

STATE OF WYOMING

STATE AUDITOR'S OFFICE

Agency 003



ANNUAL REPORT

FY 2017

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CYNTHIA CLOUD
STATE AUDITOR

**Wyoming State Auditor's Office
Wyoming Annual Report
FY 2017**

General Information

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Statutory References

- W.S. 9-1-402 – through 9-1-408 - State Auditor General Duties.
- W.S. 9-1-415 – Collection of debts due the state; discharge of uncollectible debts.
- W.S. 9-1-417 – Interfund loans; repayment; maximum amount.
- W.S. 9-2-1005 – Payment of warrants; budget powers of governor; agency budgets; federal funds; new employees.
- W.S. 9-2-1008 – Unexpended, unobligated funds to lapse or be carried over; duty of auditor; reporting.
- W.S. 9-2-1009 – Non-appropriated revenues to be transferred by auditor upon lapse, conversion or otherwise becoming state property.
- W.S. 9-4-103 – Account of expenditures; public inspection; vouchers for allowances.
- W.S. 9-4-105 – Cancellation of unpaid state warrants.
- W.S. 9-4-107 – Balancing of accounts.
- W.S. 9-4-204 – Funds established; use thereof.
- W.S. 9-4-207 – Disposition of unexpended appropriations.
- W.S. 9-4-214 – Control and budgetary accounts; uniform accounting systems.
- W.S. 9-4-216 – Financial advisory council.
- W.S. 9-4-217 – Uniform state accounting system.

Wyoming Quality of Life Result

Provides centralized support services to state agencies to operate by the use of advanced technology, ensures fiscal accountability, efficient government and safeguards State assets.

Basic Information

Clients Served:

Wyoming residents, over 100 state agencies, legislators, local governments, federal government, the university and community colleges rely on the uniform accounting system.

Number of Employees:

The Auditor's Office has 26 authorized full-time positions.

Budget Information:

The State Auditor's Office has a 2017-2018 Biennium Budget of \$16,763,193 from the General Fund. Expenditures for the fiscal year 2017, including encumbrances for contractual obligations, are \$13,259,563.

The SAO's primary responsibilities include:

The State Auditor has the authority to designate a uniform state accounting system that shall be used by "the legislative, the judicial and each executive branch agency" W.S. 9-4-217(a). All State Agencies use the uniform state accounting system "to account for all revenue, budget and expenditures transactions". Procedures for the use of the uniform accounting system are prescribed by the State Auditor.

The State Auditor's Office operates the State's uniform accounting system and uses the CGI Technologies and Solutions' Advantage® ERP software suite to perform financial management, human resource management including payroll, Employee Self-Service (ESS) and reporting functions. The financial management component of the suite is known to the State as the Wyoming Online Financial System (WOLFS).

The uniform accounting system is the official book of record for the State of Wyoming. All State agencies, (i.e. executive, legislative and judicial branches), use the uniform accounting system either through manual entry or through system interfaces, including the central control agencies, (A&I – Budget Office, A&I – Human Resource Division (HRD), A&I – Employee Group Insurance (EGI), Wyoming Retirement System (WRS), Department of Audit (DOA), Department of Revenue (DOR) and the State Treasurer's Office (STO)). State agencies and central control agencies rely on the uniform accounting system to control employment records, payroll deductions, fund and cost accounting, fund transfers, payment distributions, budgetary controls, grant monitoring and other accounting functions. The uniform accounting system provides functionality to allow for the efficient accounting and payment of accounts payables generated by State government; accounting and collection of accounts receivables; and reconciliation of all warrants and electronic funds transfer (EFT) transactions.

One of the primary duties of the State Auditor's Office is to annually prepare the Comprehensive Annual Financial Report (CAFR). The information and data contained in the CAFR is maintained in the uniform accounting system and the reporting component is used to extract the data for the CAFR. The data compilation is formatted in accordance with the Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB).

As the State's Chief Payroll Officer, the State Auditor's Office maintains the official payroll records for the legislative, the judicial and each executive branch agency, except the University of Wyoming, and oversees the issuance of all payroll transactions. Monthly payroll is distributed to an average of 9,700 state employees in all three government branches (executive, legislative and judicial). In addition to payroll, all associated tax deposits, federal tax reporting, child support, garnishments, and third-party payers are issued payments through the human resource management/payroll component. Approximately ninety-eight percent (98%) of payments processed through the monthly payroll cycle are electronic direct deposits and the other two percent (2%) are paper warrants. In addition to employees, payroll payments are made through the human resource management/payroll component for the Department of Health's (DOH) in-patient workers (two institutions) and Department of Family Services' (DFS) student workers (two institutions).

The State Auditor's Office is responsible for training agency fiscal and human resource/payroll staff on the use of the financial management component, the HRM/payroll component and the reporting component of the uniform

accounting system. Constant help desk and one-on-one services are provided to the agency users. There are approximately 800 agency users on the financial management component, 250 users of the HRM/payroll component, and 1,200 users on the reporting system. Training is continual due to agency personnel turnover and system upgrades. The Office maintains the security and workflow for user access into the uniform accounting system. The users of all three components are, other than the staff of this Office, personnel hired by and supervised by other State agencies.

The Auditor's Office tracks fund balances and cash balances, which reconcile daily to the State Treasurer's account balances. The uniform accounting system processed approximately 1,800,000 financial payment transactions during FY 2017 to over 150,000 vendors.

There are five divisions in the State Auditor's Office:

- **Administration Division:**

Responsible for ensuring the mission and the performance of the Office complies with the statutory duties of the State Auditor along with maintaining communications with constituents and performs duties associated with Board and Commission matters. Performs contract management for all contracts related to the uniform accounting system and oversees the performance of all contractors engaged to support the uniform accounting system. Provides all fiscal and human resource/payroll services for the Office. The division is also responsible for maintaining all official elected Office records.

- **CAFR Division:**

Responsible for the preparation and publication of the State's Comprehensive Annual Financial Report and maintaining the state's fiscal accounts along with establishing the legal-appropriation budget (authority to spend) within the uniform accounting system through an interface from A&I – Budget Office's I-BARS. The Division serves as main contact for the annual external audit. As specified in W.S. 9-4-207 (d), the CAFR division is responsible for tracking and reverting all non-obligated general funds from prior budget years. The Division is responsible for maintaining accurate fixed asset reporting. In addition, it monitors state agencies' internal controls through pre-audits by sample testing the state's payroll and financial transactions.

- **Fiscal Management Division:**

Responsible for the daily functional and reporting operations of the Wyoming On-line Financial System (WOLFS) – the financial component of the uniform accounting system, including accounts payables, vendor payments, accounts receivables, non-sufficient funds (NSF), vendor file management, and the procurement card and travel card program oversight. Issues 1099s – federal tax reporting – along with workflow and security for the financial component and reporting system of the uniform accounting system. In addition, the Fiscal Management Division – Quality Assurance Unit is responsible for training agency fiscal and human resource/payroll staff on the use of the financial management component, the HRM/payroll component and the reporting component of the uniform accounting system through a web-based learning management system, face-to-face classroom lectures, and lab sessions (one-on-one hands-on opportunities) to enhance the learning process of the uniform accounting system.

- **Payroll Management Division:**

Responsible for issuance of state employees, in-patients and students workers in the State's facilities, legislators, judges, judicial support staff, and members of the Wyoming National Guard payroll, financial payroll reporting, payroll support for agencies, reporting and depositing of federal taxes, issuing federal tax reports (e.g. Employee Provided Health Insurance and Coverage 1095-C and 1095-B and W'2s) to state employees, along with child support, garnishments, and third-party payers payments. It provides administrative oversight of the Employee Self-Service (ESS) program along with the workflow and security of the human resource management/payroll and reporting component of the uniform accounting system.

- **Technology Division:**

Responsible for the technical and operational back office support of the uniform accounting system. Their duties include creating and maintaining custom code for specific procedures, batch processing for the system (during business hours as well as off-hours), printing paper warrants, generating electronic payments, generating electronic tax reporting, monitoring systems operations, interface certification, loading payment request files and time card files (interfaces) from other agency systems, as well as developing and maintaining financial accounting reports as requested by the State Auditor's Office and agency users.

Performance: 100%

Story behind the performance plotted below:

The uniform accounting system database has over 1,500 tables, 53,000 fields of entry, and over 1,000,000 lines of code. The diversity and complexity of State agency requirements to track and account for all accounting procedures requires a robust accounting, financial and payroll system.

The financial management component processes thousands of payments to vendors twice a week. The vendor payment process is performed off-hours when system users are off-line. The State Auditor's Office staff resources are stretched during the off-hour payment processing routines in order to monitor, balance, and prepare payments for distribution to agencies the morning following the payment process. There are over 100 State entities in the three branches of government that depend on the financial and payroll functions for their accounting. Payments to thousands of vendors counting on their money must be exceedingly efficient and accurate. Vendors in the state not only include businesses that deliver goods and services, but individual residents who receive workers' compensation payments, retirement checks, child support payments, Medicaid payments, daycare providers payments, foster parent payments, tax rebates, crime victim payments, jurors and many more. The Office continues to update its vendor database deleting inactive vendors from the system, and performing automatic, regular deletion of inactive vendors from the database. During the period between 7/1/16 and 6/30/17, the vendor help desk (a staff of 3) added 12,308 new vendors (4,103 per vendor help desk staff) and modified information for another 17,179 vendors (5,726 per vendor help desk staff). In order to improve accuracy of the 1099 process and issuance, the State Auditor's Office now performs a nightly Employer Identification Number (EIN) and Social Security number match with the IRS. End users of the system continue to be the first line of defense to avoid fraud in the State of Wyoming.

The HRM/payroll component processes payroll monthly. The HRM/payroll component is relied upon to process the gross-to-net payroll processes, the payroll accounting financial processes, payroll deductions, pay adjustments, final pays, and calculations relating to retirement, garnishments, and other processes for approximately 9,700 State employees. The State Auditor's Office is responsible for the accurate and timely collections of federal taxes, and reports and remits taxes to the Internal Revenue Service.

The Technology Division of the Auditor's Office is primarily responsible for the technical operations of the State's web-based uniform accounting system. The Technical Division staff consists of five technology specialists. The technical skills necessary for the State Auditor's Office to oversee the technical functions of the uniform accounting system are very complex. At least one staff member, if not more, of the technical division is available 24/7 in case of an emergency.

1. Training Opportunities for Agency Users

A goal of the current administration is to maximize potential training opportunities for uniform accounting system users, including education on basic accounting principles that come into play within the system. The State Auditor's Office offers training through a web-based learning management system, face-to-face classroom lectures, and lab sessions (one-on-one hands-on opportunities) to enhance the learning process of the uniform accounting system. In order to meet the needs of field agency user's training needs, Google Hangouts are offered to those users to reduce travel time and expenses. Department-specific training is available from this Office upon agency request.

Pre-Audit Help Desk E-mail Responses 2,913

Pre-Audit continues to see a substantial drop in e-mails responses partially due to class registration and confirmations becoming part of the State Auditor’s automated learning management system.

UMB Help Desk E-mail Responses 265

Email responses for the UMB Help Desk are down in part to more agencies using the InCommand Management module from UMB making the agencies more self-sufficient.

Total Help Desks e-mail responses
July 1, 2016 through June 30, 2017 34,071 2,004 per SAO Help Desk staff

These responses do not include responses handled through individual staff e-mail or phone calls.



2. Another goal of the current administration is to increase the use of the Purchasing Card, for convenience, flexibility, and cost effectiveness to State agencies. The program growth opportunities are to increase card usage, resulting in better cash management and cash flow into the State’s General Fund, allowing flexible purchase amount policy – per purchase and per account, while obtaining identifiable cost savings, reducing redundancies, improving financial business processes across state government and increasing state agency alignment. In addition, improve the state’s ability to manage and report on vendors who provide goods and services to the state.

If a vendor accepts a VISA card, State agencies are encouraged to use the card for making payments. The Fiscal Management Division - Quality Assurance Unit is working on training to promote and encourage agency users to use the Purchasing Card for purchases.

	Card Holders	Procurement Card Transactions	Total Dollars
Jan. 1, 2016 through Dec. 31, 2016	2,891	89,745	\$18,131,431
Rebate Jan. 1, 2016 through Dec. 31, 2016 -			\$ 216,268

3. A third goal of the State Auditor is for more frequent transactions using Electronic Fund Transfers (EFT) over paper warrants for payments to vendors. An Electronic payment is the least expensive method to process vendor payments versus payments issued through a paper warrant.

	Electronic	Warrants	Total
July 1, 2016 through June 30, 2017	1,082,411	432,826	1,515,237

The number of EFT’s and paper warrants are transactions over and above the number of Purchase Card transactions.

Seventy-eight percent (78%) of the total dollar amount paid to vendors are made through electronic transfers; twenty-two percent (22%) were warrants.

What has been accomplished?

The Comprehensive Annual Financial Report is the primary means for reporting the State's financial well-being for the public and the legislature. W.S. 9-1-403(a) (v) requires that the State Auditor provide annual financial statements prepared in conformance with Generally Accepted Accounting Principles (GAAP) by December 15 of every year. The performance must be 100% on this task. The report, required by law, must be completed on schedule, and must be accurate.

The State Auditor's Office has received 19 consecutive achievement awards over the past 19 years for excellence in financial reporting given by the Government Finance Officers Association of the United States and Canada. The certificate of achievement is presented annually, therefore, excellence and accuracy in the preparation of the report is a yearly goal of the CAFR Division.

Beginning with the 2017-2018 budget load, there was a significant change of business process automating and streamlining the budget loads into WOLFS for State agencies. The information agencies entered into IBARS "rolled up" into WOLFS' accounting system. This eliminated the need to duplicate inputting the same information manually into WOLFS by means of a WOLFS' budget document. This saved valuable time for the State Auditor's Office, Administration and Information Department's Budget Division, and ultimately, the agencies. Other benefits of the change included improved accuracy, greater transparency and improved meaningful management reporting.

The State Auditor's Office began working on the 3.11.1 Uniform Accounting System Enhancement project. The primary goal of the 3.11.1 Uniform Accounting System Enhancement project is to conduct a business improvement process review rather than conducting a technical upgrade as conducted in the past. In May 2017, the State Auditor's Office held the 3.11.1 WOLFS New Enhancement Forum and a special "Executive Sponsorship Session" with 236 Agency Directors and Chief Financial Officers in attendance. At the event, the State Auditor's Office in conjunction with CGI Technologies and Solutions Inc. and Plante & Moran held 30-minute breakout sessions to share what the 3.11.1 WOLFS Project is all about, what's changing, and how we will be moving into the future. These sessions covered the new chart of accounts, the new budget structures, data entry reduction, the roadmap for the project, our methods for communicating with users as we go forward, the new evolution of the State Auditor's Office training program, and our plans for the future.

The 3.11.1 Enhancement will help the CAFR Division by improving the revenue budget structure by mirroring the expense with revenue budgets. There will be more consistency when coding the appropriation units. This will help to eliminate spreadsheet reconciliations by agencies and offer them more enhanced reporting and better budget tools to manage the amount of spending allowed over a specified period in time. A new legal budget structure (appropriation - authority to spend) will be implemented within WOLFS, allowing the State Auditor's Office to monitor and track expenses against revenues collected. Better cash management and reporting dimensions will be available within the new legal budget structure.

The 3.11.1 Enhancement will leverage 3.11.1 baseline functionality and features within the Advantage® applications and reduce manual processes, utilizing the best financial and payroll practices as well as improving operational efficiency and reducing redundancies. The business process improvement review looked at how to better use of technology of the uniform accounting system, which resulted in eliminating 90% of system modifications in WOLFS and 87% in the HRM/payroll system.

The Fiscal Management – Quality Assurance Unit began issuing in May 2017 the "Five Top Things You Should Know for the Week" 3.11.1 Uniform Accounting System Enhancement newsletters. The 3.11.1 Uniform Accounting System Enhancement newsletter is issued bi-monthly, provides project updates to the user community on what progress was made, what work is in progress, and what work is to come. Users are learning about the segregation of federal monies and Chart of Accounts (COA) modeling project; previewing the new expense, revenue, and cost accounting budget structures along with how they can reduce data entry. The project will go live July 1, 2018.

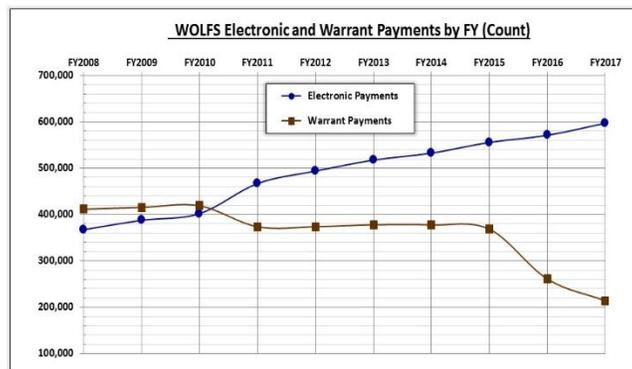
In August 2016, the State Auditor's Office engaged Plante Moran to provide professional accounting, consulting services as it relates to the chart of accounts (COA) assessment and redesign project. The goal of the COA assessment and redesign project is to define standard principles of using the COA elements and improve federal reporting along

with accounting for and tracking federal monies. Beginning in May 2017, the State Auditor’s Office, CGI and Plante Moran collaboratively met with 38 state executive branch agencies and the Legislative Services Office (LSO) (a total 39 state agencies) for the purpose of learning how agencies are using the COA elements and current cost accounting budget structures. Agencies shared with the project team the federal reporting requirements and their challenges in reporting accurately to their federal partners. Agencies identified COA elements that are no longer needed and can be deactivated. The deactivation will reduce the footprint in the uniform accounting system database, resulting in saving to the State on storage and processing time. As a result of this discovery work, approximately 5,774 prior budget year revenue budgets have been deactivated with 372 prior year budget expense budget beginning deactivated. Reverting all non-obligated general funds from prior budget years will continue to contribute with the budget deactivations.

Work continues with the 39 state agencies to validate the COA design which best suits the agencies federal reporting requirements. New cost accounting budget structures are being activated for agencies to use for project and grant expenditure and revenue reimbursement. This allows agencies to use the uniform accounting system for generating federal draw downs in a timelier manner thus reducing the strain on state funds to support federal programs.

At the recommendation of the COA re-design and through the executive authority of the State Auditor W.S. 9-4-204 (s)(i) the federal monies will be segregated from the general fund (001) in WOLFS. This will provide transparency to the public, the Governor, and the legislature as to how much federal monies are in State government to operate and support federal programs. With the segregation of funds in WOLFS, cash management and budget controls will be enhanced while providing future budget forecasting capabilities. These enhancements will be implemented on July 1, 2018.

The Office, in its continuing effort to minimize the use of paper by decreasing the use of paper warrants, as a method of payment. Examples of our decrease include, electronic paystubs, electronic user guides to the uniform accounting system, elimination of PDF (Adobe) reports from the reporting system, increasing the use of the procurement card, and the use of attaching electronic documentation in the uniform accounting system.



The Office has seen great success with the placement of all uniform accounting system User Manuals and “How To” instruction guides on-line, which cut printing costs and offers users current up-to-date information on the system. The Office is working on video training and is conducting user training to remote users via Google Hangouts. These training offerings have been well received by the remote system users. Google Hangouts reduced agency expenditures for travel, lodging, and per diem expenses.

The State Auditor’s Office continues to work on the Affordable Care Act, commonly known as ACA, by the Internal Revenue. The notification, known as 1095-C, Employer Provided Health Insurance Offer and Coverage, includes information about the health insurance coverage offered to state employees, their spouse, and/or dependent(s). The law, also, requires the State of Wyoming to file this same information, as an informational return, with the Internal Revenue Services (IRS) in electronic format. As part of the requirements, State of Wyoming employees, in addition



to the standard 13,741 W-2 forms furnished by the State Auditor’s Office, were issued 10,238 1095-C and 876 1095-B federal tax forms along with 7,245 1099-MISC. The State Auditor’s Office accomplished this through its standard budget without any additional funding requests.

The State Auditor’s Office implemented a new infoAdvantage® reporting system during the fall of 2016. The robust reporting tool allows HRM/payroll and WOLFS’ users the ability to run reports on-demand, when needed. Users are able to access infoAdvantage® and locate reports more easily with system availability expanded as well. The State Auditor’s Office provided additional resource materials as well as conducted specialized training for infoAdvantage® reporting users – 247 WOLFS users participated in the WOLFS financial reporting training representing 99% of state agencies while 112 HRM users attended the payroll reporting training representing 95% of state agencies.

The State Auditor’s Office implemented in July 2016 the Labor Distribution Profile Management (LDPM) Builder component of the Cost Allocation project. With the LDPM Builder implementation, agencies are able to automatically apply the relative percentage allocation of employee’s time worked on a particular grant or project to the direct labor cost, including leave, federal taxes and fringe benefits at the time the employee’s monthly pay is calculated and distributed. The implementation reduced the manual process to modify direct labor costs and improved the accuracy for federal reporting. The State Auditor’s Office is in its final stages of completing a cost allocation and reimbursement activities software at the individual grant level. State agencies currently use numerous reconciliation procedures internally to accomplish federal grant accounting, including cost allocation. The implementation of the cost allocation module will reduce those reconciliation procedures and increase accuracy by allowing more efficient integration with the Office’s uniform accounting system, which serves as the official book of record. Implementation will continue from agency to agency, once the initial implementation has been completed with the pilot agencies.

The CAFR Division continues to conduct monthly “pre-audit” function to help agencies implement and monitor their internal controls; analyze and record transactions in the uniform accounting system; and reconcile accounts monthly to help ensure all financial information is accurate and complete. The CAFR Division randomly selects a number of financial and payroll transactions from various agencies, which are then audited. Findings are discussed with the appropriate agency personnel and corrective actions, as well as, helpful recommendations and information are recommended.

The Fiscal Management – Quality Assurance Unit issues the monthly State Auditor’s Office Newsletter by e-mailed to WOLFS and HRM/payroll users. The newsletters contain information on upcoming CAFR deadlines, payroll deadlines, training available, new procedures and timesaving tips.

The State Auditor also serves as a member of the Board of Land Commissioners, the State Loan and Investment Board, the State Building Commission, and the State Canvassing Board. The State Auditor’s staff assists her in these functions

as necessary. These boards respectively oversee nearly all State lands, set investment policy for the State's permanent and general funds, manage nearly all State buildings, and certify election results. As one of the five statewide elected officials, the Auditor's membership on these boards has a long historical precedent, which is deeply rooted in Wyoming's grassroots approach to State government.

