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ANNUAL REPORT



DAVE FERRARI
WYOMING STATE AUDITOR

WYOMING STATE DOCUMENT
DEPOSITORY PROGRAM

DEC 14 1994

STATE LIBRARY DIVISION



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October 1, 1994

To the Governor and Members of the 53rd Legislature:

I am pleased to provide this report of the various activities of the State Auditor's Office. We have continued to concentrate during the past year on those activities which will make State government more efficient. To the extent that this office can influence "better" state government, a number of activities were accomplished:

- Through continuing streamlining and system enhancements of the State's new accounting system (WIN) and the Payroll System, data processing costs were reduced by \$258,197 from Fiscal Year 1993 to Fiscal Year 1994. This consists of a 6.3% cut in Payroll System costs and a 16.9% cut in the WIN System costs. This savings followed a cost reduction from FY-1992 to FY-1993 of \$400,000.
- Working with the Attorney General, the State Auditor's Office reviewed the status of select funds and accounts within the State Treasury and recommended legislative action to release or "free-up" those which were otherwise uncommitted. As a result, \$16.8 million was redirected either to the General Fund or Budget Reserve account or channelled into capital construction projects.
- At the request of the State Auditor, the Government Bond Guarantee Program was passed by the Legislature during the fiscal year. This program utilizes the State's permanent funds to guarantee payment of capital construction bonds issued by local schools, cities, towns and counties. The program is designed to improve bond ratings and consequently reduce interest costs associated with these issues. If fully utilized, the State Auditor's Office estimates the program could save Wyoming taxpayers up to \$100 million over its lifetime.

The Comprehensive Annual Financial Report (CAFR) was prepared in compliance with GAAP, for the first time, to disclose the true financial position of all the State's funds. We must now use this information to make informed decisions regarding government operations.

The staff of this office is committed to working with the Legislature and Executive Branch to make state government more efficient and effective. We look forward to discussing the financial statements with you and offer any assistance which you feel may be helpful in your deliberations. Your comments and questions on this office's activities are, as always, welcomed and appreciated.

Best regards,



David G. Ferrari
State Auditor



THE STATE AUDITOR

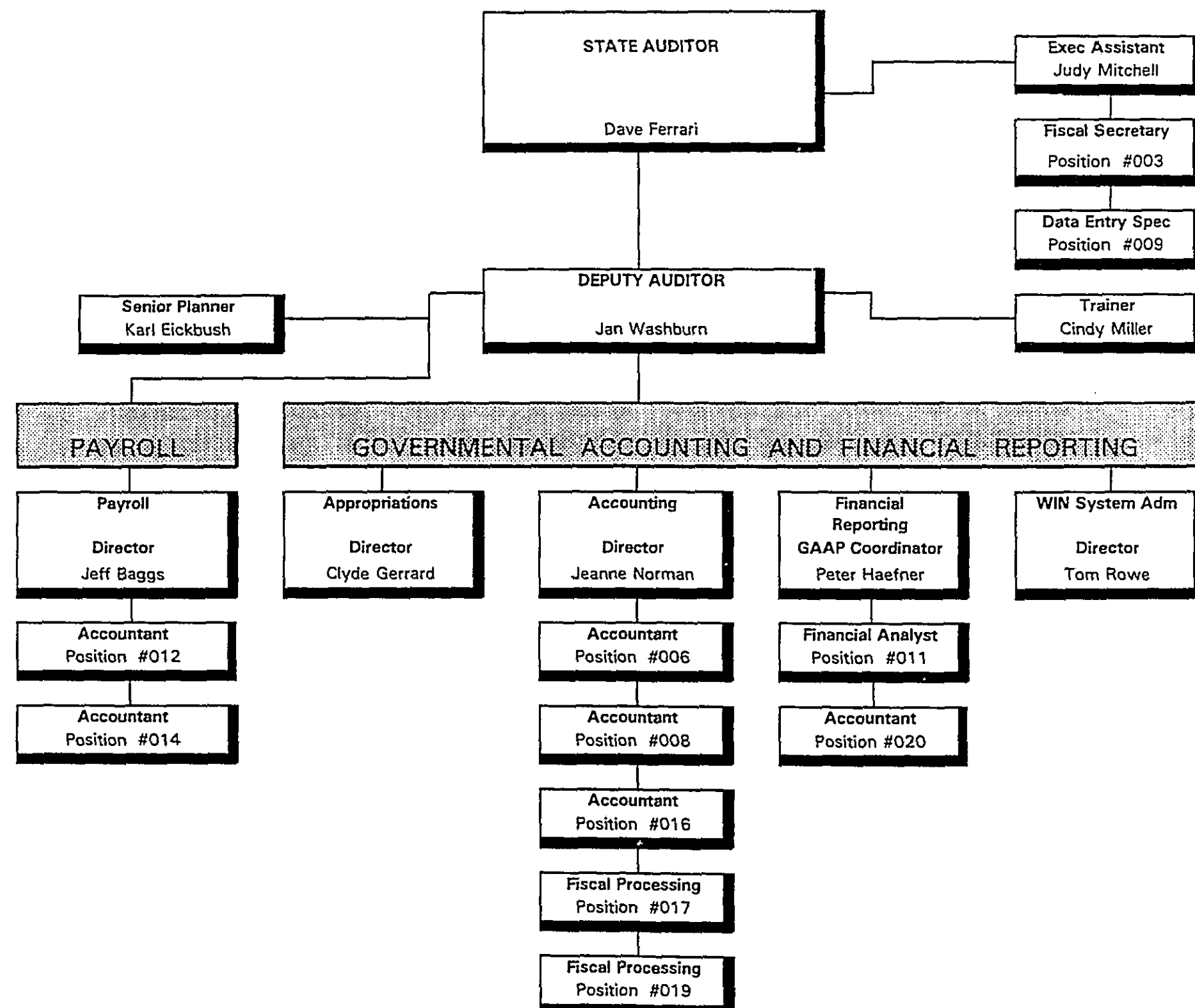
The State Auditor is one of the five constitutionally established state-wide elected officials. The primary function of the office is to represent the citizens of Wyoming through discharge of the duties assigned by Wyoming statutes. These duties, for the most part, include the controllership of State government, including responsibilities for the payment of all of the State's bills; management of the payroll function for approximately 10,000 State employees, resident, patient and inmate workers in the State's institutions, legislators, judges, board members and national guardsmen and women in the State; keeping track of all of the State's revenues, expenditures, appropriations, budgets, bad debts, and other accounting activities; and, reporting to the public, legislature and executive branch officials the financial status and operating results of the State's financial activity. In addition, the State Auditor serves, along with the other four state-wide elected officials, on several boards and commissions which have state-wide oversight, management and responsibility for various State government activities:

Farm Loan Board
Board of Land Commissioners
Liquor Commission
Capitol Building Commission, and
State Canvassing Board

ORGANIZATION CHART

The SAO organization structure is depicted in Figure 1. The restructuring was accomplished in anticipation of the WIN implementation and was designed consistent with the State's reorganization philosophy in which unnecessary "layers of bureaucracy" were eliminated. Previous State Auditor organizational structures contained five different levels of supervision. Two of these levels of supervision were eliminated, resulting in three which as noted in Figure 1, includes the State Auditor, Deputy Auditor and Division Directors.

FIGURE 1



MAJOR GOALS AND OBJECTIVES

The major goal of the SAO for Fiscal Year 1995 is to obtain an independent statewide audit of the Comprehensive Annual Financial Report and to receive the Government Finance Officers Association's (GFOA's) Award for Excellence in Financial Reporting.

The Office will implement the Executive Information System (EIS) during Fiscal Year 1995 as part of its continuing efforts to stay in compliance with GAAP. The Service, Efforts and Accomplishments (SEA) reporting requirements imposed by the Governmental Accounting Standards Board (GASB) will be an integral part of the EIS.

The Office will continue to work with Moody's, Standard and Poors Corporation, Fitch's and the Farm Loan Board, to implement the State's Bond Guarantee Program for school districts and local governments.

The office will continue to streamline the State's WIN and Payroll Systems in an effort to further reduce data processing costs by another 10%.

The SAO will negotiate statewide contracts with rental car companies and airlines and revise travel policies and the reimbursement process in order that travel expenses can be reduced.

In light of other SAO's controllership responsibilities, the following activities are planned for the coming year:

- 1) Develop/revise the Audit Procedures Manual for Pre-Audit covering vouchering, transfers, and expenditure modifications.
- 2) Conduct audits/reviews of various interfaces to the WIN, including the following programs: Medicaid, EPICS, Worker's Compensation, LIEAP, Children's Health, and Investments.
- 3) Conduct GAAP training for all agency chief financial officers and their fiscal staffs.
- 4) Implement program of fraud auditing for contracts and the Fraud Hot Line.
- 5) Conduct a review of the investment program in the State Treasurer's in order to assist the Treasurer in implementing an investment accounting system.
- 6) Reformat the monthly financial reports to provide GAAP basis information.
- 7) Issue the Comprehensive Annual Financial Report in accordance with GAAP by November 30, 1994.

- 8) Develop an accounting system and procedures for the 1995 Early Retirement Program (if Legislatively approved) to track every position affected, showing costs vs. benefits monthly, yearly, and inception-to-date.
- 9) Implement on-line entry of payroll data for all institutions.
- 10) Conduct a statewide payroll verification project confirming the presence of each state employee receiving salary and wages from the State.
- 11) Review funds and accounts in the State Treasury, identifying expendable balances and recommend the redirection of excess funds and accounts to the Legislature.
- 12) Assess WIN reporting and reduce the volume of reports.

MAJOR ACCOMPLISHMENTS AND EFFICIENCIES

COST REDUCTIONS

Through continuing streamlining and system enhancements of the State's new accounting system (WIN) and the Payroll System, data processing costs were reduced by \$258,197 from Fiscal Year 1993 to Fiscal Year 1994. This consists of a 6.3% cut in Payroll System costs and a 16.9% cut in the WIN System costs. This savings followed a cost reduction from FY-1992 to FY-1993 of \$400,000.

	1993	1994	Change	%
Payroll				
Savings Bond	\$4,232	\$1,274	\$(2,958)	(69.9)
Production	86,245	88,255	2,010	2.3
Maintenance	114,470	102,412	(12,058)	(10.5)
Total	204,947	191,941	(13,006)	(6.3)
WIN				
Production	\$814,583	\$743,223	\$(71,360)	(8.8)
Maintenance	446,557	290,094	(156,463)	(35.0)
Agency Use	184,252	153,706	(30,546)	(16.6)
Focus	9,406	22,584	13,178	140.1
Total	1,454,798	1,209,607	(245,191)	(16.9)
TOTAL	1,659,745	1,401,548	(258,197)	(15.6)

BOND GUARANTEE PROGRAM

At the request of the State Auditor, the Government Bond Guarantee Program, W.S. 9-4-1001 and W.S. 9-4-1002, was passed by the Legislature during the fiscal year. This program utilizes the State's permanent funds to guarantee payment of capital construction bonds issued by local schools, cities, towns and counties. The program is designed to improve bond ratings and consequently reduce interest costs associated with these issues. If fully utilized, the State Auditor's Office estimates the program could save Wyoming taxpayers up to \$100 million over its lifetime.

REVIEW OF FUNDS AND ACCOUNTS

During the fiscal year, the State Auditor's Office, working with the Attorney General, reviewed the status of selected funds and accounts within the State Treasury and recommended legislative action to release or "free-up" those which were otherwise uncommitted. As a result, \$16.8 million was redirected either to the General Fund or Budget Reserve account or channelled into capital construction projects.

Fund or Account	SAO Recommended Release	Legislative Release	To:
Insurance Bond Company Fund	\$4,428,735	\$4,428,735	Budget Reserve
Miner's Hospital Fund	33,616,614	0	
Mineral Severance Protest	2,756,434	2,756,434	General Fund
Vendor Bond Fund	21,184	0	
Central Duplicating Fund	1,000,000	1,050,000	General Fund
Motor Vehicle Fund	2,500,000	0	
Computer Technology Fund	2,500,000	0	
Supply System Warehouse	500,000	200,000	General Fund
Central Duplicating Fund	1,000,000	0	
Community College Grant Fund	27,619	0	
91 Capital Construction Bonds	1,847,098	1,847,098	Construction
91 Capital Construction Bonds	998,132	998,132	Construction
89 Capital Construction Bonds	2,737,269	2,737,269	Construction
Group Insurance Fund	10,000,000	0	
Warrant Clearing	51,184	51,184	General Fund
Payroll Clearing	367	367	General Fund
DEQ	54,563	54,563	General Fund
State Engineer	11,801	11,801	General Fund
State Auditor	350,000	350,000	General Fund
Carey Act Fund	2,307,260	2,307,260	Budget Reserve
	\$ 66,708,260	\$ 16,792,843	

FRAUD INVESTIGATION

Upon receipt of complaints from a State employee and an internal investigation at the SAO, the State Auditor requested assistance from the DCI of the Attorney General's Office to investigate alleged fraudulent vouchers at a State agency. As a result of this joint effort, two felony convictions were obtained and \$3,506 in restitution collected and deposited to the State Treasury, and the Crime Victims Compensation Fund.

DOCUMENT PROCESSING

During Fiscal year 1994, the majority of staff effort was again dedicated to reviewing, approving and processing accounting and payroll transactions. A total of 564,084 warrants were written; payroll documents processed totalled 222,127, while another 112,147 accounting documents were processed exclusive of vouchers. The staff audited 191,228 vouchers, rejecting 1,217 for failing to comply with State law or policy.

REDUCTION IN WIN REPORTS

Within the State Auditor's Office, the volume of reports has been reduced by producing consolidated financial reports on a quarterly basis rather than monthly, with individual fund reporting continuing on a monthly basis. This procedure has reduced the volume of reports generated by this Office by approximately 60 percent.

WIN TRAINING

The Office provided additional WIN Training to 111 participants during Fiscal Year 1994. Nine different WIN Courses were provided yielding 14 total class days. During Fiscal Year 1994, all WIN classes were modified to reflect the changes in the WIN System, accounting policies and GAAP policies.

WARRANTS WRITTEN

One of the advantages of the new WIN accounting system is that it reduces the number of warrants required to conduct the State's business. This was made possible through creation of a vendor file, with payments owed to a vendor, regardless of by which state agency, being combined into one warrant and a remittance advice provided, describing the origin of the combined payments. The reduction in the number of warrants written is reflected in Table I. The drop in Accounts Payable and Refund Warrants (AP/Refunds) between FY-1991 and FY-1994 is directly attributable to this feature.

TABLE I
Warrants Written
FY 1990-FY 1994

	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY-93 vs. FY-94 % Change
Retirement Payroll	37,787	38,702	40,550	39,771	41,455	4.2
Highway Payroll	19,742	20,008	16,908	14,671	14,349	(2.2)
Regular Payroll	28,043	28,678	27,373	24,842	23,002	(7.4)
AP/Refunds	514,337	519,701	490,663	485,579	480,451	(1.1)
Replacements ¹	621	703	755	766	3,058	299.2
Hand Warrants	1,023	1,382	3,606	1,762	1769	(.4)
TOTAL	601,553	609,174	579,855	567,391	564,084	(.6)

¹ Increase is due to replacements of warrants for Game and Fish draws that were canceled in FY-1993.

Reducing the number of warrants issued by the State lessens the manual effort required in printing, handling, reconciling, storing, etc. of warrants at the Treasurer's Office as well as the Department of Administration and Information, Computer Technology.

ACCOUNTING DOCUMENTS PROCESSED

Because the WIN system uses different types of transactions than the old WUAS accounting system, it is not possible, other than in total, to draw a direct comparison of the number of specific documents processed between the two systems. However, it is clear that the new system, because of its increased capabilities, requires more accounting activity. Between FY-1991 (the last year of the WUAS) and FY-1994, accounting documents processed increased from a total of 93,670 to 112,147; an increase of 18,477 documents, or 19.7 percent. Between FY-1993 and FY-1994, activity increased by 4.0 percent, as reflected in Table II.

TABLE II
Accounting Documents Processed
FY 1993 and FY 1994

	FY 1993	FY 1994	% Change
AP Appropriation	2,269	2,636	16.2
CR Cash Receipt	109	139	27.5
CX Check Cancellation ¹	2,603	9,146	251.4
C1 Cash Receipt	14,362	15,332	6.8
EB Expense Budget	2,169	2,043	(5.8)
EM Expenditure Modification	2,677	2,294	(14.3)
FM Federal Aid Master	805	826	2.6
IN Invoice	2,551	2,827	10.8
JV Journal Voucher ²	8,434	2,692	(68.1)
MW Manual Warrant	1,762	1,769	.4
PV Inter/intra Fund Transfer	61,605	63,968	3.8
RB Revenue Budget	1,877	1,910	1.8
RM Revenue Modification	5,414	4,948	(8.6)
TA Transfer Appropriation	63	74	17.5
TB Transfer Budget	1,019	1,543	51.4
TOTAL	107,719	112,147	4.0

¹ Increase is due to cancellation of warrants for Game & Fish draws.

² Decrease is due to FY-1993 being the initial year for the Treasurer's Office investment system. JV's were used to set-up each fund in the system.

VOUCHERS AUDITED

The number of vouchers audited stayed relatively the same between FY-1993 and FY-1994; however, the number of vouchers rejected decreased significantly, by 27.8%, as reflected in Table III. This is due both to the agencies increased familiarization with WIN and a new policy instituted by the SAO whereby the Voucher Section makes minor corrections to vouchers, after notifying the agency, to prevent having to send vouchers back to the agency. This has reduced the time required for voucher processing as well as decreased mailing of documents back and forth.

Table III
Vouchers Audited
FY-1993 and FY-1994

	FY 1993	FY 1994	% CHANGE
Vouchers Audited	188,543	191,228	1.4
Vouchers Rejected	1,685	1,217	(27.8)
Vouchers Approved	186,858	190,011	1.7

PAYROLL PROCESSING

The State Auditor is responsible for paying all State employees (except Transportation and University of Wyoming), legislators, board members, resident and inmate workers at the institutions, National Guardsmen, contract employees, and others drawing compensation from the State of Wyoming. After years of constantly increasing activity, documents processed in FY-1994 leveled off, as reflected in Table IV. This is attributable primarily to two changes implemented in FY-1993 and FY-1994:

- (1) conversion of employees receiving payroll checks to automatic bank deposits; and
- (2) minimization of errors and payroll system malfunctions, through a focus on management of the system rather than merely being a user of it. Both of these changes have resulted in containing the growth in payroll processing activity.

Table IV
Payroll Documents Processed
FY-1990 thru FY-1994

Documents Processed	FY-90	FY-91	FY-92	FY-93	FY-94	FY 93-FY 94 % of CHANGE
AUD 133 Time Cards	59,751	79,062	73,940	74,011	78,484	5.7
Miscellaneous	12,560	13,571	14,685	12,574	5,703	(120.5)
AUD 125's	9,005	9,462	7,885	7,460	7,676	2.8
AUD 131's	4,799	5,860	6,355	5,312	5,534	4.0
Bank Deposits	2,417	4,068	6,772	3,318	4,256	22.0
WPEA Changes	640	874	764	970	563	(72.3)
Deferred Compensation	760	621	1,014	819	1,081	24.2
Savings Bonds	206	743	1,026	862	751	(14.8)
Garnishments	313	298	365	362	362	0.0
Tax Levies	39	16	37	28	22	(27.3)
Payroll Warrants	28,043	28,678	27,373	24,842	23,002	(8.0)
Auto Deposits-ACH	38,028	38,867	40,849	44,854	48,193	6.9
Auto Deposits-Bank Svcs	52,890	48,338	42,369	47,910	45,597	(5.1)
Hand Warrants	750	886	886	956	903	(5.9)
TOTAL	210,201	231,344	224,320	224,278	222,127	(1.0)

GAAP IMPLEMENTATION

Legislation suggested by the State Auditor during the 1993 Legislative Session resulted in passage of Chapter 225, The GAAP Implementation Act. In converting the State's current modified cash basis accounting to the modified accrual basis, the accounting and financial reporting activity will be improved so that, for the first time in history, Wyoming citizens are provided an accurate picture of the State's financial position. Additionally, in the process, substantial financial resources were "freed up" for Legislative disposition. Roughly \$187 million was generated through this one-time accounting change.

PROBLEM AREAS

One of the major problems facing the SAO and the State of Wyoming is measuring the unfunded liability in the Abandoned Mine Reclamation program at DEQ. Presently, the Federal government is paying reclamation costs, however, federal funding will not continue indefinitely and when this funding source dries up, which could be as early as a year or two, the State will be forced to pick-up these costs. It is urgent that an actuary be hired to assess the magnitude of these future costs so the State can prepare itself to begin funding the program when that time comes.

Now that Wyoming is in full compliance with GAAP, in preparing the Comprehensive Annual Financial Report (CAFR), a statewide GAAP audit, conducted by an independent CPA firm should be accomplished on the fiscal year 1995 CAFR. In conjunction with this GAAP audit, a single audit ought to be incorporated to eliminate unnecessary duplication and expense. One comprehensive consolidated statewide audit would eliminate the need for each agency to contract with private auditors separately and the overall reduction in auditing costs would be significant. The SAO will work with the agencies during the coming year to try to reach an agreement on this concept.

The major challenge facing the State Auditor's Office continues to be that of fully implementing Generally Accepted Accounting Principles (GAAP) with the involvement and commitment of the State's fiscal and budget staffs throughout the bureaucracy. Some of the chief finance officers and budget analysts in state government do not fully understand GAAP; some understand it but are reluctant to change traditional processes and procedures in their agencies; and, still others simply don't agree with the concept. Any one of these conditions results in a lack of full commitment to implementing the requirements of Chapter 225, 1993 S.L. The major challenge for the SAO is to conduct statewide training for the State's finance officers and their fiscal staffs, and develop more formalized policies and procedures to assure all agencies are conducting their fiscal affairs in compliance with GAAP.

FUTURE DIRECTION

During the past two years, the State has taken steps towards getting its financial house in order. Implementation of GAAP, as required by Chapter 225, 1993 S.L., is a major change from the cash basis of accounting and financial reporting that existed previously.

Although this change provides more accurate accounting practices and brought with it the release of some \$200 million which was otherwise uncommitted, it did not occur without its share of problems. It requires the full education and commitment of all agency fiscal staffs, the Budget Division of A & I, and the Legislative Service Office as appropriation and spending bills are crafted, and new policies and procedures are initiated.

GAAP is designed to take the guesswork out of financial information and to aid policy making on an objective basis. But old habits are hard to break and those who are accustomed to making decisions and exercising influence through subjective analysis and

traditional approaches have had difficulty accepting reality as defined by GAAP based financial statements. Conflicts between the two approaches have occurred from time-to-time in the nearly two years since GAAP was begun. This situation may not be resolved quickly, but gradual improvement, through GAAP training and attrition, can be expected. Ultimately, adherence to GAAP accounting and financial reporting will enhance the effectiveness of funding decisions.

The next major step in the State's efforts for fiscal reform ought to be the elimination of the fragmented and disjointed approach to financial and compliance auditing of state and federal programs. An independent state-wide CAFR audit is needed to assure the taxpayers of the State that the financial reporting is clean of any adverse conditions. In conjunction with this effort, to reduce duplication and unnecessary expenses, a single audit ought to be accomplished. Combining audits conducted individually by each agency with the state-wide centralized audit required for GAAP compliance will reduce costs and improve the auditing program.

One of the continuing debates and lingering disappointments is the lack of accountability in government. "How effective are our tax dollars being used? Are we getting enough for our money? Should some expenditures be made at all?" These are questions that beg for answers, but given the absence of solid, objective, quantifiable data, answers to these questions are hard to obtain. Recognizing this void in government, the Governmental Accounting Standards Board (GASB) advanced the concept of SEA Reporting (Service, Efforts and Accomplishments).

SEA Reporting is a concept designed to improve the ability of governmental financial reports to present information which can be useful in monitoring and assessing the "results of operations" of governmental entities. The GASB directed that this information assess not only how much and on what an entity is spending its resources, but also what its citizens are getting from the use of public funds and how efficiently and effectively those funds are being used.

The State Auditor's Office, through the GAAP Implementation Act (Chapter 225, 1993 S.L.) has begun developing an SEA reporting module as part of the Executive Information System currently being implemented. The objective is to incorporate SEA elements developed and recognized by GASB, supplemented by the measurable goals and objectives identified by state government entities in their Agency Plan, which by State Statute 28-1-115 must be submitted to the Legislature by December 1994. Once installed, this program will provide invaluable information to policymakers. The State must commit, and the bureaucrats respond, to this program which finally provides an opportunity to bring efficiency, economy, and accountability to state government.

Motor Vehicle Information
Annual Report Digest
July 1, 1991 - June 30, 1992

Agency Name: Auditor's Office				
Plate #	Vehicle Description	Assigned to:	Used by:	Reason(s)
S-3	91 Mercury	Dave Ferrari	Dave Ferrari	Elected Official

A&IL-203