3,900)
GFR - ISF Overhead		100,000		(100,000)
Transfers	400,000	3,600		(3,600)
Risk Management - Workers Compensati		1,836,400		(1,836,400)
Beginning Nonlapsing	806,200	1,600,000		(1,600,000)
Closing Nonlapsing	(1,600,000)			
<b>Total</b>	<u>\$1,769,000</u>	<u>\$5,786,200</u>	<u>\$1,507,000</u>	<u>(\$4,279,200)</u>
<b>Expenditures</b>				
Personal Services	778,100	790,100	812,900	22,800
Out of State Travel	1,100	1,100	1,100	
Current Expense	10,800	13,500	(382,100)	(395,600)
DP Current Expense	979,000	3,045,100	1,075,100	(1,970,000)
DP Capital Outlay		1,936,400		(1,936,400)
<b>Total</b>	<u>\$1,769,000</u>	<u>\$5,786,200</u>	<u>\$1,507,000</u>	<u>(\$4,279,200)</u>
<b>FTE/Other</b>				
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 586,237 paychecks in Fiscal Year 2001, an average of 22,547 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 2001 was \$1.60 per transaction, down from \$2.21 per transaction in FY 2000.

*New Payroll System*

During the interim, the Division of Finance began a program to replace the State’s aging payroll system. The new system will provide web-based access to employees for tax changes, benefit information, time and attendance recording and paycheck history. By taking these functions directly to the employee, several steps of recording data will be eliminated, increasing statewide productivity.

### 3.3 Payables/Disbursing

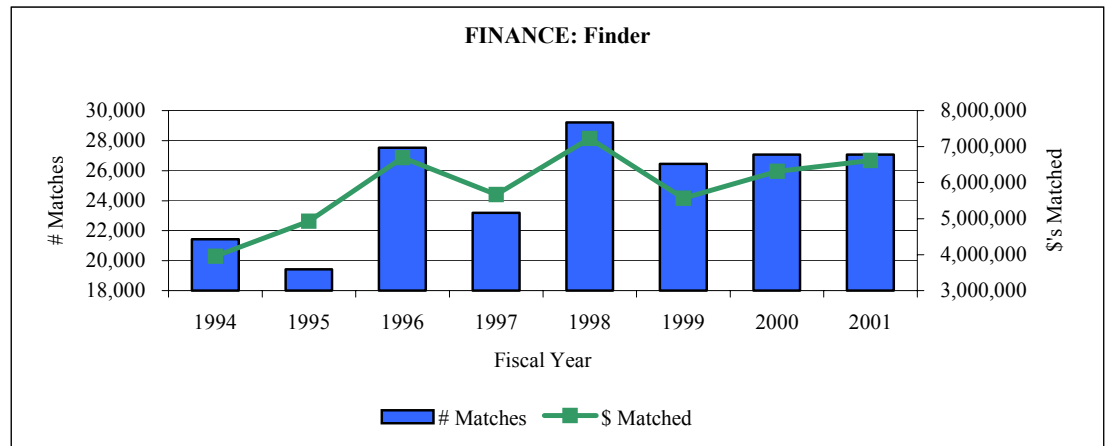
#### Recommendation

	2001	2002	2003	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
General Fund	1,080,300	1,094,800	1,069,200	(25,600)
General Fund, One-time		(400)		400
Dedicated Credits Revenue	593,800	599,700	588,700	(11,000)
Transfers		14,600		(14,600)
<b>Total</b>	<u>\$1,674,100</u>	<u>\$1,708,700</u>	<u>\$1,657,900</u>	<u>(\$50,800)</u>
<b>Expenditures</b>				
Personal Services	1,118,800	1,152,100	1,129,200	(22,900)
In-State Travel	600	800	800	
Out of State Travel	600	1,000	1,000	
Current Expense	554,100	554,800	526,900	(27,900)
<b>Total</b>	<u>\$1,674,100</u>	<u>\$1,708,700</u>	<u>\$1,657,900</u>	<u>(\$50,800)</u>
<b>FTE/Other</b>				
Total FTE	22	22	23	1

The Payables/Disbursing program 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

	2001	2002	2003	Est/Analyst
	Actual	Estimated	Analyst	Difference
<b>Financing</b>				
General Fund	1,226,600	1,160,200	1,223,400	63,200
General Fund, One-time		(121,900)		121,900
Beginning Nonlapsing	300,000	300,000	300,000	
Closing Nonlapsing	(300,000)			
<b>Total</b>	<u>\$1,226,600</u>	<u>\$1,338,300</u>	<u>\$1,523,400</u>	<u>\$185,100</u>
<b>Expenditures</b>				
Personal Services	691,000	809,800	679,300	(130,500)
In-State Travel		400	400	
Out of State Travel		1,700	1,500	(200)
Current Expense	15,400	17,500	(29,300)	(46,800)
DP Current Expense	500,300	443,900	806,500	362,600
DP Capital Outlay	19,900	65,000	65,000	
<b>Total</b>	<u>\$1,226,600</u>	<u>\$1,338,300</u>	<u>\$1,523,400</u>	<u>\$185,100</u>
<b>FTE/Other</b>				
Total FTE	10	10	9	(1)

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

	2001	2002	2003	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	725,600	770,000	714,800	(55,200)
General Fund, One-time		(300)		300
Dedicated Credits Revenue	414,100	414,800	405,300	(9,500)
Transfers		6,000		(6,000)
<b>Total</b>	<b>\$1,139,700</b>	<b>\$1,190,500</b>	<b>\$1,120,100</b>	<b>(\$70,400)</b>
<b>Expenditures</b>				
Personal Services	1,084,400	1,135,300	1,093,400	(41,900)
In-State Travel		200	200	
Out of State Travel	1,700	1,600	1,200	(400)
Current Expense	53,600	53,400	25,300	(28,100)
<b>Total</b>	<b>\$1,139,700</b>	<b>\$1,190,500</b>	<b>\$1,120,100</b>	<b>(\$70,400)</b>
<b>FTE/Other</b>				
Total FTE	17	17	17	0

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

	2001	2002	2003	Est/Analyst
<b>Financing</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>	<b>Difference</b>
General Fund	680,300	662,700	535,700	(127,000)
General Fund, One-time		(55,800)		55,800
Transportation Fund	450,000	450,000	450,000	
Dedicated Credits Revenue	200,000	200,000	188,000	(12,000)
GFR - ISF Overhead	1,470,900	1,483,000	1,342,800	(140,200)
Beginning Nonlapsing		126,500		(126,500)
Closing Nonlapsing	(126,500)			
<b>Total</b>	<b>\$2,674,700</b>	<b>\$2,866,400</b>	<b>\$2,516,500</b>	<b>(\$349,900)</b>
<b>Expenditures</b>				
Personal Services	1,441,800	1,480,200	1,474,400	(5,800)
In-State Travel			400	400
Out of State Travel	3,400	3,700	3,700	
Current Expense	21,100	20,800	(356,600)	(377,400)
DP Current Expense	1,208,400	1,361,700	1,394,600	32,900
<b>Total</b>	<b>\$2,674,700</b>	<b>\$2,866,400</b>	<b>\$2,516,500</b>	<b>(\$349,900)</b>
<b>FTE/Other</b>				
Total FTE	23	23	19	(4)

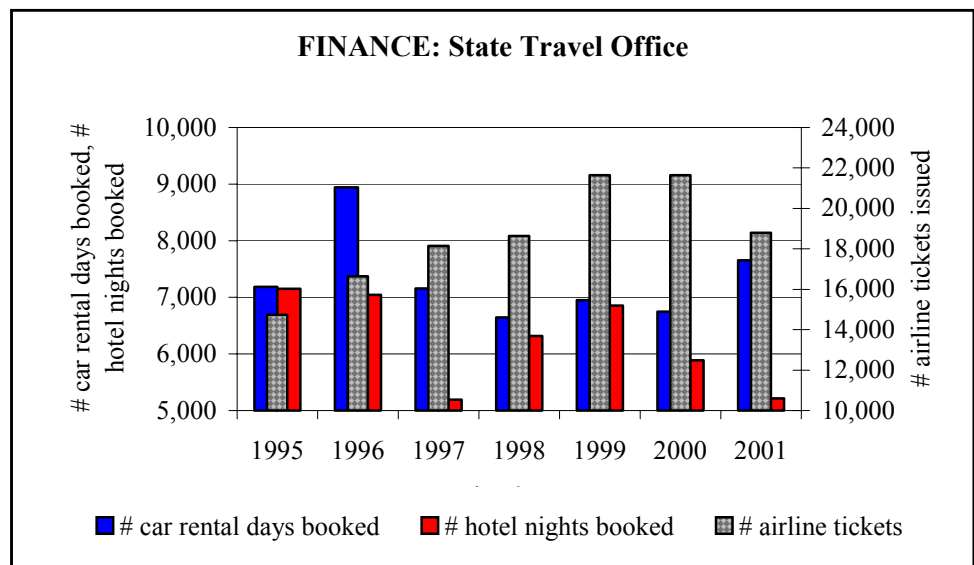
The FINET program group is responsible for coordinating incoming financial data, processing information and distributing reports to departments each month. The program tracks the State's fixed assets and loans receivable and reconciles cash accounts with the records of the State Treasurer. Because of 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 a private vendor 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.

The Travel Office issued 18,792 airline tickets in FY 2001, an average of 0.92 tickets per FTE. 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 during the 2000 General Session.

*It is the intent of the Legislature that the Department of Administrative Services continues current rules regarding mileage reimbursement.*

**4.0 Additional Information: Division of Finance**

	<b>1999</b>	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>
<b>Financing</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimated</b>	<b>Analyst</b>
General Fund	7,299,300	6,260,700	6,171,300	6,242,500	6,446,400
General Fund, One-time	300,000			(192,900)	
Transportation Fund	450,000		450,000	450,000	450,000
Dedicated Credits Revenue	1,267,100	1,267,700	1,225,500	1,231,500	1,195,100
GFR - ISF Overhead	1,548,300	1,318,700	1,470,900	1,583,000	1,342,800
Transfers		450,000	400,000	24,200	
Risk Management - Workers Compensation				1,836,400	
Beginning Nonlapsing	402,300	1,009,100	1,106,200	2,026,500	300,000
Closing Nonlapsing	(1,009,100)	(1,106,200)	(2,026,500)		
<b>Total</b>	<b>\$10,257,900</b>	<b>\$9,200,000</b>	<b>\$8,797,400</b>	<b>\$13,201,200</b>	<b>\$9,734,300</b>
<b>Programs</b>					
FIN Director's Office	292,700	299,500	313,300	311,100	1,409,100
Payroll	2,009,100	2,040,200	1,769,000	5,786,200	1,507,000
Payables/Disbursing	2,011,300	1,611,600	1,674,100	1,708,700	1,658,200
Technical Services	1,510,300	1,371,000	1,226,600	1,338,300	1,523,400
Financial Reporting	1,119,300	1,084,500	1,139,700	1,190,500	1,120,100
Financial Information Systems	3,315,200	2,793,200	2,674,700	2,866,400	2,516,500
<b>Total</b>	<b>\$10,257,900</b>	<b>\$9,200,000</b>	<b>\$8,797,400</b>	<b>\$13,201,200</b>	<b>\$9,734,300</b>
<b>Expenditures</b>					
Personal Services	5,133,400	5,325,600	5,397,000	5,648,000	5,474,100
In-State Travel	4,700	1,500	600	1,400	1,800
Out of State Travel	10,400	16,400	10,200	12,500	11,700
Current Expense	692,400	663,000	681,900	687,100	905,500
DP Current Expense	4,142,300	3,032,000	2,687,800	4,850,800	3,276,200
DP Capital Outlay	274,700	154,600	19,900	2,001,400	65,000
Capital Outlay		6,900			
<b>Total</b>	<b>\$10,257,900</b>	<b>\$9,200,000</b>	<b>\$8,797,400</b>	<b>\$13,201,200</b>	<b>\$9,734,300</b>
<b>FTE/Other</b>					
Total FTE	92	86	87	83	84