

KSGFOA Newsletter

Kansas Government Finance Officers Association



Quarterly Newsletter of the Kansas Government Finance Officers Association • 2007, No. 2

2007 Board of Directors

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President's Message

Maureen Rogers • Finance Director, City of Merriam

Another audit and budget season is winding down...I hope it went well for all of you. I have added many new gray hairs over our 2008 budget (thank God for highlights!), but vacation is coming soon and that makes it all much better.

I'm looking forward to the late summer and fall, when we can all reconnect with each other again! I am excited about the conference opportunities KSGFOA is offering this year. Since last year's GASB Update was so popular and many of you requested that it become an annual event, we have invited Mark Dick and Shelly Hammond back to Cabela's on Thursday, August 30. Please mark your calendars – last year was a great time of learning and networking, with 75 attendees from both Kansas and Missouri.

The Fall Conference is October 17 – 19 at the Overland Park Sheraton. This year's theme is "But I Didn't Sign up for This!" As you have all experienced, as finance officers we are wearing an ever-increasing number of hats, and our "other duties as assigned" may involve almost anything. The KSGFOA conferences of the last few years have reflected the broadening of our roles, while still providing education and updates on the core financial aspects. I have also noticed that some of the recent job postings across the state have requested Human Resources or Economic Development skills along with traditional financial expertise. We all need to gather all the information and support we can as we continually reinvent ourselves.

The KSGFOA Board continues to work with the Western Missouri GFOA to promote synergy between the two groups. Some Board and KSGFOA members will be attending and participating in round table discussions at the next Missouri meeting on August 9 at Kauffman Stadium in Kansas City.

The next KSGFOA Board meeting is August 29 in Kansas City, Kansas. Please let a Board member know if you have any concerns or suggestions.

I really hope to see all of you at Cabela's and the Overland Park Sheraton. Have a great rest of the summer!

Maureen Rogers is the 2007 President for KSGFOA and is the Finance Director for the City of Merriam. Maureen can be contacted by phone at (913) 322-5509 or e-mail to maureenr@merriam.org.

Past Presidents Column

by Rod Franz, CPFO, Finance Director, City of Salina

I'm basically lazy, and will avoid re-inventing the wheel if it is possible to do so. As a result, I was recently surfing the web attempting to locate an RFP for OPEB appraisal services that I could "borrow" from. In so doing, I visited a number of other State GFOA websites looking for resources. I noted several state chapter websites whose resource rooms consisted solely of links to the California and Kansas resource rooms. Clearly, there are at least some who recognize value in what we do there, and it put me in the mood to reflect a bit what I see as the organization's accomplishments and future challenges.

The most profound accomplishment is that there is an organization at all. Before 1999, except for a 3 year period in the mid-sixties, there had never been a statewide organization with the development of the public finance profession as its primary focus. Those of us who wanted to affiliate with a professional association were limited to national groups (GFOA), regional groups (EKGFOA) or groups such as the City Manager's or City Clerk's Association who had the finance field as an ancillary activity.

Our original goal was to establish a stable membership of about 100, or a little more. We have exceeded that, and the membership is now at about 190. A stable membership at an adequate level provides both the fiduciary and networking resources to provide a quality program.

Other achievements include:

•**The Quarterly Newsletter.** I can't begin to emphasize enough how tough a job the newsletter editor has in this type of organization. Finding new material every three months can be a huge challenge, and much depends on contributions from the members. While I can't say that the newsletter has been on time, every time, it has been relatively regular, and high quality.

•**The Website.** Think www.ksgfoa.com. A hidden gem! If you haven't been there, go there. I have visited a number of peer association web sites, and the Kansas site is among the best—both in content and in the ability to navigate through the site. The KSGFOA website is rich in content, including contact information, membership information, a calendar of upcoming events, the current newsletter, job listings, our code of ethics and a resource room that incorporates a plethora of documents including archived newsletters. Many of the handouts available at the last fall conference are also available from the website.

•**The Fall Professional Conference.** To be honest, we inherited this from the Eastern Kansas GFOA, and over the years expanded and modified it slightly. Typically scheduled for the middle of October each year, we have had some pretty high level speakers and presentations over the years, as well as home-grown talent.

Challenges for the future:

•**Outreach.** One of the initial goals of the organization was outreach to organizations and individuals who have a basic level of support in public finance, and who may not be able to attend one of the annual conferences. We initially attempted to accomplish that through a series of "regional" mini-conferences, held twice per year at various locations.

While some of the earlier meetings had good participation, that gradually dwindled away; and as a result the program has been ended. However, I think the need remains, and the organization should devote some resources to accomplishing that goal.

•**Certification.** KSGFOA should be more proactive in encouraging participation in the GFOA Certified Public Finance Officer program.

•**Legislative Action.** We are all operating within a legislative context that has its roots in the 1930's. The budget, cash basis, bond, banking, and investment laws are all outdated and need significant changes.

•**Image.** We need to foster our image among other peer associations in the State, including the League, the Association of Counties, City Manager's, City Clerks, etc. We have made some progress; at least my City Manager is aware that there is a professional association of finance officers at the State level. However, we need to continue to focus on developing our image and the perception of this group as a valuable resource.

You ask "What can I do as a member?" Participate! Attend the conferences. Submit material to the web site resource room. Contact board members with your ideas and requests. I know from experience that many times the Board of Directors is operating in a vacuum. Volunteer to serve on a committee. Talk about KSGFOA to others in your organization or other professional groups. We have to all contribute to growing this organization.

Rod Franz is the Finance Director for the City of Salina. He can be reached at (785) 309-5735 or rod.franz@salina.org.

KSGFOA Membership Committee Update

by Ben Hart, Director of Strategic Financial Management, City of Olathe

As the membership chair, I also became the defacto marketing director and quickly solicited help from Robin Cook, Johnson County and Charles Mitts, Olathe in selecting the new marketing material/giveaways for the fall conference. I'm going to let the suspense get to you as I'm not divulging the goods here. I just want to say that I have 21 boxes in my office at work that need to get to my house one of these days. My dad says, "That's what kids are for. Put 'em to work!"

With the last newsletter I announced that we had attained a new level of membership. That record keeps getting broken. *There were 167 total members with this past spring newsletter and we're now at 190!!!! Wow!*

Remember, if you want to get involved in any way with the board please do not hesitate to contact me or any of the board members!

Ben Hart is the Director of Strategic Financial Management for the City of Olathe. Ben can be contacted by phone at (913) 971-6442 or e-mail to bhart@olatheks.org.

Revitalized Purchasing Card Program Leads to Phenomenal Growth

by Brent Christensen, Operations Manager, Johnson County; Kevin Hiskey, Assistant Director of Financial Management, Johnson County; and John Mahin, Purchasing Administrator, Johnson County

Introduction

In 2003, Johnson County, Kansas, decided its purchasing card program, while good, was vastly under utilized. Only 14% of all purchasing transactions were made with p-cards. The County decided to overhaul the program with the goal to convert the majority of the purchases and related payments to purchasing cards while enhancing security and accountability and obtaining the other advantages of a “Best Practice” program.

The Problem/Need for the Program

Over the last two decades, Johnson County has experienced tremendous growth. Johnson County is currently averaging annual growth of over 10,000 new residents each year. The increase in the volume of transactions was causing existing staff to have a difficult time keeping up. By 2003, the volume of purchase orders had grown to over 33,000 per year and accounts payable was processing over 10,000 invoices per month.

Some primary needs were to reduce the volume of purchase orders and checks being prepared for small purchases, provide department users with a more efficient and effective method to make small dollar purchases, while still maintaining strong internal controls, and look at dollar thresholds for purchasing authority which had been in place for more than fifteen years.

One of the biggest hurdles was to change the perception of the p-card. Departments would need to be re-educated in the value of the p-card as an effective procurement tool. The existing program was paper intensive and required too much manual processing. It was evident that we would have to automate the process and make it compatible with our ERP system.

Description of the Program

The objective of the revised P-card program was to increase the use and effectiveness of the P-card by shifting purchases previously made using the traditional requisition/purchase order process to the P-card. The benefits would include a one for one reduction in purchase orders for every purchase previously accomplished with a requisition/purchase order that transitioned to the P-card, the elimination of temporary positions, the reduction of processing time and volume of individual checks being prepared in response to individual purchase orders. The County also realized additional value through the increase in rebate dollars from the sponsor bank. Utilizing nationally recognized survey numbers, County purchasing staff estimated a savings of \$69 per transaction for every traditional requisition/purchase order transaction transitioned to a P-card.

The County purchased a third-party p-card management software system (P-Card Web Solutions) from ExpensePath Software and redesigned the County’s p-card program around the automated benefits of the new system. The purchasing card transactions from the bank were uploaded into the P-Card Web Solutions system. OFM could exercise more control over timely cardholder reconciliations. OFM reconciled on a weekly basis. If users failed to reconcile on time, OFM would “force reconcile” and charge their expenses to a pre-assigned general ledger account. If the account coding was wrong, users would have to prepare journal entries to correct the coding. If we force reconciled a cardholder’s statement too often, it could result in the loss of the card or in disciplinary action.

The following steps were included the following:

- a) Purchasing and Payables staff began attending regular meetings of various user groups in the County to explain the needs and the benefits of increasing the use of P-cards in their department purchasing.
- b) Purchasing and Payables staff also began scheduling regular quarterly meetings with the sponsor bank. It was through these meetings that the OFM staff became familiar with the “best practices” available for p-card programs and ways to integrate them into our program.
- c) In mid-2004, the Purchasing Division began a series of focus group meetings comprised of purchasing staff and users from major departments. The goal was to review, revise and update existing purchasing policy and procedures. One of the major areas of concern was the threshold for small purchases (i.e. those not needing Purchasing Division involvement). It had been set at \$2,000 for many years. The group decided that a more appropriate threshold for a County our size would be \$10,000.
- d) In mid-2004, the Purchasing and Payables Divisions began a series of focus group meetings comprised of purchasing and payables staff and selected users from the major departments to help revise the purchasing card administrative guidelines to provide a stronger and clearer set of guidelines to users. The new guidelines allowed departments to purchase commodities and services on p-cards up to \$10,000 without the need for Purchasing Division intervention.
- e) Previously, all paper statements and attachments (e.g. invoices, receipts, etc.) were sent to OFM to audit after departments had reconciled and approved their p-card statements. With the implementation of the new software, departments were allowed to keep the original paper receipts and invoices in the departments and no paper was forwarded to OFM. The new method used an online workflow approval process within the p-card software application. Approving Officials within the department were to review the transactions and related supporting documents before approving the transactions.
- f) Since the receipts and invoices were to remain in the departments, OFM created a formal annual audit process.
- g) To assist in performing these audits, OFM purchased an audit software package to plan and pull random samples for departmental audits.

For purposes of a P-Card Audit, we identified necessary controls and then classified those controls into nine basic control activity categories.

1. Access to and Accountability For Resources
 2. Direct Activity Management
 3. Segregation of Duties
 4. Physical Controls
 5. Execution of Transactions and Events
 6. Recording of Transactions and Events
 7. Information Processing
 8. Documentation
 9. Risk Assessment
- h) In early 2004, new automated software was implemented for the purpose of allowing reconciling and reporting on-line. The use of data feeds from the sponsor bank was put in place in conjunction with the reconciliation software.
- i) In 2005, a “train the trainer” approach was initiated that allowed OFM staff to train department coordinators and them in turn to train their cardholders.
- j) In 2005, a “procure to pay” matrix was established to advise users what payment options were available to them for various purchases and also what options were preferred for each.
- k) OFM began using the intranet site to host policies, procedures, guidelines, forms, frequently asked questions, announcements and other items pertinent to the p-card and procure to pay process.
- l) The concept of “temporary increases” to P-card thresholds on a real time basis was implemented in early 2006. This concept was very successful during the Hurricane Katrina aftermath.
- m) In early 2006, the Purchasing Division began publishing a monthly statistics report that indicated to departments how they were doing in their use of the P-card. The report is updated and placed on-line monthly.
- n) OFM regularly monitors card limits through various reports and annual audits which allows staff to recommend spending limit increases and decreases depending on actual card use.
- o) To assure that every precaution has been taken to eliminate potential fraud and to maintain card security, staff works with the sponsor bank on a regular basis to assure fraud detection measures have been taken and that all available security features have been implemented.
- p) To help assure that users did not confuse their County P-card with their personal cards, the County has replaced all previous County P-cards with a unique, bright yellow card.
- q) Purchasing and Accounts Payable staff constantly remind users and user groups to use their P-cards whenever possible.

County and other types of transactions in which the cardholder was incorrectly charged by the vendor.

Cost of Program

The primary out of pocket cost for the expansion of the p-card program was the capital cost of the automatic reconciliation and reporting software. The cost of the P-Card Web Solution software from ExpensePath Software was approximately \$100,000, which included the user licenses, implementation costs, and first year maintenance fees. Operationally, the cost of maintaining the expanded program, training users, conducting periodic departmental audits, preparing reports and other associated activities are offset by the administrative cost and time savings gained from transitioning procurement transactions from the traditional requisition/purchase order process to the P-card.

The Results/Success of the Program

The success of the program to transition users from the traditional requisition/purchase order process to the P-card on small purchases has been dramatic as shown in the following table:

Year	PO transactions	P-card transactions	P-card \$	Projected Savings In Processing Costs
2003	33,434	5,625	\$ 3,577,876	\$388,125
2004	28,845	28,926	\$ 4,861,412	\$1,995,894
2005	22,271	34,211	\$ 6,296,777	\$2,360,559
2006	20,008	37,601	\$ 7,801,352	\$2,594,469

The measure of the success of the County’s new P-card program is reflected in the net change downward in purchase orders from 2003 to 2006, and the net increase in P-card transactions from 2003 to 2006. Based on national surveys conducted by the National Institute of Governmental Purchasers (NIGP) and others, the estimated savings to be realized from a P-card transaction versus a requisition/purchase order is \$69 per transaction. Based on this, the County went from saving \$388,125 in 2003 to \$2,594,469 in 2006 on processing costs in time, labor and materials. The County also experienced a 358% increase in rebates from our sponsor bank during this time. Added to these savings are the increased accountability, internal control, security and reporting inherent in the P-card. The County anticipates a continuation of the upward trend in P-card usage until nearly all eligible small dollar purchases are handled in this manner.

Use of Technology

The list of technology items used to implement this program included: Intranet, departmental websites, P-card Web Solutions software, and the ERP financial system. The third-party software was a system that was capable of standing alone or interfacing with many popular ERP systems (including the one the County had). OFM customized the p-card application screens to match our ERP system and even added a few other enhancements such as a sales tax field. By statute, Johnson County does not have to pay Kansas sales tax, but in the p-card world, suppliers occasionally charge sales tax in error. Another helpful feature that we built in was a “disputed” field to track sales tax due to the

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Questions About KSGFOA

1. What is the purpose of the Kansas Government Finance Officers Association?

The purpose of this Association is to promote the improvement of the methods of governmental financing in Kansas as developed and recommended by the Government Finance Officers Association of the United States and Canada, the Governmental Accounting Standards Board, and other recognized authorities in the field of government Administration and Finance, and to provide professional development opportunities for the membership of the Association.

2. Who are the Board of Directors?

The Board of Directors shall consist of the Officers of the Association, the immediate Past President, and six other members at large. The membership on the Board of Directors shall be generally representative of the Association membership in terms of geographic and jurisdictional distribution. It shall be the duty of the Board of Directors to transact the business of the Association, including arrangement of meetings as to time, place, and program; to study all matters referred to it by the Association and the perform other duties pertaining to the advancement and welfare of the Association and its membership. The president shall serve as chairperson of the Board of Directors.

3. Who are the Officers of the Association?

The Officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, to be elected annually by the membership at large. They shall perform the duties customarily performed by such officers. Officers shall take office on the January 1 following the date of election and serve for a one-year term. No officer may serve two full consecutive terms in the same office.

4. How do you get nominated?

Not later than 90 days before the regular annual meeting, the president shall appoint a nominating committee consisting of the most recent immediate Past President still a member of the Association, who shall be chairperson, and at least three other members. The nominating committee shall nominate one candidate for each position to be filled. Further nominations may be made from the floor during the annual meeting. Notice to the membership of the nominations made shall be distributed at least 30 days prior to the annual meeting.

5. What is the current membership of KSGFOA?

There are a total of 190 members. The membership is comprised of 153 full members and 37 associate members. A Full Member is any accounting or financial official, or administrative official whose duties encompass significant responsibilities for accounting or financial systems, whether elected or appointed, in a government jurisdiction in the State of Kansas; or persons holding teaching (or similar positions) in the areas of Government Finance/Accounting at an accredited college or university. Each member shall have one vote in Association business. An Associate Member is any person not eligible to be a member but who is interested in the principles and practices of governmental finance and who subscribes to the purpose of the Association. Associate Members do not have voting privileges and may not serve on the Board of Directors.

Upcoming Events

“2007 Accounting Update” with Mark Dick and Shelly Hammond of Allen, Gibbs, & Houlik, LC of Wichita

August 30, 2007

Cabela’s in Kansas City, Kansas

Topics: GASB Update and Ethics

Agenda:

8:30 - 9:00	Registration
9:00 - 11:30	Training
11:30 - 12:30	Lunch and networking
12:30 - 2:30	Training

KSGFOA Fall Conference

October 17 – 19, 2007

Overland Park Sheraton, Overland Park, Kansas