

Dept. of Administrative Services

State Controller's Division (SCD)

The SCD Strategic View

The Strategic View defines our Performance Management System and serves to establish a culture of accountability.

July 1, 2011

John J. Radford, State Controller:

“When you think about what organizations you admire most, you tend to think of those that plan well, have great execution strategies, and the discipline to maintain the long term perspective. Dig a little deeper and usually you’ll find it’s all in the quality and professionalism of their people.”

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OUR STRATEGIC VIEW

We serve the citizens of Oregon by contributing financial management experience and leadership to an accountable and well-performing state government.

OUR PURPOSE

The State Controller's Division (SCD) exists to support and ensure accuracy and accountability in state government financial systems by providing cost effective and efficient services and controls in the management of statewide accounting, receivables, financial reporting, and payroll functions.

OUR VALUES

Committed to Accountability

We apply ourselves to the meaning and spirit of public trust. We value corporate governance in ways that demonstrate transparency, integrity, and respect for the rule of law. We strive to achieve high levels of compliance with professional standards adopted by independent and recognized national authorities.

Committed to Leadership at all Levels

We strive to meet the highest standards of service, professionalism, integrity, and independence at each level and within each person in our organization. We are committed to being efficient and effective in our operations and in promoting creativity, innovation, shared leadership, and responsible risk-taking in our work. We seek to maintain a relationship of mutual respect and trust with those we serve and willingly share our experience and expertise with others.

Committed to Self-directed Professionalism

We value the unique contribution and talents each individual adds to our office and community. We strive to manage on the basis of fairness, equity, honesty, mutual respect, trust, and personal dignity. As our success is dependent on our working together, we promote a spirit of cooperation and teamwork throughout our organization. We are committed to the concept of personal and professional development and support quality-of-life concerns.

OUR ROLE AND MANDATE

The State Controller is hired by the Director of the Department of Administrative Services and works at the pleasure of the Governor. The State Controller is part of the administrative management team of the Department of Administrative Services. The State Controller is non-partisan, objective, and independent of the government of the day, in meeting independent public sector financial accounting, control, and reporting standards. In doing so, the State Controller contributes to improved accountability and performance in Oregon state government.

Under the authority of the Oregon State Statutes, the State Controller has a mandate to provide statewide accounting and payroll systems, ensure statewide financial policies conform to generally accepted accounting principles, prepare the statewide annual financial report, maintain and improve statewide internal financial controls, and provide related services as required.

OUR BUSINESS IMPERATIVES

To carry out our mandate, we have developed three business imperatives:

1. Protect the accuracy and integrity of statewide financial information.
2. Promote fiscal accountability, compliance, and sound financial management.
3. Provide reliable and efficient statewide accounting and payroll systems.

Our line of business goals, strategies, our internal organization and reporting structures, and our leadership path are generated by these business imperatives.

Within them, we provide assurance to elected officials and the public that statewide financial systems and the resulting financial information is accurate and reliable, that statewide financial reports are free from material error or misstatement, that statewide policies and controls exist to ensure compliance with state and federal law, and that statewide financial services are being rendered efficiently and effectively.

In exercising this responsibility, we stay attentive to the needs, expectations, and priorities of the Governor, the Legislative Assembly, and the public. At the same time, we remain responsive to, and aware of, the needs and expectations of public sector managers so that we can provide sound, practical financial systems and policies considering the tradeoffs between business risks, political risks, costs, and controls.

Through the diligence and leadership of trained staff, by keeping operational performance statistics, by adhering to national accounting and financial management standards, and by examining and responding to audit and performance information provided by state Internal Auditors and the Secretary of State Audits Division, we enable state agencies, legislators, and the public to rely on statewide financial information.

We consider our office to be an independent source of credible, high quality financial information relevant to Oregonians. We carry out a role that is key to good public accountability and vital to the democratic process of responsible government.

OUR CODE OF CONDUCT AND STEWARDSHIP MANAGEMENT PLAN

We conduct ourselves as professionals and take pride in our work. We encourage a positive and professional attitude, a commitment to our values, and service standards. As public employees we are governed by various Oregon state statutes.

As the statewide organization charged with the oversight and administration of statewide financial systems, payroll systems, financial reporting, internal controls, and other financial related services, we are responsible for the independence, integrity and effectiveness of these financial services on behalf of our state government. Having been vested with this important responsibility, our organization and each of our employees have been entrusted by the citizens of our state to perform our organizational activities with the utmost integrity and ethical practices. To ensure the integrity, independence, honesty and ethical practices of our organization, we long ago adopted and continue to maintain compliance with the Code of Conduct of the National Association of State Comptrollers (NASC). This code of conduct sets the financial standards for the professional, ethical and independent conduct of our employees.

This Stewardship Management Plan is a further mechanism for ensuring the integrity of our organization by vesting in each of our employees the duty of serving as a steward of our continued ethical and lawful financial practices.

National Association of State Comptrollers
Code of Conduct

The National Association of State Comptrollers is an organization of professionals committed to promoting the highest standards of financial reporting in state government, developing and promulgating the most modern and effective methods for processing state government financial transactions, and promoting the advancement of financial management through research and the application of technology. In the pursuit of these objectives, Association members ascribe to the highest standards and principles of personal ethics and professional conduct. The following Standards describe moral, legal, and professional standards of conduct expected from all members of the Association.

INTEGRITY

- ◆ *Demonstrate loyalty, trust, and respect for the state government and public which members represent.*
- ◆ *Avoid impropriety in all professional dealings associated with a member's public office.*
- ◆ *Refuse to engage in any activity that could prejudice a member's ability to carry out his or her duties and responsibilities as public officials.*
- ◆ *Do not prepare, sign, or issue any financial statement or information which does not adhere to generally accepted accounting standards, or in which material information is knowingly omitted or misstated.*

COMPETENCE

- ◆ *Assume the responsibility to ensure personal continuing professional education and development.*
- ◆ *Maintain a current working knowledge of developments, trends, and emerging issues in governmental finance and accounting.*
- ◆ *Actively promote the highest standards of professional competence within a member's own organization and among his or her peers.*
- ◆ *Support and encourage continuous professional development and training in accounting, financial management, information technology, and related disciplines.*

PROFESSIONAL CONDUCT

- ◆ *Demonstrate accountability as state government officials by carrying out responsibilities consistent with the highest standards of quality and professional conduct, organizational integrity, cost effectiveness, efficiency, and customer service.*
- ◆ *Actively support the development of and compliance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board; auditing standards prescribed by the American Institute of Certified Public Accountants and U.S. General Accounting Office; and federal regulations issued by the U.S. Office of Management and Budget and other federal agencies.*
- ◆ *Develop or adopt information technology that will provide efficient and effective performance of responsibilities and services.*

CONFLICT OF INTEREST

- ◆ *Perform in a manner that will promote the public confidence. Never engage in any activity that would suggest the appearance of favoritism or conflict of interest.*
- ◆ *Do not use public resources for personal or political gain, or engage in association's behavior that might impair one's objectivity or independence.*
- ◆ *Pledge to honor and adhere to the professional and personal codes of conduct pertaining to one's employment as a public official or relevant professional certification or license, in addition to these standards.*
- ◆ *Support and promote the mission and goals of the National Association of State Comptrollers.*

Management Overview

SCD is committed to fostering a culture of honesty, integrity and ethical standards in its business practices, including compliance with the NASC Code of Conduct. SCD is also committed to ensuring that all of its business systems, records, services, and audited financial reports are accurate, complete, understandable and not misleading. To that end, SCD maintains internal controls and procedures designed to provide reasonable assurances of the reliability of its systems and financial reporting in compliance with generally accepted accounting principles; safeguards for the management and oversight of SCD's assets; and reasonable assurances that financial and non-financial information in respect to its services and operations is collected, analyzed and timely reported in compliance with financial standards and the NASC Code of Conduct.

SCD has adopted this Stewardship Management Plan to promote proper behavior and deter wrongdoing in our organization; to provide communication channels (including anonymous channels) for employees to report their concerns, without fear of retaliation, of potentially unethical or inappropriate activities in violation of the NASC Code of Conduct at or relating to the division; and to enable SCD to investigate, remedy, and to meet enforcement responsibilities related to any wrongful activities. This Stewardship Management Plan imposes a duty on each of our employees to report, through appropriate reporting channels, any activities reasonably believed to violate ethical financial management standards, and to report matters concerning questionable accounting, financial controls and audit practices with respect to SCD's financial statements, reports, and services.

- Compliance with this Management Plan will serve to further promote:
- the honesty and ethical conduct of all of our employees in accordance with the NASC Code of Conduct;
- the full, fair, accurate and understandable disclosure in reports and documents that we submit to the Governor, State Legislature, state agencies, stakeholders, customers, the general public, and in the other public communications of the financial results and services of SCD or State of Oregon;
- our continued compliance with applicable governmental standards, laws, rules and regulations;
- prompt internal reporting of unethical, unlawful, or questionable activities; and
- accountability of each of us to serve as a steward of SCD's continued integrity and ethical and lawful practices.

Management Statement

This Stewardship Management Plan applies to the management, supervisory, technical, administrative staff and all other employees/contractors of our organization. As an employee of SCD, you are obligated to conduct your activities in respect to this organization with the highest degree of integrity and ethical behavior; you are to comply with state ethics, honesty, and financial integrity applicable to

your position in the organization as well as the other internal policies of SCD; you are to comply with all applicable state and federal governmental laws, rules and regulations in your performance of financial services to and on behalf of SCD.

To the extent that your duties for SCD involve oversight of, or participation in, the accounting and reporting of financial information of the division, you are to exercise those functions to ensure full, fair, accurate, timely and understandable disclosure of SCD and state financial information; and you are to report to the appropriate reporting channel (as described below) what you, in good faith, believe to be violations of this Stewardship Management Plan by SCD, any employee or representative of SCD, or by any person performing services for or on behalf of SCD.

The effectiveness of this Stewardship Management Plan depends, in large part, on the cooperation of each employee of SCD in promptly reporting matters relating to the financial operations of SCD believed to be a violation of state or federal law or SCD's ethical standards, conflicts of interest, or matters of questionable accounting, internal financial controls or audit practices and procedures involving SCD's operations or financial position.

Reporting Procedures

- If you should learn of a potential or suspected violation of our honesty, ethics, and financial integrity, a violation of federal or state law by or involving SCD, security risks, or matters involving questionable accounting, internal financial controls or audit practices involving the operations or financial position of SCD, you have an obligation to report that information as follows:
- to the **Director of the Department of Administrative Services**, if the issue relates to the behavior of any Executive Service employee, without limitation, a suspected violation of law;
- to the **DAS Audit Committee and the SCD Compliance/Ombudsperson Officer**, if the issue relates to the behavior of any manager or supervisor of SCD, including, without limitation, a suspected violation of law;
- to the **State Controller and DAS Audit Committee**, if the issue relates to matters involving SCD's financial accounting or reporting, internal controls or auditing practices and procedures;
- to the **DAS Audit Committee**, if the issue relates to the behavior of the Compliance/Ombudsperson Officer, including, without limitation, a suspected violation of law; and
- to an appropriate **Supervisor or the SCD Compliance/Ombudsperson Officer**, if the issue relates to the ethical behavior of an employee and does not relate to matters involving SCD's financial accounting, internal controls or auditing practices and procedures.

The SCD Internal Control Officer has been designated the **"SCD Compliance/Ombudsperson Officer"**. All supervisors and employees to whom suspected conflicts of interest or ethical violations or potential violations of federal or state law are required to forward such information immediately to the SCD Compliance/Ombudsperson Officer who in turn will follow all reporting required.

The SOS State Auditor has also established an anonymous reporting channel with an independent third-party. Reporting through this channel may be made by telephone or web access. Separate materials and links describing this service are available on the SCD web site. Reports received through this channel are handled directly by the State Auditor's office depending on the nature of the report.

The SCD Compliance/Ombudsperson Officer and/or the DAS Audit Committee, as appropriate, will investigate or cause the investigation of all reported matters and ensure that, if merited, appropriate remedial actions associated with such investigations are implemented.

In addition to the foregoing reporting channels, questions regarding ethics issues addressing conduct or any applicable federal or state laws, rules and regulations may be addressed to the SCD Compliance/Ombudsperson Officer, or to a supervisor or SCD manager.

Frequently, matters relating to personnel matters and conflicts within your work section will be best addressed by supervisors or SCD Managers, in cooperation with DAS Human Resources. To the extent that these matters give rise to questions involving ethical violations, unlawful behavior, or security risks; employees, supervisors and SCD managers are required to report such matters immediately to the SCD Compliance/Ombudsperson Officer who in turn will follow all reporting required under state Human Resource policies and federal and state law.

Management Against Retaliation

SCD will not tolerate any action of SCD's employees or agent of SCD, to discharge, demote, suspend, threaten, harass, or in any other manner discriminate against an employee in respect to terms and conditions of employment because of any lawful act done by the employee to: (i) report suspected violations of this Stewardship Management Plan, or any statute, rule or regulation of federal or state law; (ii) report potentially questionable accounting, internal financial controls or auditing practices; or (iii) provide assistance or cooperation in, or testimony regarding, the investigation and resolution of any potential violations of this Stewardship Management Plan. Anyone found to have retaliated against another employee in contravention of this Stewardship Management Plan may be subject to appropriate discipline as prescribed in state Human Resource policies. If you believe you have been subjected to such retaliation, you should report the situation as soon as practical to the SCD Compliance/Ombudsperson Officer and to DAS Human Resources in accordance with DAS Human Resources procedures.

Penalties for Violations

SCD is committed to taking prompt and consistent action in response to violations of this Stewardship Management Plan. SCD will promptly investigate reports of suspected violations or wrongful activities. SCD will evaluate suspected violations and wrongful acts on a case-by-case basis. Any employee or representative of SCD found to have violated this Stewardship Management Plan may be subjected to disciplinary actions in accordance with approved DAS Human Resource policies. Related internal policies: DAS Fraud Policy 107.05.030; DAS Employee Standards and Practices 107.05.010; Use of DAS Information and Telecommunications Technology 107.01.010; DAS IT Security 107-01-080. Also, see Whistle-blowing ORS 659.505-.545, Prohibited Conduct ORS 240.710, Unlawful Acts ORS 240.710, Falsification, Fraud, Bribing ORS 240.710.

Stewardship

SCD believes that our organization has been, and continues to be, a center of excellence not only in applying high standards of financial accounting, management, reporting, systems, and services, but in its practices of maintaining the highest level of integrity, ethical standards, and independence in performing its mission. Such integrity and ethical standards are a tribute to SCD's personnel. The reputation of our organization rests in the trusted hands of our staff. This Stewardship Management Plan vests in each employee of SCD the duty of serving as a steward of our continued ethical and lawful practices.

OUR CUSTOMER SERVICE STANDARDS

The State Controller's Division continues to give considerable attention to maintaining and improving the quality of our services. Our management, committees, and planning documents deal specifically with customer service issues, the setting of standards, customer feedback, and striving to enhance and improve. We have introduced improvements to our structures and procedures for monitoring the quality of our services and for continually identifying areas where further improvements may be possible. We regularly discuss customer service issues and recognize exceptional customer service reports.

This plan sets out our existing standards and the goals we have set for ourselves in meeting the needs of our customers. It reflects the feedback we have received in recent years, both from our customers and staff, and the insights we have gained through the annual review of progress in achieving our strategic objectives.

The action plan is intended to help us maintain a clear focus on our customers, to sharpen and refine our services, and to ensure that we keep in step with the changing times. Our customers welcome the transparency which an action plan provides while our staff sees it as an opportunity to examine our service levels and see whether our efforts might be channelled more effectively.

In preparing this plan we considered representative feedback from our clients, employees, other stakeholders and consulted widely with various customer service delivery methods and other available resources. We also work closely with staff in key areas of service delivery to ensure that the potential for making further improvements are developed and considered where economically possible.

Our Commitment to Customer Service

This plan sets out our service delivery standards in a clear and transparent manner adhering to generally available principles of quality customer service. In doing so, we support modern public policy objectives in providing highly efficient and effective customer service supporting the mission, purpose, and service delivery strategies of the State Controller's Division.

Our Division is committed to providing a high standard of service to its customers, both internal and external, in accordance with the framework set out in this document, and to making further improvements in the years ahead.

Our Customers

We are strongly committed to providing all of our customers with a high standard of service. These include citizens, the Governor, Legislature, Judicial Department, state agencies, as well as other Government Departments and Offices within the wider public sector. We also have regular contact, both formal and informal, with Federal institutions, financial institutions, regional authorities, academics, economists and lobby groups. Finally, we have our internal customers, our own staff who deliver quality service to our other customers.

Recent Improvements to Our Service Standards

Our commitment to our customers is strongly reflected in the many improvements we have made to our service standards in recent years, the details of which are set out below.

General

A number of improvements of a general nature were made, including:

- The introduction of customer service training for our staff.
- The introduction of handy references such as "Who You Gonna Call" list, with direct access numbers for each member of staff.
- A major redesign of the Division's web site to improve both content and navigation.
- The use of standardized designs and format in our publications.
- Comprehensive staff training and development.
- The streamlining of the Division's annual business planning process, including annual business planning documents to supplement *The SCD Strategic View*.
- Performance management performance measures and reporting.

Improvements to Specific Customer Services

- Electronic distribution of general communications.
- Additional helpful reference materials on the SCD Web site.
- Implemented a focus on balancing “control & service” based on finding alternative ways to accomplish customer requirements within laws, accounting and financial reporting principles, and best practice internal controls.
- Increase direct and provide alternative training opportunities for our customers, stakeholders, and internal staff.

Customer Satisfaction and Feedback

We strive to ensure that the needs of our customer are being met across all areas of the Division and to this end we seek ongoing feedback and suggestions on how our services might be further improved. Input is regularly received in both formalized customer and employee service surveys and a corresponding customer feedback offering has been added to our web site. We also conduct informal surveys of our customers and clients to ensure that our service standards are being maintained. A customer service discussion agenda item is included in each SCD Managers meeting for ongoing review and commitment. All SCD Sections regularly conduct customer meetings and forums with their specific customer base.

In Person Calls to the Division Office

Visitors to the Division office are made to feel welcome, treated with courtesy, and have their business dealt with efficiently and promptly.

Callers are encouraged to make an appointment where possible and to identify any special needs in advance in order to save time on their arrival.

- We receive all walk-up callers with courtesy.
- We respect their right to privacy at all times.
- We deal with their inquiries efficiently and promptly.
- In the event that an enquiry is not relevant to the Division, every effort will be made to direct the callers to a Division, Department, or State Office that can assist them.
- All SCD employees have visible name plates at their work station.
- SCD Staff expecting personal callers notify Division reception staff if appropriate.
- We continue to provide adequate directional signage in our reception and office areas.
- We continue to improve access to the Division’s work areas for people with a disability or impaired mobility.
- We maintain a high standard at our main Division reception area and other facilities for receiving our customers.

Telephone Callers

- We answer all incoming telephone calls promptly.
- We identify ourselves and section on answering the telephone.
- We are as helpful and informative as we can be with telephone callers. We strive to include a smile in our voice when appropriate.

- We either call back or leave a message as soon as possible if we cannot deal with an inquiry immediately.
- We give a direct dial phone number and extension so that regular callers do not have to go through the office receptionist.
- We give e-mail addresses where this is likely to be useful to the caller.

Written Correspondence from Constituents and Members of the Public

- We acknowledge receipt of correspondence where it is not possible to issue a final reply within 10 working days.
- We continue to deal quickly with all correspondence. (Since much of the correspondence we receive requires research and consultation, it will not always be possible to issue a final reply within that period; however, we will keep the correspondent informed of developments.)
- We give a contact name and a telephone extension number with our replies.
- We ensure that our replies are clear and easy to understand.

The Division is anxious to ensure that all written correspondence is dealt with fast.

Forms

The Division uses many forms in conducting its business and will continue to ensure that they are as simple and as easy to complete as possible. We strive to include easy to understand and use forms; easy to download electronically; and where appropriate, easy to fill in the blanks.

Publications

Our Division produces a limited number of occasional publications of interest to the public, economic and financial analysts, federal government, and the academic community.

We will ensure that our publications:

- Conform to our prevailing industry design standards.
- Are both timely and accurate.
- Meet the needs of our intended readership.
- Are free of gender bias and discriminatory content.
- Meet the statutory requirements of plain language.

We will also continue to:

- Put our publications on display in our reception areas.
- Distribute in an electronic format.
- Disseminate reports and other information via our web site.
- Where practicable and upon request, make available publications, reports, and forms in a form suitable for persons with visual impairment.

Technology

Our Division is committed to using the best modern technology, including the Internet and intranet sites, to ensure that our services, both internal and external, are of the highest standard. Our Internet strategic vision includes a commitment to quality customer service and to ensuring that only appropriate material is disseminated across the network.

Staff Feedback

Our staff, especially those in direct contact with the public, our clients and stakeholders, are a vital source of feedback on our services and the extent to which we are meeting the needs of our customers. Their ideas and suggestions for securing further improvements are sought in a variety of ways, including the annual business planning cycle, the performance management cycle, section level reviews of systems and procedures, and comments and suggestions made through the annual employee survey.

Training for Customer Service

Our Division provides access to formal customer service training for all State Controller Division employees in all key service areas. In addition, customer service is discussed and emphasized in regular section staff meetings and SCD Manager Meetings.

Providing Information

- We will continue to simplify as far as possible the rules, regulations, forms and procedures that we use to carry out our business.
- We will continue to ensure the timely publication of all Division publications.
- We will continue to monitor our website to ensure that it continues to make available a wide range of material of interest to the public, clients, customers, and constituent groups.
- We will continue to exploit cost effective and efficient opportunities offered by advances in technology to improve our information management systems.

Timeliness and Courtesy

- We will promote standards within the Division that ensure our staff continues to attach a high importance to timeliness and courtesy in all dealings with our customers, stakeholders, and internal staff.
- We will continue the provision of customer service training for employees of our Division.

Complaints and Appeals

- We will continue to monitor and review complaints to ensure that errors are rectified and that service delivery standards are consistently maintained.
- We will deal with complaints promptly, sympathetically and in confidence, with due regard to the sensitivities of the complainant and the rights of all concerned.

Consultation and Evaluation

- We will seek feedback on our services by:
 - Conducting surveys from time to time in relation to aspects of our services.
 - Involving our customers in the development of policy changes, processes, and procedures affecting their efficiency and effectiveness.
 - Using our various management committees, our annual business planning cycle, performance management reviews, and other similar methods to promote feedback from staff on our services and how they might be improved.
- Continue to make use of our web site for securing feedback from our customers.

Choice

- We will increase our service delivery options where feasible, in particular by:
- Using technology to provide increased flexibility in service delivery.
- Making information available electronically through our web site and email.
- Encouraging the use of electronic funds transfer (EFT) for payments.

Better Coordination

- We will foster a more coordinated and integrated approach to the delivery of our services by:
- Participating in the wide range of interdepartmental committees and networks which assist us in achieving our objectives.
- Reviewing our relationship with other Divisions and state agencies through our annual business planning processes.
- Pursuing common business objectives (within existing economic constraints) with other Divisions and state agencies particularly those involving the innovative use of information technology.

Internal Employees

- We will continue to ensure that our staff (our 'internal customers'), are satisfied with their working environment and with the systems and structures in place to support them in their official activities. In particular we will:
- Continue to address a wide range of issues affecting the welfare and performance of staff through the annual employee survey.
- Through our standing management committees and the annual business planning cycle to seek feedback from staff on the changing needs of the organization and its working environment.
- Through the annual performance management cycle to elicit staff views on factors affecting their well-being and performance in the workplace.
- Provide presentations and discussion opportunities for our staff at formal and informal gatherings on a range of topics relating to best practices in the workplace.
- Continue to make relevant issue-communications available to staff via email or online in the areas of section performance, general management, planning, human resources, payroll, and retirement.
- Ensure that regular training and development for staff continues to meet their needs and that appropriate enhancements are made as required.
- Provide a range of family-friendly working options for our staff, including work-sharing, flex-time, non-standard work hours, and telecommuting options.

WORK SERVICE STANDARDS

SCD has incorporated our core values and professional standards into the following standards for service. Many of the performance measures presented in this report are designed to help us monitor our ability to meet these standards.

Approaching Our Work in a Fair and Constructive Way

- We lead and control on matters that are of significance and interest to those who rely on our work.
- We are impartial and objective in conducting our work.
- We deliver government accountability and financial information against reasonable expectations.
- We base our work on accountability performance standards used by governments where judged to be appropriate.
- We attest to the fairness and reliability of audited financial information provided publicly and that statewide information is available and complete.
- We conduct our work in a way that enables positive compliance with all applicable financial management standards and laws.
- We offer sound, practical performance in a team environment.
- We issue our internal and external financial products on a timely basis.

Providing Accurate Information, Reliable Controls and Sound Advice

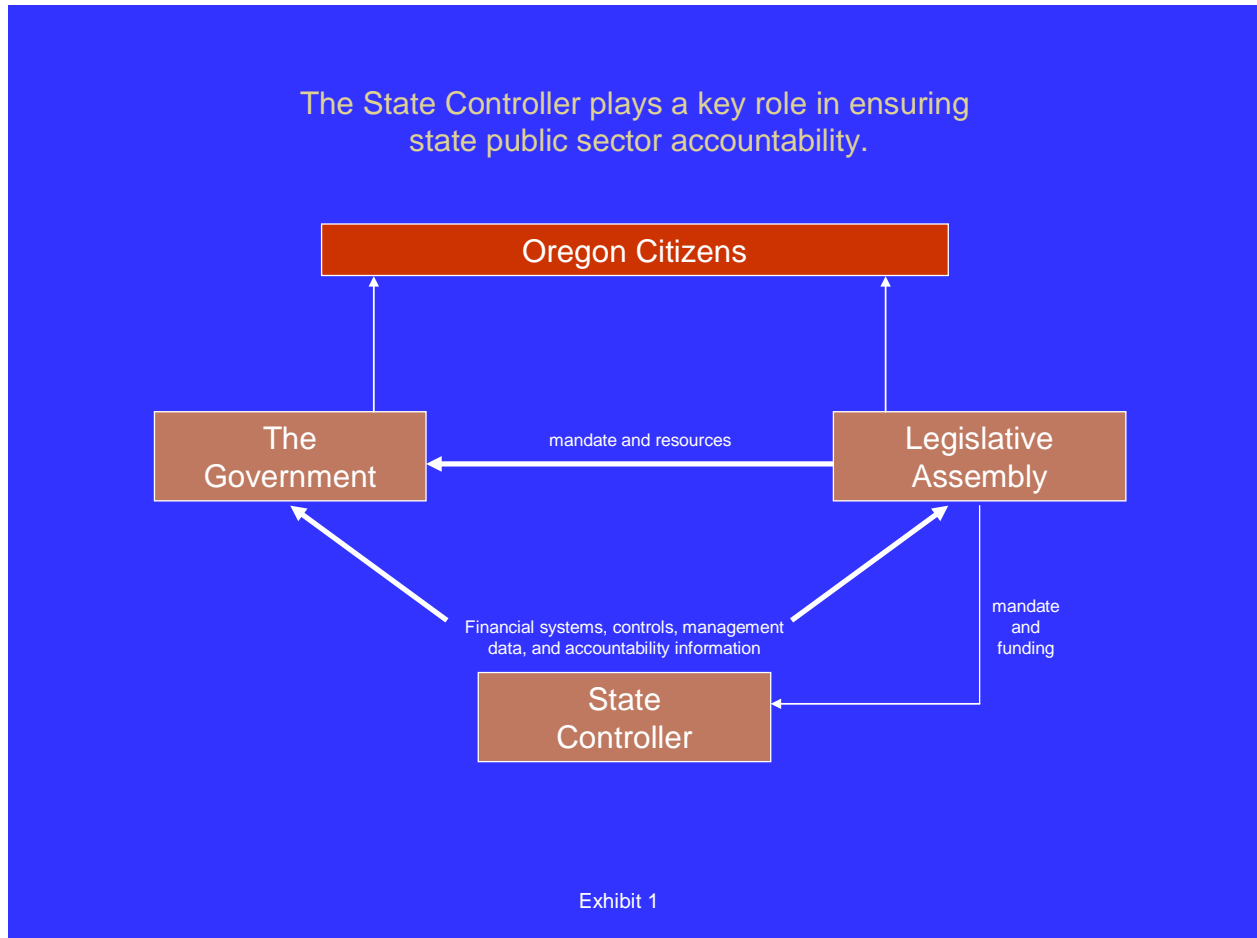
- We conduct our work in accordance with professional public financial management standards, using sound system and financially proven methodologies and techniques.
- We conduct our work using personnel having the knowledge and competence required for the work, including a thorough understanding of the theory and practice of the work or service to be performed.
- We provide reliable, evidence-based planning and management control, ensuring that our work criteria or performance standards, management decisions, and work products are well founded and supported.
- We report all matters of significance to those who rely on our work. We subject our work and methodologies to rigorous quality assurance processes.

Building Strong Relationships

- We are honest and forthright in all of our dealings with those we serve and those who rely on our work.
- We keep all information obtained in the performance of our work in trust for the benefit of those we serve.
- We communicate openly throughout our work with employees, management, auditors, customers, and stakeholders and with those we are directly accountable.
- We document and organize our work to allow open and continuous review of our work by customers, management, stakeholders, auditors, and with those we are directly accountable.
- We welcome and respond to any comments, suggestions or queries from employees, customers, stakeholders, legislators, and the public or government managers.

HOW WE FIT IN

By providing leadership in financial policies, controls, services, and managing centralized statewide financial systems that serve to enhance compliance with state laws and accounting standards, we enable legislators and the public to rely on statewide financial information. And by ensuring the relevance and reliability of statewide financial information, we help legislators and the public make informed decisions about the effectiveness of programs and the value received for the public's money. **(Exhibit 1)**

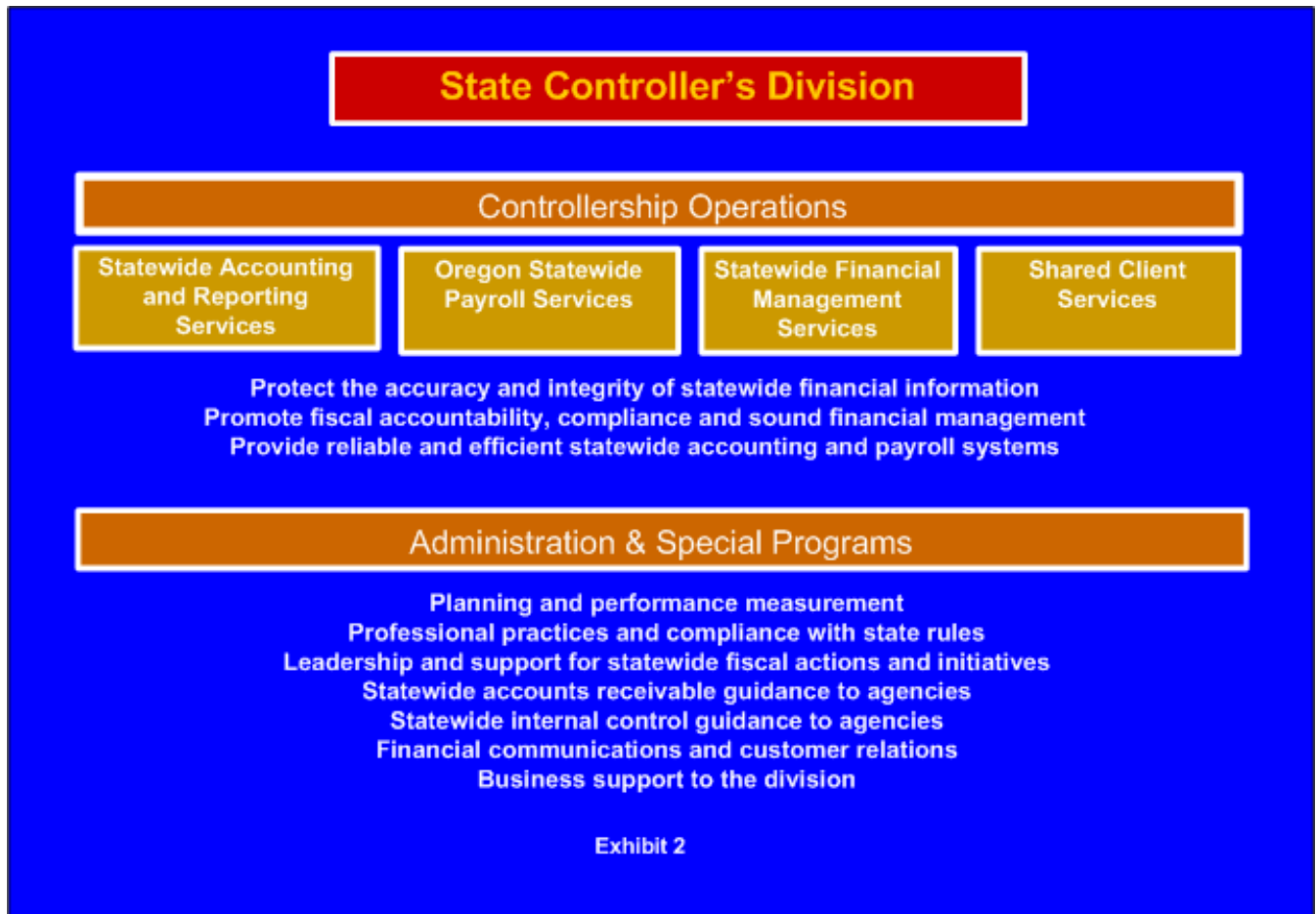


Our office is the primary, independent source for credible and reliable statewide financial information supporting government financial accountability and performance. Our role is key to good public accountability and vital to the democratic process of responsible government.

OUR PERFORMANCE MANAGEMENT STRUCTURE

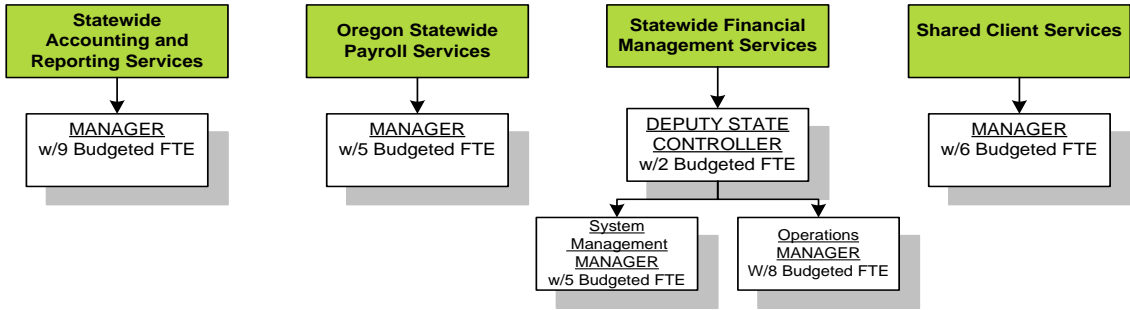
The State Controller is supported by 50 staff members. They include highly trained graduates with professional qualifications in accounting and auditing, payroll, governmental budgeting, business, information technology, and program evaluation.

Our office is organized into five lines of business plus a small Administrative Services section that provides Division leadership and strong administrative support. Each operating section applies resources as appropriate to meet the requirements of our three business imperatives. (Exhibits 2 & 3)



State Controller's Division

Controllership Operations



Administration & Special Programs

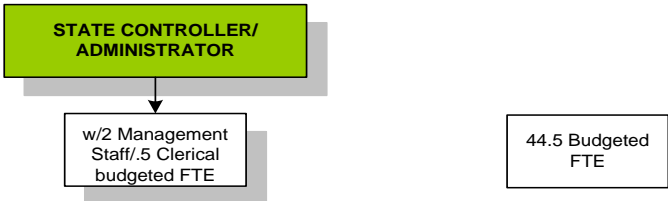
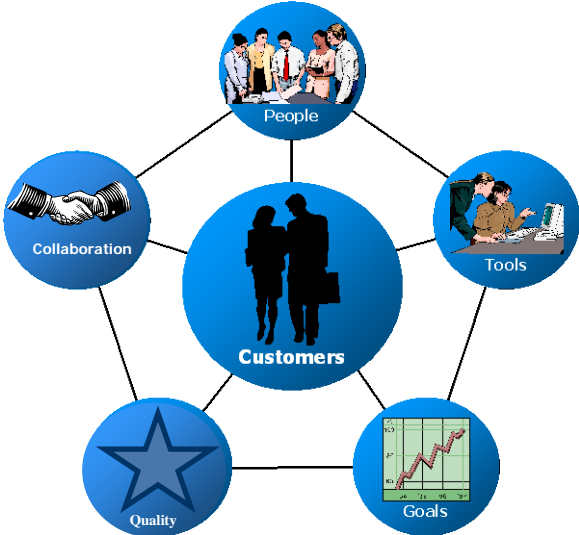


Exhibit 3

Because everything we do revolves around “customers” (including taxpayers, stakeholders, investors, and elected officials), SCD is mindful of the need to integrate resources, leadership, and management and to live within our means in support of our customer’s most important needs. To do this we strive for high standards of quality work by hiring skilled people, supplying them with appropriate tools (including training), instituting a disciplined approach to planning, and collaborating in meaningful ways with our customer base.



SCD Performance Management

HOW WE ALLOCATE OUR RESOURCES

We believe the appropriate allocation of our resources is as follows. These allocations of resources allow our lines of business to provide a reasonable focus across each of our business imperatives.

43% to the management, operations, and control of our centralized Statewide Financial Management (accounting) System.

The management of our Statewide Financial Management Application in the Statewide Financial Management Services line of business is focused on data integrity, controls to ensure compliance with state and federal law, and the effectiveness and efficiency of meeting customer accounting system needs with minimal cost. The system and data are linked with the Oregon State Treasury, the Budget and Management systems, and the SCD Oregon State Payroll application of the Department of Administrative Services.

24% to the management, operations, and control of the centralized Oregon State Payroll Application.

The management of the Oregon State Payroll Application in the Oregon Statewide Payroll Services line of business is focused on data integrity, controls to ensure compliance with state and federal law, and the effectiveness and efficiency of meeting customer payroll system needs with minimal cost. The system and data are linked with the Position and Personnel Data Base, the Public Employees Benefit Board Benefits system, and the SCD Statewide Financial Management Application of the Department of Administrative Services.

17% in preparing the statewide (corporate) comprehensive annual financial report and the development of statewide accounting, financial reporting, and compliance policies.

The management of our Statewide Accounting and Reporting services line of business is focused on the interpretation and application of government financial accounting standards as they pertain to Oregon state government, the development and delivery of appropriate accounting policies and controls, financial compliance and reporting activities, and the preparation of one of the state's primary accountability documents, the Comprehensive Annual Financial Report (CAFR).

9% to the focus, leadership, and support of statewide Accounts Receivable, Internal Control, and Division Administration.

The management of our Administration and Special Programs line of business is focused on compliance with state statutes and the delivery of controls, processes, policies, and procedures in the areas of statewide Accounts Receivable management, internal control management, and in the support of the Administration of the Division

7% to the delivery of shared accounting and budget services that meet small agency needs in a cost effective way.

The management of our Shared Client Services line of business is focused on meeting the customer driven accounting and budgeting needs of approximately 25 small state agencies.

Exhibit 4 below shows the overall proportion of operational resources we allocated in 2003/05, 2005/07, 2007/09 and projections for 2009/11.

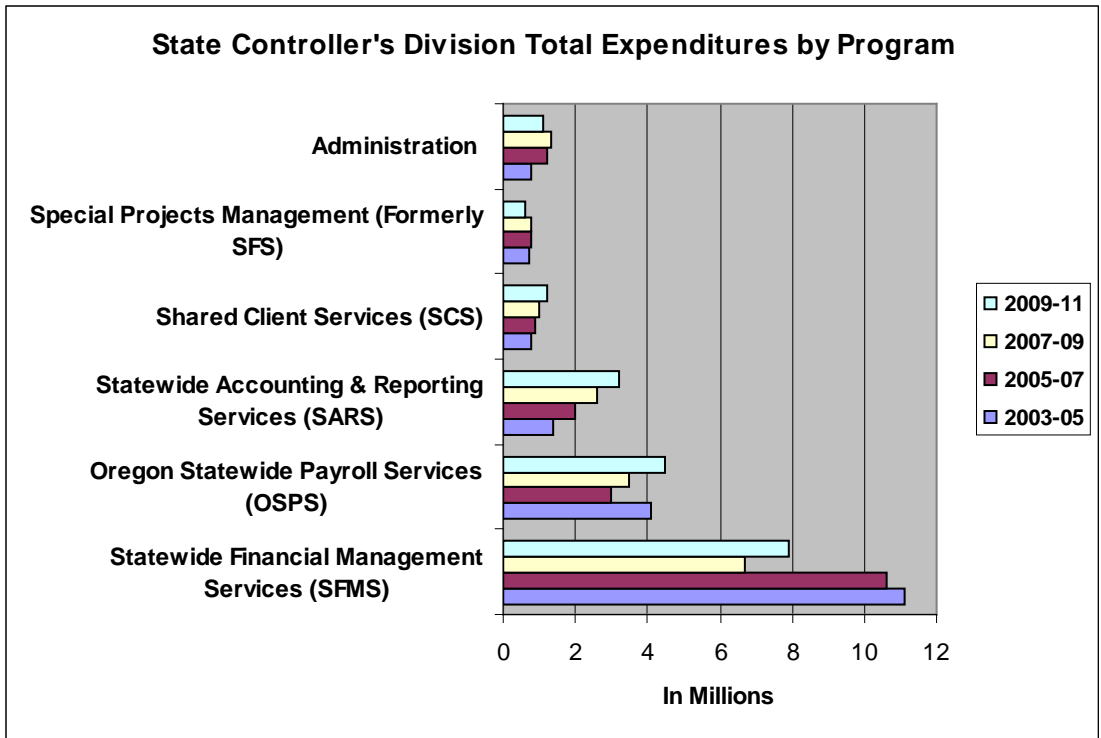


Exhibit 4 - Provided by DAS Operations

Total Expenditures 2003-05 Biennium: \$18.9 million
 Total Expenditures 2005-07 Biennium: \$18.5 million
 Total Expenditures 2007-09 Biennium: \$15.9 million
 Total Expenditures 2009-11 Biennium: \$18.5 million (Estimated)

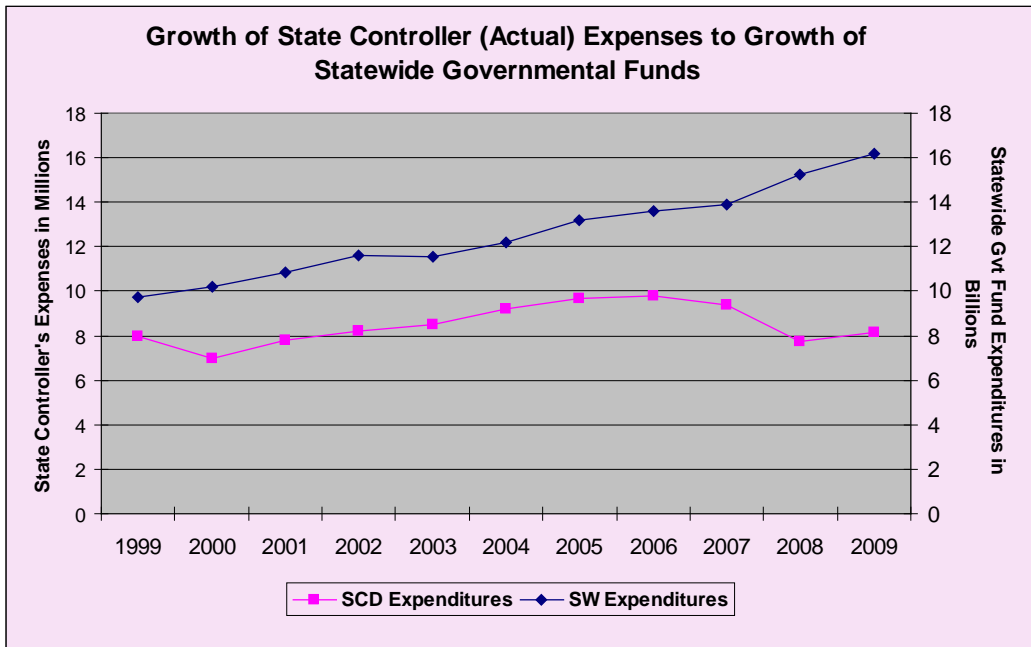


Exhibit 5

Exhibit 5 shows the growth of SCD actual expenditures adjusted without Debt Service payments (to look at the cost of operations only) as compared to the growth of general government expenditures at the statewide level from 1999 through 2009. **Exhibit 6** shows the SCD actual expenditures as a percentage of general government spending.

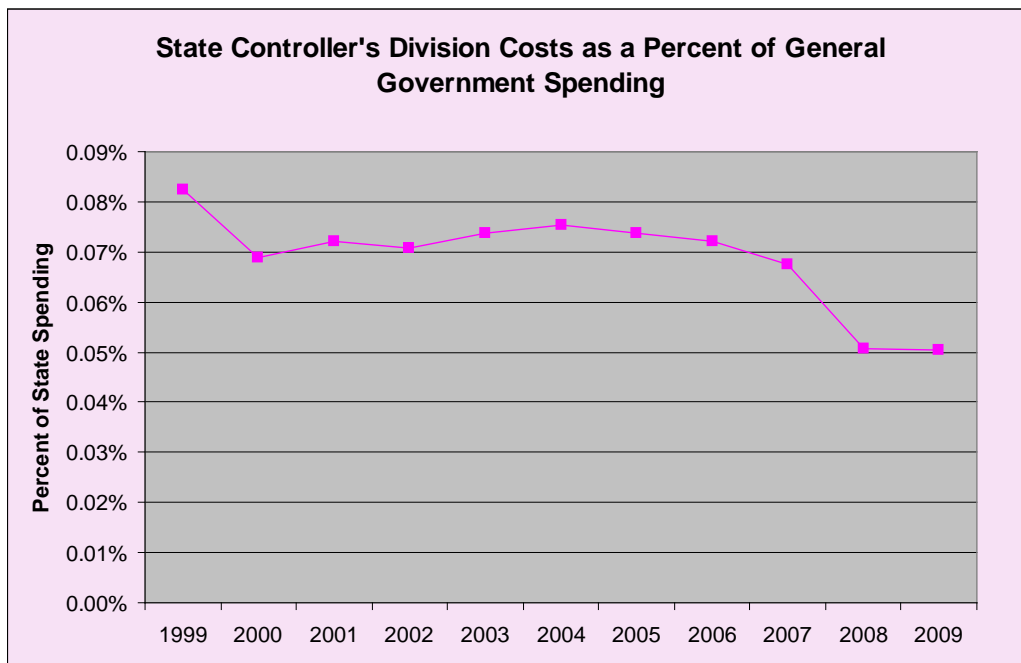


Exhibit 6

SCD expenditure data through FY 2009 for **Exhibits 5 & 6** was provided by the DAS Operations Division and the information for General Government Expenditures was lifted from the most recent audited Oregon Comprehensive Annual Financial Report.

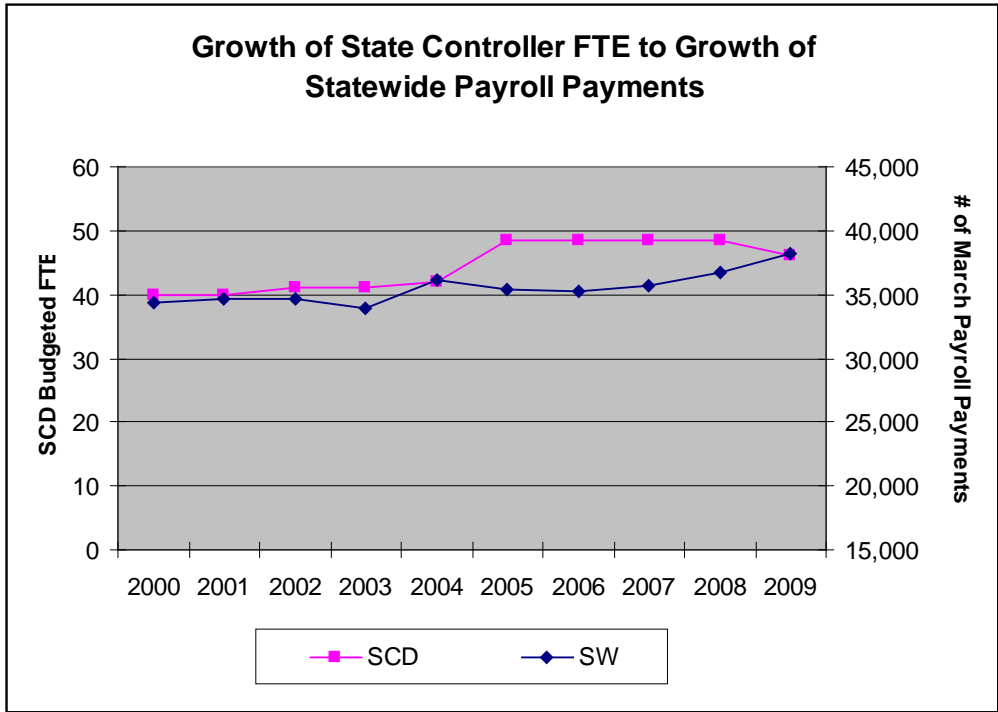


Exhibit 7

The chart in **Exhibit 7** shows a comparison of budgeted FTE in the State Controllers Division compared to annual payroll payments taken each year for the month of March. (as a point of reference)

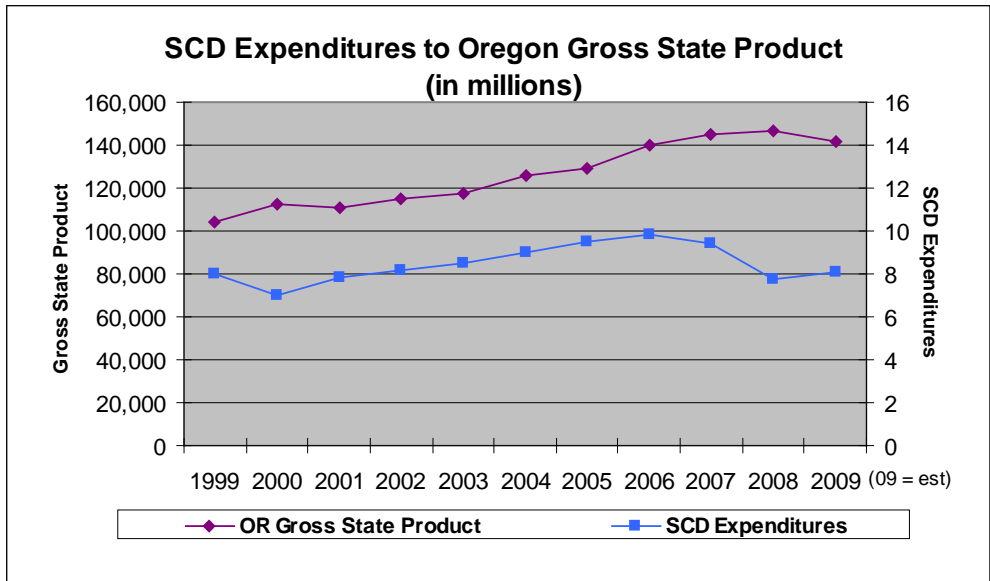


Exhibit 8

Exhibit 8 is a comparison of the growth of Oregon’s Gross State Product (GSP) to the growth of the State Controller’s expenditures from 1999 to 2009. Oregon’s GSP is obtained from the Bureau of Economic Analysis, U.S. Department of Commerce. The 2009 GSP is an estimate based on the HIS Global Insights December, 2009 forecast.

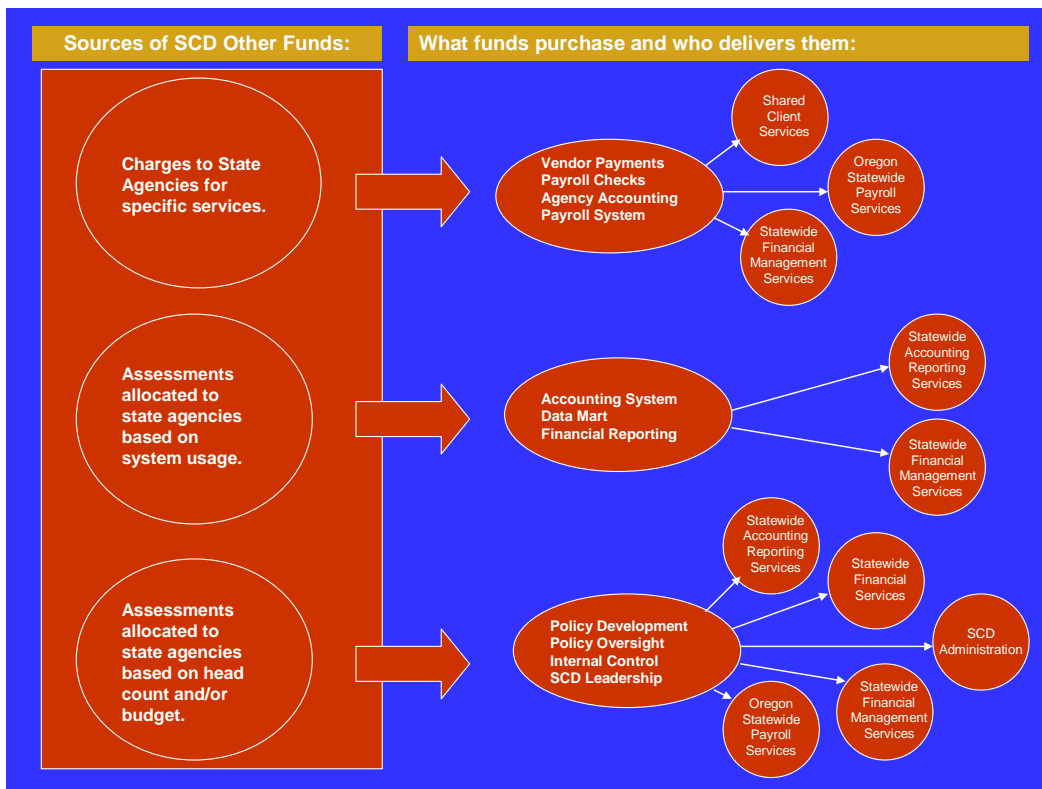


Exhibit 9

SCD is funded from charges and assessments to state agencies based on direct services, system usage, or by FTE/budget. We believe this is a fair allocation to all funds and sources of funds across state government. **Exhibit 9** shows the principle sources of SCD funds, what those sources of funds purchase stated in terms of services delivered, and the SCD organizational units that deliver those services and manage those funds. This exhibit shows where the money comes from, how the money is being used to support state government, and what organizational units within SCD are responsible for delivering those services. For a complete analysis of the methodology deployed to assess state agencies for our services, please see: http://oregon.gov/DAS/SCD/docs/SCD_Cost_Recovery.pdf.

Productivity of Labor Assumptions

The State Controller’s Division allocates labor resources to many federal and state financial accounting and payroll management and reporting requirements; system requirements; the preservation of state financial management related assets; internal controls and data integrity; and other financial management services.

In the allocation of those resources, it is important to understand the underlying realities of work-place productivity and operational constraints.

An FTE (full time equivalent) of budgeted labor consists of 2,080 hours per year or 260 days of productivity. However, not all of that labor time is productive time spent providing and delivering direct accounting, payroll, reporting and other SCD fiscal services. A portion of that time is allocated for other purposes as the following table shows.

Total Available Work Hours	100%	2080
Less:		
10 state holidays	3.9%	-80
3 Personal Business Days	1.2%	-24
1 Holiday Day Off – Subject to Governor's Decision on Annual Basis – Guaranteed for Union Employees	0.4%	-8
Average Vacation Time/Yr	5.7%	-120
Average Sick Leave/Yr	2.7%	-56
Break Time @ 30 minutes/Day – Required for Union employees; Optional for management employees	5.4%	-112
<i>Employee Activities:</i> Wellness Events, Food Drive Events, Donating Blood, Jury Duty, Toy Drive Events, Combined Charity Fund Drive Events, Retirement Planning, State Job Interviews, Employee Celebrations, Union Meetings, etc.	1.4%	-30
<i>Employee Training:</i> Drivers Education, CPR and First Aid, Ergonomics, Plain Language, Communications, Teambuilding, Supervision, Ethics, Leadership, and Technical Job Training.	1.9%	-40
<i>Administrative Activities:</i> DAS Wellness Committee, DAS Diversity Council, DAS Safety Committee, DAS Evacuation Committee, DAS Communications Team, DAS IT Council, open enrollment, recording time & attendance, managing leave, performance evaluation processes and documentation, processing invoices & payments, processing personnel actions & forms, processing budget forms, managing physical security, managing IT information asset security, attending department informational meetings, etc.	2.9%	-60
Furlough days: In accordance with DAS HRSD Cost Reduction Directive, employees are required to take mandatory unpaid time off (up to 14 days through June 30, 2011, average of 7 days per year)	2.7%	-56
Total Nonproductive Time	28.2%	-586
Total Productive Time Applied	71.8%	1,494

When assigning SCD resources to projects and work deliverables, producing cost estimates, budgeting new resources, linking human capital to outputs and outcomes, the State Controller uses a general guide of 75% available productive capacity per average FTE.

OUR PERFORMANCE MANAGEMENT CYCLE

Throughout the year, we obtain and process a large amount of information about local, national, and international developments and changes in public sector laws, accounting, payroll, technology, and financial reporting practices. Our scan includes regular reviews of Secretary of State Audit reports and internal audit reports. This scan helps us ensure our work focus reflects audit issues, shifts in public sector strategies and operations including changes in technology, the direction of standard setting bodies, and changes in government laws and policy.

Our strategic business planning process utilizes customer and stakeholder interactions, customer satisfaction surveys, and joint planning sessions. These processes provide us with a framework against which we can progressively monitor and measure the achievement of our goals and objectives. SCD conducts quarterly reviews of all operational performance measures established by each line of business service plan assessing performance against the previously published line of business service plan.

The result of this planning process (shown in **Exhibit 10**) is confirmation of amendments to our annual line of business service plans. This information in turn leads to a work program for the coming year.

Biennially, the information is used in the development of the Governor’s biennial budget process and will lead ultimately to evaluation and adoption by the Oregon Legislative Assembly. Also biennially, each line of business service plans reflect legislative changes confirming our strategic direction and priorities.

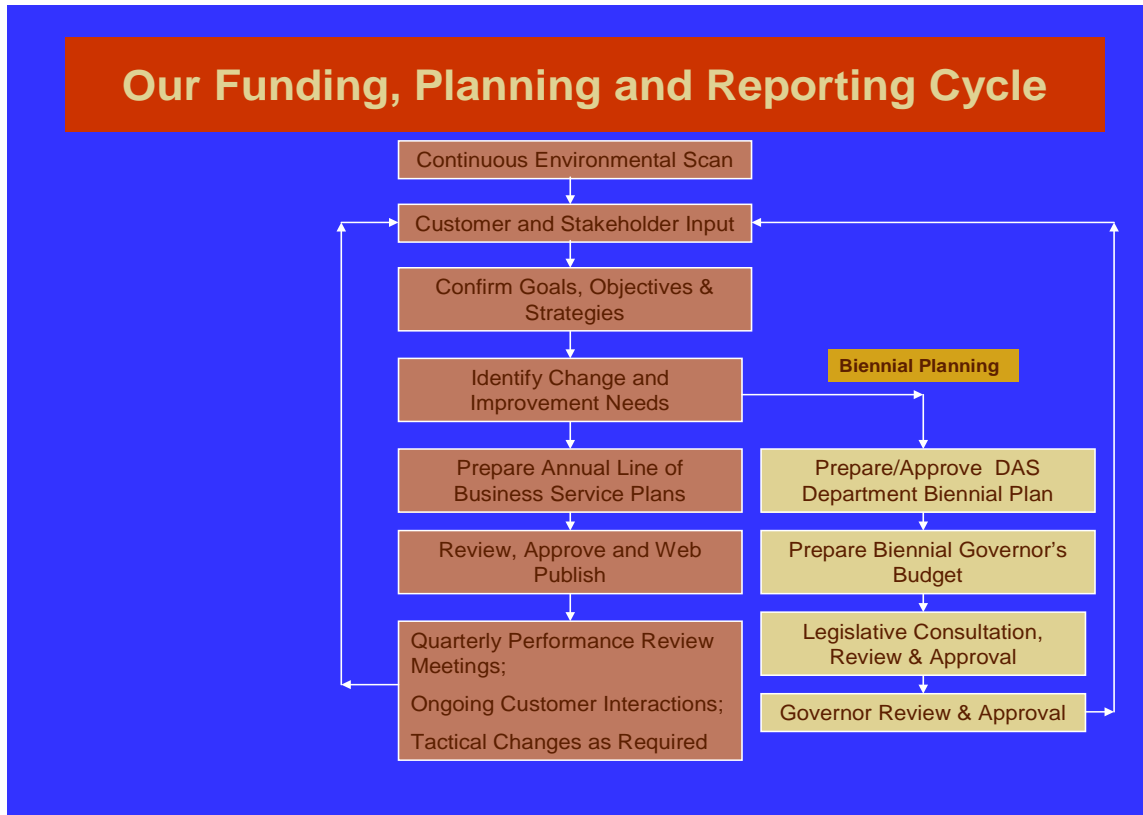


Exhibit 10

HOW WE DRIVE DECISION MAKING

Decision making in any organization of people is a key component contributing to the success of that organization. This is true whether it be at the individual, team, or cross-collaborative level of operations. The following statements guide our decision-making capabilities.

- All decisions are made on the principle that we put Oregonian’s and our customer interests first, SCD second, and the employee’s self interest last. We do not accept employees into our organization that fail to operate in this way. We desire to achieve levels of customer satisfaction that result in positive proactive customer interactions, ratings, and positive SCD comments becoming the norm for our lines of business.
- We appreciate individualists – but value more highly those who leave their personal agenda behind and promote the interests of their team first. This means we encourage and respect different perspectives and appreciate active participation, accountability, and personal commitment in decision making.
- We strive to implement recognition driven by an assessment of overall team contribution to the success of our work, not on short-term individual performance.

- Everyone is encouraged to learn and develop new skills. Our organization has an obligation to help each individual achieve this. We do not have the luxury of adding staff, so we focus investments on the staff we do have to maximize productive capacity.
- Each year, we consciously invest a significant amount of time in training, planning, and improvements that will pay off in the future.
- Those in management roles are evaluated and recognized equally on the success of their team accomplishments and on their individual performance in contributing to and leading team results.
- Individually and collectively, we operate with a “stewardship” mentality to each other, accepting the obligation to coach, mentor and develop all of our employees and colleagues.
- We do not tolerate abuse of power or position, a lack of respect in dealing with other people at any level in our organization, politicking, individuals who cannot be relied upon to keep their word, or shirking or dumping responsibility. Only those of the highest honor and integrity are permitted and encouraged to retain employment with SCD.

RESPONDING TO OUR ENVIRONMENT

We have identified five key challenges facing the work of SCD.

Credibility

The first challenge is to ensure that our work is credible and adheres to strict standards of accounting and financial reporting. Accounting standards continue to undergo unprecedented public scrutiny and change as a result of the failures in recent years of several major global businesses. The Government Accounting Standards Board—the standard-setter for the government accounting profession in the United States—has, over the last several years, issued a number of new standards that are significantly affecting the work of our office. Our credibility rests on adherence to the standards.

Under these new standards, for example, the financial statement preparer accountant and the systems accountant must: develop a greater understanding of certain financial transactions and their affect on reported assets and liabilities; understand more of agency financial operations including internal controls to prepare appropriate policy and procedural guidance; understand, document, and prepare additional required disclosures contained in our financial statements; and carry out a more technical workload to achieve compliance. Complying with all of the new standards will require greater accounting and systems effort on our part, which will inevitably require more time.

Independence and Objectivity

The second challenge is to ensure that our professionalism, independence and objectivity remain intact. The value of what we do relates directly to the public’s confidence “in the numbers.” In undertaking our work, we need to be properly supported from any influence that could compromise compliance with both accounting standards and federal and state laws affecting our work.

The objectivity of our office is preserved by the many checks and balances instituted in state statutes. In addition, SCD as noted above subscribes fully to the Code of Conduct as promulgated by the National Association of State Controllers. Not only are these standards required, but they are fundamental to the role of a state controller.

Relevance

The third challenge is to ensure that our work is of the highest relevance to the public, state agencies, and members of the Legislative Assembly.

The challenge for the office is to build on these expectations by encouraging greater use and awareness of the value of financial reporting, develop appropriate quality assurance methodologies, and work with our state internal auditors and Secretary of State Auditors to build capacity for carrying out such quality assurance work. The need is greatest in the areas of management and internal financial controls across state government.

Another aspect of relevance is to maintain as much compliance awareness as possible across the many important areas of government. The breadth of state financial activities far exceeds the office's capacity to undertake a compliance assessment of management and internal financial controls in state government. (We do rely heavily on the work of state internal auditors and work products of the Secretary of State Audits Division.) We must make difficult choices about which significant areas of state government to provide additional financial management attention. For example, over the past few years, limited resources have been targeted to provide assistance to the Public Employees Retirement System, the Department of Human Services, Employment Department, and Corrections.

The challenge for us is to provide as much attention as possible across state agencies to keep compliance with management and financial internal controls within our financial constraints, while maintaining the highest standards possible.

As our customers and stakeholders often have competing interests, we must strive hard to strike an effective balance between our "control" and "compliance" mandates and our "service" mandate.

Capacity

The fourth challenge is to maintain our systems and human resource capacity. Accounting is a knowledge-based business. Our office needs experienced staff who have not only skills in accounting, payroll, and financial reporting, but also expertise in state law, federal law, modern budget processes, and technology systems.

Given the broad range of financial accounting activities and needs of state agencies, it is challenging for us (at the statewide level) to develop and maintain this technical capacity from year to year. It is even more difficult for state agencies. Positions are increasingly difficult to fill and the state continues to lose many valuable and highly experienced people who have helped carry out complex projects and perform well under complex accounting standards. Recruiting and retaining staff will continue to challenge our ability to build and sustain capacity across state government for the future.

Technology continues to march forward without regard to one's ability to pay for change. Our systems obviously continue to age not only in terms of years of service, but in "technology years," a concept similar to "dog years." The management tradeoffs here center on the age, maintenance cost, and functionality of old systems vs. the benefits, risk, and massive cost of investing in new systems. It is our number one long term strategic challenge and will be a significant future challenge for state government.

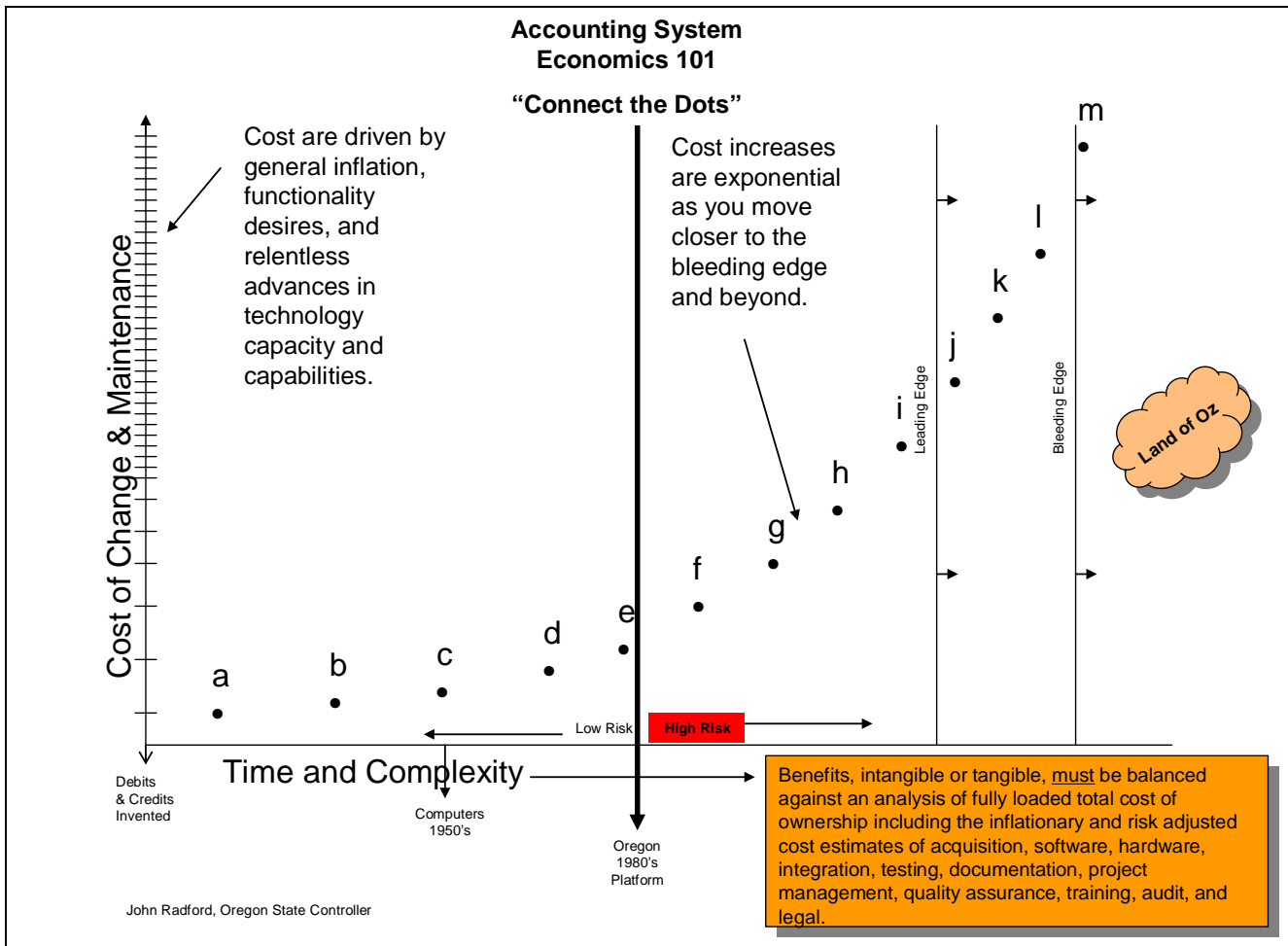


Exhibit 11

Exhibit 11 demonstrates our thinking behind our value based approach in managing complex and expensive accounting and payroll systems. The notion here is to give strong consideration in meeting existing essential payroll and accounting needs while extracting maximum value from existing investments before investing large sums of money in replacement systems—considering benefits, risks, total cost of ownership, and other environmental factors.

Work Environment

The fifth and final challenge is to ensure our key resources—our staff, have the tools and support they need to pursue excellence in their work.

Although recent results of our employee survey indicate fairly high employee engagement, we must proactively ensure we have a strong work environment. The necessary tools and business support include strategic planning, human resources, training, appropriate workspace, and up-to-date computer systems.

The recent statewide employee turnover we have been experiencing, along with new accounting standards (referred to earlier), means we are having to step up our training program to ensure state staff have, and maintain, required competencies. Investing in these types of tools and support has to be balanced with the resources we require for producing our most critical work products. Finding the right balance is an ongoing challenge for us.

OUR FIVE KEY CHALLENGES

Credibility: Our work is done in an efficient, effective and professional manner. *(Risk: We cannot be successful if we provide inappropriate or incorrect services and information. Our reputation is critical to our success. We know it can take years to build a positive reputation and only moments to lose it.)*

Independence and Objectivity: Our office is independent from political parties and state programs, and provides objective services and reporting based on standards and laws. *(Risk: We cannot be successful if we lose, or are perceived to lose, our professional independence or objectivity.)*

Relevance: Our work program is relevant to the needs of the public and its elected representatives. *(Risk: We cannot be successful if we do not adequately understand or respond to the information needs of our stakeholders.)*

Capacity: We have the human resources to complete our work effectively. *(Risk: We cannot be successful if we are not able to recruit and retain high quality professionals. We cannot be successful, in the long term, if we cannot acquire and deliver modern technologically advanced financial systems.)*

Work Environment: Our work environment effectively supports our accounting, payroll, financial reporting and other services and helps to make the office an attractive place to work. *(Risk: We cannot be successful if we do not have the necessary mechanisms and tools—planning, human resources, training, information systems and business support—we require to do our work competently and effectively.)*

OUR REPORTING FRAMEWORK

Linking Goals, Strategies and Results = Performance Management

The State Controller's line of business plans are included after this Strategic View. These plans provide the framework linking goals, strategies, resources, and results that enable management to ensure resources are effectively applied, being consumed efficiently, and directed to achieve intended results.

Resources are the human, financial, and physical capital we invest to make things happen – to achieve results in terms of the business imperatives discussed above and to contribute to a higher standard of living for all citizens.

Strategies bring to life the policy choices of the Governor and the Legislative Assembly. We do this by setting program priorities, aligning resources, and putting in place sound management practices. Results represent the value created through our efforts. They are the outputs and outcomes that benefit all customers, stakeholders, and citizens.

In our view, well run organizations link resources, strategies, and results clearly.

Such linkages enable sound planning when making and explaining choices on:

- the results to be achieved;
- the policies, programs, and services to be put in place; and
- the resources—human, financial, and physical—to be allocated.

OUR PERFORMANCE MANAGEMENT RESULTS

The State Controller's line of business quarterly performance reports are presented at the following web address:

http://www.oregon.gov/DAS/SCD/docs/general_info/SCD_PMTracking.pdf

Sound planning provides the required direction for managers to manage – to align efforts, to set performance indicators and targets, to measure and monitor performance, and to adjust. Linking resources, strategies, and results is also a requisite to managing risks and explaining performance.

To manage risks effectively, we need to know what success looks like in terms of the results to be achieved, and what it takes to get there in terms of the resources and strategies being put in place. This knowledge informs us on what to look out for along the way and the risks we need to manage carefully.

Meaningful performance reporting explains how we link resources and strategies to achieve results. And explains what changes we are making to perform better and thus creating greater value for our customers, stakeholders, and citizens.

The Department of Administrative Services annually conducts a Customer Satisfaction survey. **Exhibit 12** below displays the results of the Customer Satisfaction surveys conducted between 2006-2010. There was a design glitch in the "Expertise" area for 2006 and thus no information is available regarding that criteria below. Results are calculated by adding total "good" and "excellent" responses, and then dividing that number by the total valid responses.

Customer Satisfaction Percentages by Service Criteria

2010 Data

Service Area	Timeliness	Accuracy	Helpfulness	Knowledge/ Expertise	Information Availability	Service Options*	Overall	Treatment*	Average By Service Area
SCD	79%	79%	75%	77%	71%	N/A	75%	78%	76%
DAS Combined	69%	69%	78%	75%	65%	N/A	69%	73%	69%

*New categories, Policy & Direction eliminated

2008 Data

Service Area	Timeliness	Accuracy	Helpfulness	Knowledge/ Expertise	Information Availability	Policy & Direction	Overall	Average By Service Area
SCD	87.9%	86.8%	90.7%	88.8%	85.6%	81.4%	88.8%	87.1%
DAS Combined	69.1%	69.0%	77.8%	76.4%	65.3%	57.5%	69.6%	69.2%

2007 Data

Service Area	Timeliness	Accuracy	Helpfulness	Knowledge/ Expertise	Information Availability	Policy and Direction	Overall	Average By Service Area
SCD	85.0%	85.0%	83.0%	81.9%	78.3%	75.8%	81.3%	81.5%
DAS Combined	65.8%	65.2%	72.9%	74.7%	63.0%	52.9%	65.9%	65.8%

2006 Data

Service Area	Timeliness	Accuracy	Helpfulness	Expertise/ Knowledge	Information Availability	Overall Quality	Rapport	Effective Policies and Clear Direction	Average by Service Area
SCD	91.27%	88.89%	90.48%	Not avail.	85.48%	88.89%	88.43%	81.45%	87.8%
DAS									
Combined	70.21%	71.23%	74.45%	75.18%	64.18%	70.26%	71.66%	61.05%	69.8%

Exhibit 12

The State Controller's Division has set its customer service performance measurement goal to be an 80% score as reported and independently calculated by the annual DAS Customer Satisfaction survey. We believe an 80% Customer Satisfaction score is achievable given normal funding levels and realistic work flow expectations. This goal may be adjusted upward or downward in future years depending on levels of funding and changes to work flow expectations. The following table indicates the SCD management Customer Satisfaction score goals and actual results for the following years.

Year	Goal	Actual Result
2006	80% – Normal Funding	87.8%
2007	80% – Normal Funding	81.5%
2008	80% - Normal Funding	87.1%
2009	70% - Reductions in Force	N/A
2010	70% - Reductions in Force	76.2%

A secondary goal of the SCD is to meet or exceed the overall DAS average Customer Satisfaction score. **In 2008, the DAS overall Customer Satisfaction score was 69.2% and the SCD overall Customer Satisfaction score was 87.1%.** In addition, it is the goal of the SCD Division to meet or exceed the overall score as reported for the State of Oregon under the Governing Magazine "Grading the States" survey. Currently the score for Oregon is C+ and we believe that indicates a high-end numerical score of 79%. See http://www.pewcenteronthestates.org/states_card.aspx?abrv=OR for additional *Grading The States* information. The following table indicates the numerical value for Oregon's *Grading The States* score compared to the State Controller's Division.

Year	Grading the State's Score	SCD Score
2006	C+; 79%	87.8%
2007	C+; 79%	81.5%
2008	C+; 79%	87.1%
2009	TBD	TBD
2010	TBD	TBD

And finally the State Controller's Division compares its DAS annual Customer Satisfaction score to local area private sector companies as reported by the American Customer Satisfaction Index reported at: http://www.theacsi.org/index.php?option=com_content&task=view&id=21&Itemid=34 . The following table shows various local private sector Customer Satisfaction scores in comparison to the State Controller's Division scores for 2008.

Company Name:	2008 Customer Satisfaction Score
Nordstrom's, Inc.	80%
Target Stores	77%
Costco	83%
Starbucks	77%
United Parcel Services	83%
Hewlett Packard	73%
Wells Fargo	72%

Kroger (Fred Meyer)	77%
Microsoft	69%
Average Private Sector Score for 2008:	76.8%
State Controller's Division Score for 2008:	87.1%

Our customer satisfaction survey additionally provided written comments and suggestions by our customers and stakeholder groups. We take our customer comments seriously and execute upon them in two ways. First, we immediately develop response strategies to address as many concerns as we can in the short term and second, we incorporate the written comments into our funding, planning, and reporting cycle as described in **Exhibit 10** of our Performance Management Cycle process described above. All SCD Section Business Plans thread actions and responses to customer input throughout each section plan.

SCD RECENT ACCOMPLISHMENTS

ADMINISTRATION & SPECIAL PROGRAMS (ASP) ACCOMPLISHMENTS

ADMINISTRATION

- Awarded Certificate of Achievement in Citizen-Centric Reporting for FY 2009
- Achieved overall excellent Customer Service score of 76% for the division
- Received score of 76% from SCD employees on overall job satisfaction
- Successful in maintaining 100% timely employee evaluations for the ninth consecutive year
- Administration provided oversight and maintenance of SCD Internet web sites. Staff assisted several sections in the project of web maintenance providing timely information to agencies.
- The administrator conducted the annual business planning meeting with division staff to review past years' accomplishments, explore new opportunities, and direction of the future.
- Provided customer service survey web-based tool
 - Customers can provide anonymous feedback to management
- Administration produced the following reports:
 - Budget Presentation for Legislative Review
 - Expenditure Authority & Responsibilities for State Agencies
 - SCD Accomplishments
 - SCD Business Plan
 - SCD Brochure on Services
 - SCD External Business Plan
 - SCD Fast Facts
 - SCD Customer Service Standards
 - SCD Efficiencies
 - SCD Citizen Centric Report for FY10
 - SCD Strategic View for SCD Business Plan
 - SCD Customer Reports (posted quarterly)
- Administration provided new web pages and information:
 - Citizen Outreach page to encourage new ideas for improvements to SCD Operations
 - Cost Savings Hot Link
 - Slide show about SCD Operations
 - SCD Customer Advocacy Program

- SCD Customer Reports
- SCD Cost Recovery Assessments
- Continue to provide division accounts payable processing, purchasing, recruiting, data base support, word processing, contract administration, survey analysis and more.

STATEWIDE INTERNAL CONTROL PROGRAM ACCOMPLISHMENTS

Training Provided

- 954 hours (hours x attendees = total training hours)
- Hosted 6 webcast/audio conference training sessions - all provided at no cost for attendees
- Coordinated and hosted day long AGA Grants Management training
- Worked with National AGA to coordinate and facilitate an ARRA Dialogue event in Portland - event was free for government employees
- Created and made presentation on internal controls and fraud at the annual Oregon State Fiscal Association (OSFA) conference
- Participated as presenter at the 2010 National AGA Fraud and Internal Controls Conference
- Coordinated full day COSO Monitoring training
- Coordinated and hosted two sessions of Internal Controls training (two hours each session)

Publications

- Established monthly fraud newsletter “First Friday Fraud Facts” - currently distributed to over 220 government employees in Oregon, also distributed nationally through the National Association of State Auditors, Controllers, and Treasurers (NASACT)
- Advisory Controls & Best Practices for A-87 Compliance
- Internal Controls & Best Practices for Federal Grant Management & Monitoring
- Fraud Watch Pamphlet
- Internal Control Toolkit for ARRA webpage
- Self-Assessment Tool for the American Recovery & Reinvestment Act
- FY 09 Citizen Centric Report
- ARRA Internal Controls Survey of State Controllers - survey and summary report

Meetings

- Initiated and coordinated meeting for a government training consortium
- Attended NASACT Multi-State Consortium on Internal Controls
- Attended NASACT ARRA Controller Discussion Group
- Attended AGA Fraud Tool Kit Work Group Discussions

Agency Reviews

- Department of Education
- Oregon Health Licensing Agency
- Department of Energy
- Oregon Landscape Contractors Board
- Coordinated Internal Control Assessment in conjunction with Management Concepts for Department of Education

Policy Development

- Updated Internal Control – Information Technology policy

- Worked with SFMA to develop an ACH Security policy
- Prepared 2 Blue sheets

Legislative Coordination

- Reviewed 3,506 bills, 468 bills assigned to SCD Manager for tracking
- Prepared 108 fiscal impact statements
- Prepared 2 Blue sheets

Current & Future Projects

- Policy Updates - Managing a Safe, Cash handling, as well as outlining a plan to review and/or update all internal control OAM's
- Coordinating several upcoming training events
- Partnering with Management Concepts company to provide agencies an Internal Control assessment tool
- FY 10 Citizen Centric Report
- Internal Control Checklist for Federal Grant Management

STATEWIDE ACCOUNTS RECEIVABLE PROGRAM ACCOMPLISHMENTS

Publications

- A/R Strategic Plan - <http://egov.oregon.gov/DAS/SCD/SRS/docs/ARCCStrategicPlan2009.pdf>
- A/R Business Plan - http://egov.oregon.gov/DAS/SCD/docs/Right_Nav/SCD_BusinessPlan.pdf
- SCD Strike Plan - (Confidential)
- SCD Business Continuity Plans - 10 plans in total relating to sections and recovery functions

Training Provided

- Service member Civil Relief Act - February 2009
- Collection Techniques for a Recession Webinar - June 2009
- LFO reporting 2009 - August 2010
- Skip Tracing 101 and the New Statewide Price Agreement - August 2009

Meetings Facilitated

- Accounts Receivable Core Committee (ARCC) - Eight meetings between January and October
- State Debt Collection-*Breaking Down the Barriers*
- Skip Tracing RFP and Evaluations - 27 different meetings
- Collection Effectiveness Committee
- Cost of Collection Committee
- Coordinated DOR pilot project for flat rate collections.

Committee Participation

- Statewide and DAS BCP Coordinators - 45 meetings
- DHS Integrated Collections Management RFP - 11 meetings
- State Procurement Office VCAF language workgroup - 13 meetings
- Participated on DHS Steering Committee for the ICM collection system procurement thru June 2010.

Projects Completed

- Legislation Coordination - Four A/R concepts proposed, two carried by DAS - 11 different meetings
- Skip Tracing contract finalized in August 2009, including first amendment to add services.
- Coordinated annual LFO reporting, second straight year that ALL required agencies reported
- Developed methodology for calculating the cost of collection for agency use. Coordinated with the ARCC subcommittee and published in FY2008 Strategic Plan
- Monitored 31 various bills for potential impacts to statewide accounts receivable programs
- Developed division pandemic plan
- Accounts Receivable and Collections presentation to Oregon Health Licensing Agency
- Development of a business case for purchase of a new DAS invoicing and collection software

Current Projects

- Flat Rate Collection Fee Pilot - Partnering with Dept. of Revenue, ongoing meetings
- Developing a training presentation on the collection of Civil Penalties (February 2010)
- Development of division Phase II Business Continuity Plan (June 2010)
- Provide FY 2009 A/R Strategic Plan (February 2010)
- Provide Collection contract renewal, development of contract requirements; solicit input from agencies and vendors. Coordinate procurement process with State Procurement Office. (June 2010)
- Request an AG Opinion regarding state agency warrant and civil penalties status as judgments and the implication on ability to use credit reports for collection based on Pintos court decision.

Lean Projects

- Participated in DAS LEAN trainings and process mapping session January-June 2010.
- Participated in DAS LEAN project for VCAF invoicing process April -June 2010.

OREGON STATEWIDE PAYROLL SERVICES (OSPS) ACCOMPLISHMENTS

System

- Initiated 164 service requests for system changes, maintenance and data clean-ups. Completed 136, placed 11 on hold and 17 remain open and in process. Processed 200 table changes for benefit package changes, pay and deduction codes. On average, we create, add and document 40 new or changed work schedules each month.
- Implemented the PERS employer contribution rates for PERS Tier 1/Tier 2 General Service and Police and Fire effective for the 09-11 biennium.
- Converted miscellaneous reports to .PDF for central use. Now available on-screen are a number of regular and occasional reports that run from the scheduler or as requested. A number of these reports are control reports. Some represent regularly scheduled tasks such as ACH stops and Datamart reconciliation reports. Some represent mandated reviews such as the rejected sign-on report. Others help staff perform occasional jobs such as a review of garnishment codes that have not been used and are candidates for purge. Having the reports on screen saves on paper, provides the data timely and allows for easy LAN archive.
- Modified system tables, calculation modules, and reports to incorporate all requirements of PEBB Plan Year 2010. The 2010 project included implementation of codes and payment structures for the new PEBB Statewide Plan and additional self-pay reporting for PEBB.

- Planned and executed the necessary system changes, jobs, reports and tasks necessary to perform 2009 year-end close and implement payroll year 2010. Implemented temporary year-end controls to improve outcomes for the agencies. Produced 45,000 W-2s and provided timely individual and summary totals to Social Security Administration. Successfully reported 2009 W-2 information to the Oregon Department of Revenue using their new online reporting system
- Produced and filed 1099 forms to report the taxable income to recipients of the final pay of deceased state employees. We issued 50 1099 forms for tax year 2009.
- Implemented system structures to manage furlough through OSPA beyond the initial management service furlough. The continuation of the project included represented employees, classified non-represented and non-executive branch agencies. Calculated furlough obligation according to business rules and/or collective bargaining agreement and posted to employee leave balances. Also provided for the process of calculating and posting furlough obligation for all new hires. Partnered with HRSD on numerous furlough related issues, assisted in providing information and examples for published materials, participated at statewide and individual agency meetings. Provided furlough savings reports from the payroll Datamart, collaborating with HRSD staff who added the funding source from PICS data. Published an OSPA furlough FAQ. Updated published resources to include furlough information.
- Modified the annual compensated absences report that is prepared for SARS and the agencies at 6/30 each year to include PERS tiers and actual employer rate by tier.

Operational

- Remained fully compliant with federal and state tax laws. Processed payroll tax payments, monthly and quarterly reports timely. Incurred no penalties.
- Continued the support of the AccelaPay payroll card throughout the agencies as a viable alternate to traditional bank accounts for the destination of net pay. Separated the AccelaPay enrollment form from the standard direct deposit form and changed the form to be more user-centric. We will continue to proactively encourage the use of this card as one of the ways to increase overall direct deposit participation beyond the current 86%. At 6-30-10 there were 437 active cards with 60% of them being used as the destination for the employee's net pay.
- Maintained and refreshed the OSPA WebPages each week to ensure accurate and current information is available to system users. Added and modified content throughout the year.
- Timely performed reconciliation and authorized the refresh of the payroll tables in the Datamart after each Run 2 payroll. Created a new work schedule Datamart table. Developed standard queries for the report repository.
- Partnered with staff at SFMS related to the reconciliation of the joint payroll account. Reviewed payroll accounts receivable each week.
- Performed semi-annual reviews of manual check and pay advance signature authorizations. Maintained list of those authorized to take delivery of payroll at agencies to provide a current reference for DAS Mail Services.
- Issued a monthly report of net pay negatives to all affected agencies. Followed up as necessary.
- Developed and published the Statewide Payroll Calendar for 2010.
- Continued weekly tactical planning meetings with DAS Operations Information Systems and Services (ISS) team lead and/or staff regarding the development and maintenance of OSPA.

- Finalized the Data Exchange Agreement with PEBB related to the interfaces between OSPA and the PEBB.Benefits system. This document defines roles and responsibilities related to the shared information, security, problem resolution and system change management.
- Finalized the Security Access agreement with PERS for the level of access granted to OSPA for the Oregon Savings Growth Plan benefit counselors.
- Performed semi-annual security reviews of those who have access to OSPA in an “agency all” status. Finalized and submitted report to SARS within the required timeframe.
- Timely filed annual report and surrender of payroll related unclaimed property. Assisted agencies in managing this process and provided them with training and reference materials. Met all deadlines for the reporting and surrender of funds. Provided an update session for agencies at one of our regularly scheduled payroll forums.
- Participated in the quarterly National Association of State Comptrollers (NASC) state government payroll group conference calls and the annual extended phone conference.
- Converted a number of monthly vendors to the use of ACH.
- Accomplished cross training and task rotation for the three agency analysts.
- Implemented an ongoing monthly review of desk procedures for needed changes and updates. This process also considers new procedures that need to be documented.
- There were no workplace injuries.
- All performance appraisals were completed on time.
- Held regular staff and work team meetings.

Agency Support

- Provided 12,290 off-cycle payroll payments processed in daily batches, to ensure that agencies are in compliance with BOLI regulations for terminating employees and to provide a method for agencies to correct payroll errors and grant requests for pay advances.
- Processed 24 scheduled payrolls that issued more than 500,000 payroll payments. Produced and distributed a comprehensive menu of payroll management reports for each of the 24 payrolls. Produced and distributed timesheets to the agencies who report on paper.
- Provided daily phone and e-mail OSPA user and payroll processing support to agency payroll staff. Collected data from the OSPA-Help e-mail box to glean frequently asked questions and detect themes in agency requests for assistance.
- Many sections of the OSPA Reference Manual were updated during this fiscal year. We are committed to the maintenance of these resources so that they provide agency payroll staff with up-to-date reference material as well as accurate system user support. During the year we updated or added new information to screen and report guides. We updated 9 Recommended Payroll Practices. Our Appendices are updated weekly.
- Published five handbooks to provide resources and instruction on relevant payroll topics. The handbook provides a comprehensive guide that includes resources, authority, recommended procedures, data entry guides, forms and screen guides. Topics published are Family and Medical Leave (FMLA), Leave Accrual and Reporting, Military Leave of Absence, PEBB Benefits and PERS.
- Developed and published 12 monthly training newsletters. Offered training classes: OSPA Overview, New Employees in OSPA, Separating Employees in OSPA, Deceased Employees in OSPA, OSPA Payroll Calculations, OSPA Payroll Register, OSPA Exception Reports, Employee Overpayments and Requesting a Corrected W-2. OSPA staff provided a

comprehensive payroll year-end close training in a “mini-conference” format as well as published guidance.

- Implemented the use of iLincOregon technology to allow remote attendance at OSPS Forums and trainings.
- In partnership with the Training Consortium, provided a special training opportunity for 35 agency payroll and accounting staff as well as the payroll coordinator for the City of Talent, Oregon and an auditor from Portland Metro. The class, “Payroll Fundamentals” was based on the American Payroll Association (APA) textbook Payroll Practice Fundamentals and was taught by the payroll manager from Portland Public Schools who happens to be an APA certified trainer. Each attendee received a copy of the textbook. The class provided 1.5 days of training and was accepted by the APA to qualify for their recertification credits. Feedback from the attendees was very enthusiastic.
- Assisted the Department of Revenue in the implementation of time detail interfaced to OSPA from their agency online time and attendance collector. Consulted with agency payroll, accounting and IT staff, scheduled and performed interface testing.
- Coordinated with Treasury and the agencies to support the success of the conversion of the Oregon College Savings Plan conversion to a new fund management organization. Assisted Treasury in communicating to the agencies about what participants needed to do to modify their existing direct deposit transactions in order to change destinations.
- Issued the first semi-annual customer report to agencies. This report highlights projects and accomplishments over the previous six months. It serves to inform agencies that even with constrained budgets and limited resources, OSPA remains interested in providing system and service improvements.
- Assisted agencies in many special projects. Served on recruitment panels. Made agency visits. Provided special agency specific trainings when requested. Conducted monthly customer service phone calls to ask for feedback on performance. Held meetings of the Statewide Payroll Advisory Council and circulated relevant issues, questions and requests for feedback through the group to get a sense of agency needs.
- Provided a quarterly customer meeting for agency payroll technicians and managers. Presenters included representatives from the PEBB, DAS HRSD as well as OSPA staff. These payroll forums present relevant information and short trainings on a wide variety of payroll related topics.
- Issued regular and special issues of the OSPA E-News providing information about system changes or functionality, payroll processing alerts, new information and reports, announcements of meetings and training events.

Lean Transformation

- OSPA staff member represented State Controller’s Division as a “Divisional Ambassador” for DAS Lean Transformation activities. Attended weekly and monthly meetings. Coordinated various activities and divisional participation.
- Participated in simulation process improvement training.
- Mapped OSPA core processes; payroll production and system maintenance (in partnership with SFMS) using the SIPOC (**s**uppliers, **i**nputs, **p**rocess, **o**utputs, **c**ustomers) diagram method.
- Submitted a project for process improvement; processing requests for corrected and duplicate W-2s.

SHARED CLIENT SERVICES (SCS) ACCOMPLISHMENTS

All 28 Client Agencies and all 3 SCS Accountants received the annual Gold Star certificate. The Gold Star is awarded to the Client Agencies and SCS Accountants for providing accurate and complete fiscal year-end CAFR information in a timely manner.

Successfully established and maintained an allotment plan for all client agencies. This assists the Client Agencies with their cash flow and budgetary restraints.

- Successfully supported all 28 client entities with excellent accounting and budgeting services. We keep the Client Agencies informed of changes to policies and data requirement to help make their operations successful.
- Have successfully transitioned and informed 10 new directors and fiscal managers in regards to our SCS system. We provide the information and communication links to the new staff for their operations, in addition to the resources on the SCS website.
- Processed client agencies accounts payable transactions within a 2 day turnaround rate. We make accurate and timely payments for the Client Agencies to record in the correct fiscal period.
- Tracked 183 legislative bills pertinent to our Client Agencies as well as those affecting the SCS section and the SCD. By monitoring Legislative discussions, we are able to quickly provide information to the Client Agencies, DAS BAM and LFO.
- Assisted all our Client Agencies in achieving compliance to the LFO/SCD 'liquidated and delinquent' accounts receivable reporting. We assist the Client Agencies with information and schedule requirements so they will successfully meet the deadlines.
- Updated the Shared Client Services business plan and accomplished all our section Performance Measures with an outstanding rating. This provides information about what we have planned and what we are doing. It also shows how successful we are in making our Client Agencies operations successful.
- Communicated by e-mail and list server to Client Agencies to apprise them of information regarding legislation, policies and procedures for State operations. Updated the SCS website with contacts, links and information for the Client Agencies.
- Worked with Oregon Health Licensing Agency (Ag#831) to transfer the Board of Nursing Home Administrators (Ag#833419) into OHLA.
- Received some outstanding comments on the SCS Customer Survey and a 100% satisfaction rating from our customers. We receive performance ratings and comments on our services to the Client Agencies from our SCS survey as well as the DAS surveys.
- Provided fiscal data to Client Agencies and requests from BAM/LFO/Legislature. Since we perform accounting and budgeting services for our Client Agencies, we receive data requests for these listed groups.

Lean Projects

- Provided a paperless form of monthly fiscal reporting to the Client Agencies through the Oracle/BRIO Scheduler on the web, and reduced the number of paper reports produced.

STATEWIDE ACCOUNTING & REPORTING SERVICES (SARS) ACCOMPLISHMENTS

Single Overriding Performance Objective

- Completed the [FY 2009 CAFR](#) within the statutory timeline and with an unqualified audit opinion. Received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the FY 2009 CAFR (18th year in a row). This is the State Controller's Division's key performance measure!

Accounting Policy

- Successfully implemented GASB Statement No. 49 (Pollution Remediation Obligations). Drafted a new disclosure for the FY 2009 CAFR and finalized a new policy for the Oregon Accounting Manual (OAM).
- Completed preparations for implementation of the following GASB Statements, effective for FY 2010:
 - GASB Statement No. 51 (Intangible Assets): Developed new system profiles; began researching how increases to current capitalization thresholds for software might impact financial reporting and the Statewide Cost Allocation Plan. (*NOTE: OAM policies affected by GASB 51 were updated in FY 2009.*)
 - GASB Statement No. 52 (Real Estate Held as Investments by Endowments).
 - GASB Statement No. 53 (Derivatives): Developed new system profiles; drafted a new CAFR disclosure; made major revisions to existing OAM policy on derivative financial instruments; worked one-on-one with agencies impacted by GASB 53; continued participation in the NASACT GASB 53 Implementation Network.
 - Continued planning for implementation of GASB Statement No. 54 (Fund Balance Reporting), effective for FY 2011:
 - Collaborated with SFMS, examining various system options and related programming requirements, to determine best alternatives for identifying fund balance categories in R*STARS and automating the related year-end closing process.
 - Participated as the co-chair of the NASACT GASB 54 Implementation Group.
 - Answered questions from the local media and the Legislature.
- Reviewed GASB exposure drafts on proposed changes to accounting standards and provided written responses for:
 - Exposure Draft, *Financial Instruments Omnibus*
 - Exposure Draft, *OPEB Measurements by Agency Employers and Agent Multiple Employers*
 - Exposure Draft, *The Financial Reporting Entity* (an amendment of GASB Statements No.14 and No. 34)
- OAM updates:
 - 8 policies were significantly revised, reformatted (policy and procedures were combined into one document), and edited for plain language.
 - Completed annual housekeeping changes affecting 7 reference policies (GL accounts, comptroller objects, new/obsolete agencies, and the glossary).
 - 4 major policy updates are currently in process.

Agency Support

- Provided agency fiscal staffs with professional consultation and guidance; for example, SARS advised:
 - ODFW – accounting for capital asset trade-ins and capital assets held for sale
 - DOJ – accounting for federal transfers between agencies
 - DEQ – set up and accounting for enterprise fund activity
 - Governor’s Office and SOS Audits – assistance in preparation of ARRA related SWCAP agreements
 - DOR – accounting for assets that have been seized to satisfy a tax debt
 - Military– accounting for the exchange of capital assets
 - Parks – accounting for relocation of and improvements to buildings
 - Forestry – taxable consequences of providing meals for firefighters
- Hosted 9 small-group agency sessions to present in-depth training on GASB Statement No. 54 (Fund Balance Reporting); developed two sets of step-by-step instructions to help agencies determine (1) the appropriate fund balance category for each governmental fund and (2) the appropriate use of special revenue funds.
- Provided monitoring and follow-up for the statewide Travel Card Program and Central Travel Services Program (CTS).
- Worked closely with agencies and Labor Relations to revise the *Statewide Travel Policy*. Made substantive changes to the private vehicle mileage section to ensure consistent application across all state agencies; provided ongoing consulting to agencies regarding reimbursements for travel expenses and non-travel meals.
- Presented training for agencies on *Accounting for Capital Assets* and *SEFA Reporting* at the 2010 OSFA Annual Conference. SARS received a certificate of appreciation from OSFA for its continued support by providing speakers for the annual conferences.

Year End Closing and CAFR Preparation

- Updated the *Agency Guide to Year End Closing*; posted the guide to the SARS website with links to individual chapters to make the guide more user-friendly for agencies, as well as easier to update in the future.
- Completed major expansion of *CAFR Procedures Manual* for internal use; developed with new staff members in mind, the manual provides an overview of the CAFR preparation process, including key dates, goals/objectives tied to each date, sample communications to agencies, other specific instructions, and links to CAFR preparation tools.
- Updated CAFR preparation tools for FY 2010, including disclosure forms, checklists, Datamart queries and year end reports. Revised compilation procedures for financial statements, notes, and statistics as needed to address changes in GAAP, audit comments, and GFOA comments.
- Completed the acquisition of *Financial Edge* (financial statement compilation software) to replace *Fundware*. To date, SARS has completed the following steps as part of the migration:
 - Installed *Financial Edge* software on the remote server.
 - Imported CAFR GL accounts from *Fundware* into *Financial Edge*.
 - Downloaded data from the FY2009 R*STARS extract file into *Financial Edge*.
 - Completed comparison of FY 2009 published financial statements to FY 2009 statements replicated by *Financial Edge*.

- Validated the formulas in the underlying Excel documents rolled forward for FY 2010.
- Worked with SFMS to set up T-code and profile changes in R*STARS:
 - Added a new comp object for tracking ARRA administrative costs and another to track the Build America Bonds interest subsidy.
 - Added 6 new GL accounts, 1 balance sheet class, and 3 comp objects, and also modified 6 T-codes for GASB 51.
 - Added 4 new GL accounts and modified 2 T-codes for GASB 53.
 - Modified titles of several GL accounts and balance sheet classes to more accurately describe what is accounted for in them.
 - Added 4 new transfer objects to accommodate legislative directives to transfer funds between agencies.
- Reconciled FY 2009 fund equity from CAFRS to R*STARS for all GAAP fund types; worked with agencies on post-closing adjustments to ensure beginning fund equity in the FY 2010 CAFR (as reported in SFMA) agrees to ending fund balance reported in the FY 2009 CAFR.
- Revised the compensated absences report to incorporate the various PERS contribution rates, rather than using a composite rate. This change will result in a more accurate estimate of the state's liability for compensated absences.
- Documented the retention requirements and information asset classification for the "information assets" generated by SARS, including the CAFRs, OAM policies, agency files, compilation workpapers, federal compliance files, etc.

Federal Compliance

- Compiled and submitted proposed FY 2011 statewide cost allocation plan to DHHS (based on FY 2009 CAFR data.) This plan is still being negotiated with the Department of Health and Human Services Division of Cost Allocation.
- Negotiated with DHHS on FY 2010 statewide cost allocation plan based on CAFR 2008. This plan was finalized in January 2010.
- Completed FY 2009 Schedule of Expenditures of Federal Awards in accordance with OMB Circular A-133.
- Prepared reports, notified agencies of subrecipient monitoring assignments, and tracked agencies' progress as required by OMB Circular A-133.
- Completed the federal reporting package for the FY 2009 statewide single audit; collaborated with Audits Division to electronically submit the required documents by the due date.
- Amended the CMIA agreement for FY 2011 and submitted the FY 2009 CMIA report.
- Hosted a visit from the U.S. Treasury Financial Management Service. The event provided an opportunity for both SARS and agencies to learn more about CMIA directly from the responsible federal agency.
- Coordinated FY 2009 agency certifications of compliance with federal arbitrage rebate regulations and submitted to Debt Management Division of the Office of the State Treasurer.
- Completed fiscal year 2009 US Census reporting as required by the US Department of Commerce, Bureau of the Census.

Systems Access

- Coordinated the semi-annual agency security reviews.

- Worked with OSPS and DAS OPS to complete a project to segment the payroll data in the Datamart so that users' access is limited to the information needed to perform their job duties. New security groups were developed to segregate SFMA data from OSPA data; then OSPA data was segregated by agency.

Datamart Management

- Completed the acquisition of a single statewide license for *Oracle Hyperion Interactive Reporting Studio 11* software for desktop installation. *IR Studio* will replace the various legacy versions of Brio/Hyperion currently used to query the Datamart. In support of this purchase, SARS surveyed Datamart customers to find out what they wanted, invited agencies to participate in four "discovery" sessions with Oracle, documented alternatives/conclusions in a business case, and worked closely with SPO and DOJ to complete the transaction.

Link to business case:

http://egov.oregon.gov/DAS/SCD/SARS/datamart.shtml#Brio_Hyperion_Business_Case_and_Addendum

The benefits of this purchase:

- It allows for the statewide upgrade of all desktop versions of Brio/Hyperion to the current supported Oracle product.
- Unlimited user access is provided through a single statewide license; no additional license fees or software purchases are needed for new users.
- Agencies will no longer receive and pay separate annual Brio/Hyperion maintenance invoices for each of their desktop licenses. Instead, DAS will pay all support/maintenance on behalf of the State of Oregon through one central annual invoice.
- The state's financial community can continue to use the estimated 50,000 .bqy files that currently exist – users do not have to rebuild their queries.
- The current Brio/Hyperion infrastructure is maintained, thereby reducing the costs to implement System 11.
- From an end user perspective, System 11 functions the same as prior Brio/Hyperion versions, so no additional training is necessary.
- Increased compatibility – AJAX, Linux, XML, .NET, SOAP, J2EE, WSDL, 64 bit support, etc.
- System 11 provides the potential for future expansion as a statewide web-based application with additional audit capabilities.
- Created a Datamart Support e-mail inbox, making it easier for users to get assistance.

Other Reporting

- Administered the Gold Star Certificate program, which recognizes those agencies that submit accurate and complete financial data by the due dates established for the year end closing schedule.
- Created a statewide Datamart query to collect the expenditure information required by HB 2500 for annual transparency reporting.
- Prepared the annual Statewide Property Tax Levy Certification per ORS 291.445.

Performance Management

- SARS team members participated in Wall-2-Wall meetings and Lean training; SARS developed a SIPOC for preparation of the CAFR.
- FY 2010 employee performance evaluations were completed on time.
- SARS team members received at a minimum at least 20 hours of professional continuing education directly related to their job duties.

- Two SARS team members were promoted in FY 2010: one to Senior Datamart Business Analyst (OPA 4) and the other to Senior SARS Analyst (Accountant 4).

STATEWIDE FINANCIAL MANAGEMENT SERVICES (SFMS) ACCOMPLISHMENTS

SFMS ADMINISTRATION

Leadership and Direction

- Met with SFMS Managers weekly and all SFMS staff monthly. A written document was updated and shared with all SFMS staff consistent with the meeting schedule.
- Initiated customer service discussions during SCD Manager Meetings to help improve performance.
- Effected communication between SFMS and IS&S for effective and efficient use of resources.
- At agencies' request participated in 33 agency visits.
- Participated in the Statewide Financial Management Application and SPOTS audits.
- Created and disseminated SFMS Quarterly Updates as appropriate.
- Continued to administer the statewide Small Purchase Order Transaction System (SPOTS). Requests to update the monthly spending limit were approved within three working days.

System Security and Internal Controls

- Performed quality assurance on 24 system changes and ten re-occurring items to help ensure objectives were met and testing was appropriate.
- Worked with SARS to develop a central staff statewide user class acknowledgement and request for authorization form.
- Created and facilitated the Vendor Information Workgroup to place more security around requested vendor changes. The objective was met which was to place additional controls around vendor changes that could result in fraudulent activity and less security around information that no longer warranted the higher level of security.
- Created and facilitated the possible Telework Use of SFMS workgroup to determine appropriate controls and restrictions around teleworking and accessing information in SFMA.
- Reviewed the functionality and recommended optimal keyboard mapping associated with the new encryption tool needed to communicate from employees' workstations to the mainframe.
- Identified an inexpensive alternative to the free encryption tool that has more functionality than the free option. The free option did not facilitate duties required by some of the SFMS positions.

Consulting

- Worked with Employment Department regarding possible ADPICS implementation.
- Provided draft HB 2500 (transparency) checkbook information to agencies that use SFMA and worked with agencies that had unique concerns regarding sensitive information.
- Participated in many American Reinvestment and Recovery Act meetings and finalized information needed for the related Governor's Office Data Universal Numbers System (DUNS) number.
- Reviewed about 15 significant agency structure changes to assure change would produce the agencies' desired outcomes.

- Active participant in Oregon Health Authority meetings and provided requested expertise regarding the creation of this new agency in SFMA.
- Worked with agencies that had some challenges transmitting encrypted interfaces to provide a short-term alternative for the information to get into SFMA.

Training

- Provided 1,036 training hours to help R*Stars and ADPICS users with more effective and efficient use of SFMA.
- Updated 182 pages of training materials to help stay up to date with system changes.
- Trained interested agency staff on the use of macros to help with the efficient use of SFMA.
- Provided two SFMS staff trainings.

SPOTS (Purchase Card)

- Facilitated an annual meeting with SPOTS Coordinators to communicate proposed changes to the SPOTS section of the OAM with the VISA program and training.
- Provide guidance to agency SPOTS Coordinators regarding the appropriate use of the SPOTS purchase card.
- Maintained the Business Continuity Plan for SPOTS Card creation, increased limits and use in the event the need arises.
- Provided generic SPOTS cardholder training in Salem and Portland.
- Provided SPOTS cardholder training for the Oregon State Police.

Administrative Services

- Scanned 13,998 W-9s and/or TIN match data.
- Worked with DAS Operations to discuss and assure the SCD budget to actual information was as expected.
- Created budget documents for AY 13.
- Reviewed all SCD invoices for appropriate documentation and accuracy prior to approving.
- In conjunction with Systems Management, analyzed monthly State Data Center costs to facilitate an understanding and better anticipate the cost of requested changes.

SFMS OPERATIONS

System Management

- Reviewed daily control reports for proper batch cycle processing and balancing system.
- Maintained statewide profiles.
- Tested, ran, and verified annual and biennial programs that move data forward, close the fiscal year and expire stale dated warrants.
- Produced the yearly production calendar for scheduling daily, weekly, monthly and yearly processes and programs.
- Researched and resolved accounting and system functionality issues.
- Researched to determine best method to resolve 'No Batch Header' problem.

- Researched to determine best method to resolve problems with transaction codes 212, 213, 214 and 431.
- Created new t-codes for A/R's with a reduction of expenditure that did not post to BT17.

System Policy

- Developed and distributed policies, procedures and system documentation.
- Updated four chapters of the R*Stars Training Manual.
- Updated report explanations on Report Guide.

Cash Reconciliations

- Performed monthly statewide General Fund and Lottery reconciliations.
- Performed monthly statewide payroll reconciliation.
- Assisted agencies with bank reconciliations.

Payment Processing

- Provided vendor maintenance for about 114,000 vendors, and ACH processing and training to agency staff.
- Distributed warrants to agencies and administered payment processing.
- Replaced, canceled, and placed stop payment on warrants and performed fraud and forgery control.
- Modified the W-9 job to only print once and inactivate vendors sooner.
- Modified ACH program to apply a posting cutoff for calendar year end. Ensured 1099-MISC information was applied appropriately at calendar year end.
- Developed and implemented vendor request verification process. Ensured agency staff are authorized to request new vendors and changes to existing vendors.
- Updated the ACH Website to clarify the instructions and included international rules.
- Worked with agencies to separate ACH subsystem vendors from the SFMA ACH vendors.
- Added mail code edit to allow agencies to make SPOTS Card payments via direct deposit.
- Modified ACH settlement date and Treasury transfer files for Furlough days.
- Modified redemption files to replace warrant numbers beginning with "11" with "12".

Agency Support

- Provided system guidance through specified agency assignments.
- Resolved problems and provided guidance with report requests.
- Participated in 23 agency visits.
- Provided five formal trainings for agencies.

Federal Compliance

- Administered backup withholding tax and 1099-MISC processing and training.
- Administered foreign vendor tax withholding and reporting.
- Implemented IRS TIN matching on all new vendor activations.

R*Stars General Fund

- Performed all accounting services for Agency 999 including CAFR disclosures.

Purchase Card

- Reviewed and monitored statewide use of the Small Purchase Order Transaction System (SPOTS) card.

Other Special Projects

- Provided six SFMS staff trainings.
- Developed and implemented new profiles for GASB51.
- Modified R*Stars reports to include new G/L 3503 Reduction of Expenditure – Accrued and BT35 Reduction of Expense - Accrued.
- Implemented new profiles for GASB53.
- Modified posting of expenditures to the contract table.
- Modified sort order for DAFR3140 to expedite distribution to agencies.
- Participated on panel to select new statewide microfiche vendor.
- Participated in implementing HB2500 transparency.
- Created, tested and implemented seven new agency requested t-codes.
- Participated in Wall-2-Wall meetings, training and developed SIPOC for vendor payments and system management.
- Provided accounting guidance for the FICA reimbursement project.

SFMS SYSTEMS MANAGEMENT

Application Services and Functionality

- Completed 47 System Data Integrity Event data clean ups in R*Stars/ADPICS.
- Tested and verified multiple mainframe and software application upgrades and changes (IBM FileManager, ROSCOE, mainframe DB2 V8 and z/OS 1.9 upgrades and patches).
- Ran and verified the year-end data roll and closing processes in the non-production regions.
- Verified batch and system control reports to ensure data and system integrity of the accounting test and training regions of SFMA.
- Prepared the annual calendar for scheduling of the batch cycles and other special jobs in the non-production regions.
- Added, updated, and/or deleted more than 2,700 profiles in the non-production regions to mirror existing production profiles and maintain viable test and training environments.
- Reviewed the new State Data Center T.U.A.M. invoicing system for the mainframe application and storage charges.
- Changed the Financial Archive programs to accommodate the addition of the Program Cost Account (PCA) field on the Agency Budget Financial screen and table.
- Changed the Vendor Purge programs to accommodate the addition of the Tax Identification Number (TIN) field on the Vendor Profile screen and table.

- Facilitated the programming of the Vendor Profile processes to use a generated algorithm number as the vendor number in place of the vendor's social security number.
- Changed the 1099-Miscellaneous jobs to utilize the new TIN value from the Vendor Profiles for payment reporting purposes.
- Redefined the inactive accounting event DB2 partitions and removed more than 2,600 storage tapes and datasets reducing job processing time and storage costs.
- Changed the SFMA batch cycle report processing jobs making them more efficient and reducing the monthly cost to produce accounting reports by an average of \$6,300.

Interface Coordination and Security

- Provided test and production migration services to agencies for 15 new and/or revised financial data interfaces in R*Stars.
- Provided technical assistance and test services to agencies for the mandated change to use of an encrypted file transfer protocol (FTP) interface process (SDC Clear Text Project).
- Partnered with Information Systems and Services to identify all SFMA out-going files to agencies, vendors, and federal and state entities and made changes to the FTP process to meet the Clear Text Project requirements.
- Provided subsystem and accounting data analysis on 141 occasions to identify and correct agency production interface anomalies.
- Provided annual data extract file of vendor information to Secretary of State's Audits Division.

System Data Archives and Purges

- Provided information and training to agency customers via the SFMS User Group meetings and SFMS-News e-mails on the four fiscal year 2010 scheduled data purges and archives.
- Performed and verified the SFMA Financial Tables Archive, Vendor tables purge, Cumulative Payment Table purge, and the Receipt Tables purge removing more than 152.8 million records.
- Reviewed and purged records for 14 obsolete agencies removing more than 18 million records from the ADPICS and R*Stars tables.
- Purged more than 1800 obsolete report and user security profiles in the non-production SFMA regions reducing processing time and associated costs.

Central and Agency Support

- Partnered with agencies and the SFMS Controller to identify and make available appropriate production data access through query tools such as Hyperion and Access.
- Reviewed, added or deleted more than 1,200 security profiles for agency and central user testing in the SFMA test region.
- Assisted several agency customers with connecting and establishing secure transport of SFMA data for the Batch Print Utility under the SDC Clear Text Project requirements.
- Added additional tables to the agency limited view access of the SFMA ODBC production database per request of DHS/DOC.
- Provided three SFMS staff trainings on system processes.

SFMS Cost Savings Accomplishments

- Archived 189 million rows of data from SFMA.

- Reduced mainframe computing costs by minimizing the availability of an expensive central control report.
- Reduced mainframe computing and print costs by eliminating one-third of the non-production batch jobs and reviewing reports electronically.
- Created edits to allow agencies to pay agency SPOTS card invoices via direct deposit.
- Reduced the timing and number of W-9 mailings to statewide vendors.
- Removed 3,100 agency reports in both the Production and Acceptance regions to reduce report run costs.
- Changed non-production SFMA test and training region data/program back-up schedules from weekly to monthly processing.
- Discontinued printing a dozen central control reports that were not reviewed to save paper and printing costs. These reports are available on microfiche only.
- Reduced mainframe computing costs by changing SFMA table reallocation jobs from a weekly process to a quarterly process.
- Worked through a large list of queries to eliminate queries that are no longer needed. If the query is needed, but the data is not, eliminated the data. These processes reduced LAN storage costs.
- Trained and used macros to effectively and efficiently make approved additions or changes to SFMA. This is in lieu of hand keying changes that involve many hundreds or thousands of transactions.

HOW WE MANAGE OUR INFORMATION SUPPLY CHAIN

SCD manages, invests, and delivers systems and data that meet a wide variety of external and internal governmental information needs. These needs can be derived from law, reporting standards, contracts, accepted business practices, and to meet the ever changing information needs of business owners, policy analysts, management, elected officials, and other consumers.

The majority of our information supply chain is targeted to meet the information reporting requirements in the areas of fiscal internal control, investor and citizen accountability, inter-governmental reporting, and compliance with legal provisions contained in state and federal laws. In addition, our systems are designed to give **management** the ability to capture and report managerial information for the purposes of managing cost, business risk, and performance at various levels throughout the organization.

To a significant degree, the flows of data and information to meet mandatory external reporting needs are governed by system controls, national accounting and reporting standards, state and federal law, and contractual agreements.

State management and system users and internal information consumers have significant influence and responsibilities in the design, development, and application of the underlying central and agency sub-systems and structures used to capture and report management information. For example, state agencies have the ability to design the capture and tracking of programmatic, organizational, labor, project, grant, and fund financial information as needed to support effective and efficient decision making internal to their operations. They have the ability to link that financial information to specific outputs and outcomes to enhance cost control and make knowledge-based performance management decisions. The level of sophistication and results obtained are closely linked to managerial motivation, organizational culture, and management priorities.

As in any large interconnected organization, the challenge for central authorities is how to best integrate investments in existing systems with new and better opportunities recognizing the constraints of organizational culture, current and future resources, and the abilities of the current and future workforce to adapt to change.

Exhibit 13 shows that the design and development of our information supply chain is significantly based on well-defined information and accountability needs of state government as promoted or constrained by information users and other resources. Current state systems provide a wide range of both paper-based and electronic reporting capabilities. All data and information maintained on state systems, including the delivery of data and information must be maintained consistent with state security policies and underlying security architectures.

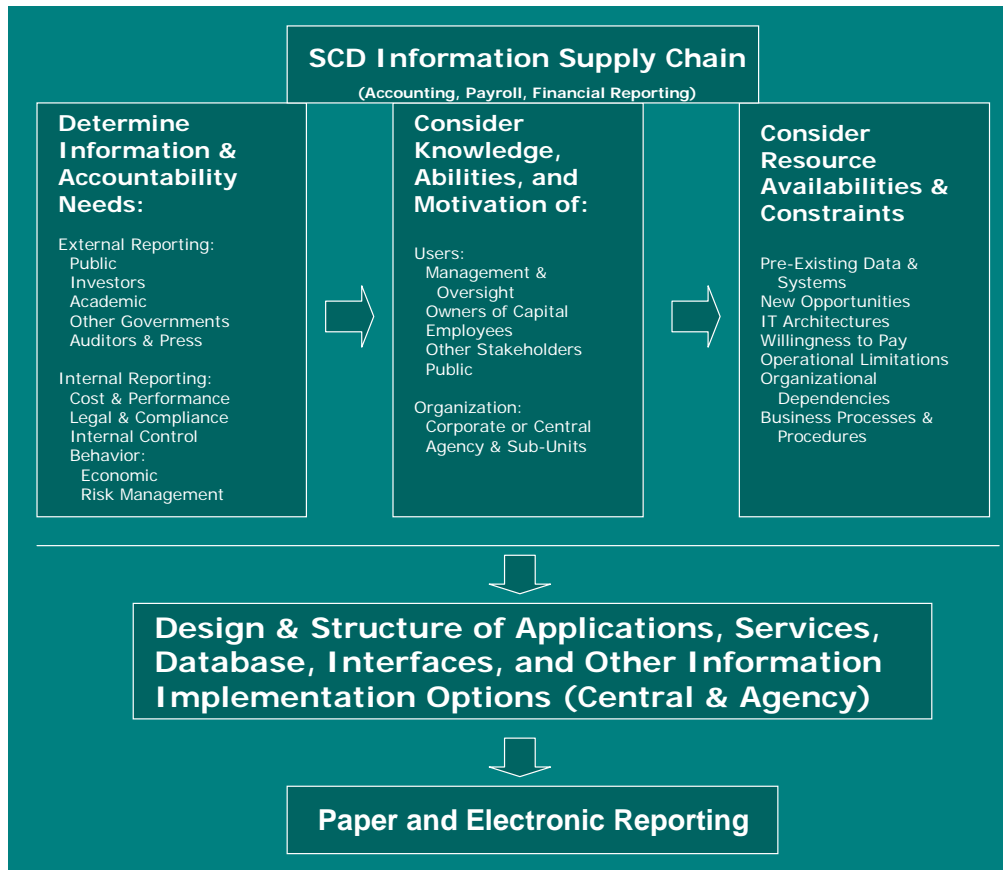


Exhibit 13

HOW WE EVALUATE OUR RISK FACTORS

Future results of State Controller Division operations are subject to a number of risks and uncertainties. These risks and uncertainties could cause actual results to differ from historical and current results and from our planned line of business projections included in this document. Important factors known to us that could cause such differences include, but are not limited to, those discussed below.

We may make errors and omissions in providing services, which could result in penalties, liabilities, and unintended consequences for us: Processing, tracking, collecting, and remitting agency funds to the applicable tax or regulatory agencies, vendors, state employees, and other third parties are complex operations. These tasks could be subject to error and these errors could include, but are not limited to: late filing with applicable tax or regulatory agencies; underpayment of taxes; failure to comply with applicable bargaining agreements, contracts, and banking regulations; failure to comply with federal and state laws relating to vendor disbursements, payroll, and employee benefits administration; failure to identify and implement internal control; all of which could result in penalties, liabilities, or other losses that would adversely affect our results of operations. We could also transfer or disburse funds in error to an incorrect party or for the wrong amount, and may be unable to correct the error or recover the funds, resulting in a loss to us.

Our business and reputation may be affected by our ability to keep state and customer information confidential: Our business involves the use of varying amounts of private and confidential information including employees' identification numbers, vendor identification information, bank/treasury accounts, accounting and budget information, historical information, and retirement account information. This information is critical to the accurate and timely provisioning of services to our state agencies and customers, and certain information may be transmitted via the Internet. There is no guarantee that our systems and processes are adequate to protect against all security breaches. If our systems are disrupted or fail for any reason, or if our systems are infiltrated by unauthorized persons, our state agencies and customers could experience data loss, financial loss, harm to reputation, or significant business interruption. Such events may expose us to unexpected liability, litigation, state audits, regulation investigation and penalties, loss of business, unfavorable impact to business reputation, and there could be a material adverse effect on our business and results of operations.

Our services may be adversely impacted by changes in government regulations and policies: Many of our services, particularly payroll and payroll tax administration services, employee benefit services, disbursement services, internal control services, and legal and internal control compliance services are designed according to government regulations that continue to change. Changes in regulations could affect the extent and type of services required to be performed. Such changes could reduce or eliminate the need for some of our services or substantially increase our services and may substantially increase or decrease our revenues or resource requirements. Failure by us to modify our services in a timely fashion in response to contractual, regulatory, or legal changes could have a material adverse effect on our business and results of operations.

We may be adversely impacted by any failure of third-party service providers to perform their functions: As part of providing services to state agencies and other customers, we rely on a number of internal and external third-party service providers. These providers include, but are not limited to, couriers used to deliver state payroll checks and vendor warrants, banks and internal treasury operations used to electronically transfer funds, agency employees in establishing and maintaining payroll and accounting processes, and various providers hosting and supplying administrative support, computer systems, networks, telecommunications, and other required and contracted services. Failure by these providers, for any reason, to deliver their services in a timely and cost effective manner could result in material interruptions to our operations, impact agency/customer relations, and result in significant penalties or liabilities to us.

In the event of a catastrophe our business continuity plan may fail, which could result in the loss of agency and customer data and adversely interrupt operations: Our operations are dependent on our ability to protect our infrastructure against damage from catastrophe or natural disaster, unauthorized security breach, power loss, telecommunications failure, terrorist attack, or other events that could have a significant disruptive effect on our operations. We have a business continuity plan in place in the event of system failure due to any of these events. If the business continuity plan by us or our third party service providers is unsuccessful in a disaster recovery scenario, we could potentially lose customer data or experience material adverse interruptions to our operations or delivery of services to our customers.

Our strategic investments in core state enterprise applications of accounting, payroll, datamart, and financial reporting may be insufficient or at risk due to failure to properly maintain, replace timely, or to stay current with changing external technologies and other standards. Much of the financial information data for the state is processed directly or indirectly by our core statewide financial systems. These systems hold historical and current data intricately linked to statewide legal, policy, internal controls, and other administrative systems that support much of the back-office infrastructure of state government. Failure to adequately maintain, improve, or enhance to meet current and future operational, accounting standards, legal, technological change, contractual needs; and other

productivity opportunities could result in the gradual erosion of capacity and capabilities and increase the state's exposure to poor performance, long term liabilities, and crisis interventions.

The execution of State Controller Division operations may partially fail due to state hiring and compensation practices, improper planning, poor identification and use of performance measurements, insufficient discipline in management and supervision of the workforce, incomplete project and contract management; and insufficient rigor in the design, use, testing, and vetting of internal or external business cases and change management affecting current and future operations and Division investments. Limited resources and externally controlled policies require management to make reasonable judgments in the allocation and management of both short and long-term resources. Although risk is always a material concern, such tradeoffs and decisions may result in less than desired optimal performance. Sub-optimization risk could result in waste, poorly controlled and performing business processes, rework, poor decision making, lack of planned ROI, and negative affects in meeting customer service objectives.

We are exposed to various types of fraud. Fraud could occur within the Division by Division employees or perpetrated by clients and customers who have direct or indirect access to our systems. As a corporate function, we have a high concentration of senior staff with extensive experience, knowledge, and skills of state systems, processes, and procedures. Although cost effective internal controls are in place, there is not a 100% guarantee that these controls and systems could not be compromised by Division staff or by state employees, contractors or other known or unknown parties. Under such compromise, the state could be subject to insured financial losses, unrecoverable financial losses, impairments to operations, additional costs, and impairment of reputation.

OUR CRITERIA FOR ESTABLISHING MISSION PRIORITIES

Regulatory Environment

- State & Federal Law
 - State Accounting, Budget, Payroll, PERS, Collective Bargaining, and Labor Statutes
 - Payroll Withholding & Employee Payments
 - Payroll Reporting (W2, Quarterly Fed/State)
 - Cost Allocation – OMB Req.
 - Single Audit Act – OMB Req.
 - Fed Financial Data/Reports
 - National Accounting Standards
 - Policies, Methods, Processes, Procedures, and Systems (Compliance)
 - State Financial Statements and Disclosure

Contractual Obligations

- Contractual Payments (Vendor Payments.)
- Labor Agreements (Payroll)
- Bond Covenants (Financial Reporting)
- Federal Agreements (OMB Settlements)
- Private Collection Contracts (Accounts Receivable Mgt. & Collection)
- Bank Contracts (Credit Cards Rules; Direct Deposit Rules)
- Inter-agency Agreements (including SCS)

Data Integrity and Reliability

- Mandatory System Change in Systems (Actg. Rules; state audit recommendations; ongoing maintenance)
- Accounting & Payroll System Controls (new system edits, audit recommendations)
- Accounts Receivable/E-Commerce Controls (system interfaces; reconciliations; research anomalies)

- SCD Reconciliation and Verification (daily monitoring, report reconciliation)
- SCD/Statewide Security Access Controls (access authorization and monitoring)

General Management and Services

- Help Desk and User Support
- Agency Training
- General Office Support-filing, ordering, personnel, web, performance reporting, etc.
- Policy R&D (Best Practices; GASB, etc.)

Risk and Efficiency and Effectiveness Management

- Internal Control Management
- Discretionary Changes in Accounting & Payroll Systems
- Financial Accounting and Control Support to E-Commerce
- Discretionary Non-System Changes (processes, methods, procedures)
- On-site Agency Reviews & Requests for Assistance
- Training

HOW WE MANAGE, REPORT, AND CONTROL THE COST OF SCD

Reliable information on the costs of SCD and its activities is crucial for effective management, oversight, and transparency of our operations.

This transparency is demonstrated through the annual publication of the Citizen Centric Report, which is available to the public at: http://oregon.gov/DAS/SCD/docs/Citizen_Centric_FY09.pdf

The management cost accounting concepts and standards implemented in our Division are aimed at providing reliable and timely information on the full cost of SCD programs. This cost information can be used by the Legislature, state management, customers, stakeholders, and employees in making decisions about allocating resources, authorizing and modifying programs, and evaluating program performance. The cost information contained in our budget and actual reports is used by SCD program line of business managers in making managerial decisions to improve operating economy and efficiency.

We accumulate and report the costs of our programs on a regular basis for management information purposes. We have established responsibility segments by program to match costs with services, outcomes, and performance measures. We use methods to determine the full cost of SCD services by using appropriate costing methodologies to assign costs to specific programs and services.

Services produced by the SCD line of business (responsibility center) is the sum of the costs of resources consumed by the SCD Section that directly contribute to the output, outcomes and performance measures of that section and the costs of identifiable support services provided by other responsibility centers or units within state government.

SCD has identified specific line items of cost and the key associated controls the Division uses to maintain spend discipline and internal cost control management. See the following link for additional information.

http://www.oregon.gov/DAS/SCD/docs/SCD_Cost_Management.pdf

HOW WE RECOVER COSTS

SCD constantly looks for ways to lower cost and makes continuous improvements in the design and delivery of our services. We assess cost recovery and cost of service charges.

[SCD Cost Recovery](#)

HOW WE MANAGE BUSINESS CONTINUITY

SCD has prepared a documented business continuity plan to mitigate the effects of a disruption to normal business operations. SCD is committed to maintain and enhance these internal documented policies and procedures over time.

Emergency Contact Persons

Our SCD two emergency contact persons are:

John J. Radford, State Controller, john.j.radford@state.or.us, 503-348-3156 x226; and Deputy State Controller, Joy Sebastian, joy.sebastian@state.or.us, 503-378-3156.

In addition, our Business Continuity Plan Executive Representative is Gerold Floyd, Statewide Accounts Receivable Manager, gerold.j.floyd@state.or.us, 503-378-3156. These names will be updated in the event of a material change, and our Executive Representative will review them within 14 business days of the end of each quarter.

BCP Policy

Our policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and state property, making a financial and operational assessment, quickly recovering and resuming operations, activate an appropriate incident response, initiating communications, protecting all of the state's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their records, funds and SCD services.

Significant Business Disruptions (SBDs)

Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our operational ability to communicate and do business, such as a fire or electrical/water damage in our building. External SBDs prevent the operation of normal business operations or disrupt other state operations such as a terrorist attack, a city flood, or a wide-scale, regional disruption. Our response to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of the state Data Center, state Printing, and state Treasurer's Office.

Approval and Execution Authority

John J. Radford, State Controller, is responsible for approving the SCD plan and Gerold Floyd is responsible for maintaining the plan and conducting an annual review. John J. Radford has the authority to execute this BCP. In Mr. Radford's absence, any SCD Manager has the authority to activate the SCD Business Continuity Plan.

Plan Location and Access

Our Division maintains copies of its BCP plan and the annual reviews, and the changes that have been made to it for inspection. An electronic copy of our plan is not available on our Internet for obvious security reasons. The file is located on our internal secure server and available to all SCD employees. Paper copies are routinely distributed to SCD Managers.

Business Description

Our operations include the provision of accounting, payroll, and financial reporting in data management, systems management, internal and external reporting, internal control management, e-commerce support, statewide accounts receivable management, and other related services. These operations are corporate in nature providing core enterprise systems, controls and policies affecting Oregon state government financial operations. We do not hold customer funds or securities. We accept and enter accounting and payroll transactions only. All cash and cash equivalents are sent to state Treasury approved banks that interface with national settlement operations. Our accounting and payroll systems maintain both employee and customer identification data.

Our banking and settlement operation resides within the Oregon State Treasury (OST). Our primary OST contact is Darren Bond, Darren.Q.Bond@state.or.us. The alternative contact at the Oregon State Treasury is Sharon.Prentice@state.or.us.

Office Location

Our Office is located at 155 Cottage Street, Salem, Oregon 97301. Its main telephone number is 503-378-3156. Our employees and state customers may travel to that office by means of foot, car, shuttle, or bus.

Alternative Physical Location(s) of Employees

In the event of an SBD, we will move (with DAS Facilities) our staff from affected offices to the closest of our unaffected state office locations within the Department of Administrative Services or move them to negotiated space in other buildings owned or rented by state agencies. If none of our other office locations is available to receive those staff, we will move them to other state facilities owned by the Department of Administrative Services or other buildings owned or rented by state agencies located in the Portland, Oregon or Eugene, Oregon areas. If state owned or state rented space is not available, we will negotiate space for our employees at any reasonably available commercial space.

Customers' Access to Funds, Accounting, and Payroll Systems

Our business does **not** maintain custody of customers' funds or securities, which are maintained at the Oregon State Treasury. In the event of an internal or external SBD, if telephone service is available, our employees will take customer instructions and contact our state Treasurers Office on their behalf, and if our Web access is available, our Division will post procedures on our Web site explaining how state agencies and customers may access their funds and securities by contacting the Oregon State Treasury.

In the event of an internal or external SBD significantly affecting customer access to accounting, payroll, and other customer systems and data, if telephone service is available, our employees will provide appropriate telephone messages providing operational assessment information, system status information, security information, and instructions on when and how to access SCD systems. If Web access is available, our Division will post on our Web site operational assessment information, system status information, security information, and instructions on when and how to access SCD systems.

Data Back-Up and Recovery (Hard Copy and Electronic)

Our Division maintains its hard copy books and records at 155 Cottage Street NE, Salem, Oregon 97301. We maintain our electronic records at 155 Cottage Street NE, Salem, Oregon 97301. John J. Radford, State Controller, 503-378-3156 is responsible for the maintenance of these books and records. Our Division maintains the following primary document types and forms in MS Word, MS Excel, MS Outlook, MS Access, and Adobe Acrobat.

Our Division maintains its historical hard copy books and records at the Division of Archives located at 800 Summer St. NE, Salem, OR 97310, 503-373-0701. These records are paper copies and

microfiche. The Administrator of the Division of Archives is responsible for the maintenance of these back-up books and records. Our Division follows Oregon state statutes in meeting all records and retention laws and policies.

Our Division backs up its electronic records daily. This is performed daily by the DAS Operations Division's local area network back-up utility and keeps a copy at the state Data Center located at 530 Airport Road SE Salem, OR 97301.

In the event of an internal or external SBD that causes the loss of our current paper records and which no electronic version exists, we will be unable to recover these physical records but may be able to recreate them. Historical physical records can be recovered at the Division of Archives. If available in electronic media, we will physically recover them from our back-up site. If our primary site is inoperable, we will continue operations from our back-up site or an alternate location. For the loss of electronic records, we will either physically recover the storage media or electronically recover data from our primary site (State Data Center), or, if our primary site is inoperable, continue electronic data recovery from our back-up site or an alternate location as instructed by the State Data Center.

Financial and Operational Assessments

Operational Risk

In the event of an SBD, we will immediately identify what means will permit us to communicate with our customers, employees, critical business constituents, critical treasury/banking operations, critical business partners, and federal authorities. Although the effects of an SBD will determine the means of alternative communication, the communications options we will employ will include telephone, telephone voice mail, fax, our web site, e-mail, secure e-mail, wireless phone/data networks, and radio communications. In addition, we will retrieve our key activity records as described in the section above, Data Back-Up and Recovery (Hard Copy and Electronic).

Financial Operational Risk

In the event of an SBD, we will determine the value and availability of our human resources and other assets to evaluate our ability to continue to maintain operations and services. We will contact State Treasury, critical banks, employees, state agencies, and other stakeholders to apprise them of our operational status. If we determine that we may be unable to meet our current service obligations to those named above, we will request such resources as needed to fulfill our obligations to our critical business partners, customers, employees, and stakeholders. If we cannot remedy an immediate situation, we will file appropriate notices with our oversight authorities and take appropriate steps to preserve and safeguard lives and loss of state assets.

Mission Critical Systems

Our line of business "mission critical systems" are those that ensure prompt and accurate processing of accounting and payroll transactions, including revenue, disbursements, purchasing, payroll, journal entries, maintenance of agency records, system execution, cost allocation, and treasury interface settlements and reconciliations. More specifically, these systems include Statewide Financial Management System, Oregon Statewide Payroll System, SCD Data Mart, and Statewide Financial Reporting systems.

We have primary responsibility for establishing and maintaining our business relationships with our critical business partners, customers and stakeholders and have sole responsibility for our mission critical functions of accounting, payroll, and financial reporting. Our Division provides, under state law, the execution of core statewide accounting, payroll, and financial reporting services to the state agencies, corporate oversight bodies, and employees of state government.

Our State Treasurer's Office and associated banking contracts provide that they will maintain a business continuity plan and the capacity to execute that plan. Our State Treasurer's Office and associated banking contracts will advise us of any material changes to its plan that might affect our

ability to maintain our business. In the event our State Treasurer's Office and associated banking contracts executes its plan, it represents that it will notify us of such execution and will provide us equal access to services as its other customers. If we reasonably determine that our State Treasurer and its associated banking contractual firm(s) has not or cannot put its plan in place quickly enough to meet our needs, or is otherwise unable to provide access to such services, our State Treasurer's Office will assist us in seeking services from an alternative OST approved source.

Our State Treasurer represents that it backs up our records at a remote site. Our State Treasurer's Office represents that it operates a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site. Our State Treasurer's Office has also confirmed the effectiveness of its back-up arrangements to recover from a wide scale disruption by testing.

Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency situation, and various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure—particularly telecommunications—can affect actual recovery times. Recovery refers to the restoration of accounting and payroll activities after a wide-scale disruption; resumption refers to the capacity to accept and process new transactions, make vendor and payroll payments, and execute reports after a wide-scale disruption. Our State Treasurer's Office and associated bank contracts have the following SBD recovery time and resumption objectives: recovery time period of within 12-24 hours and resumption time of 24-48 hours.

Our Mission Critical Systems

Accounting System

Currently, our Division receives accounting service requests and accounting transactions from customers via the state's telecommunications broadband data network. Some interaction occurs via telephone, email, fax, and in person visits by the customer. During an SBD, either internal or external, we will continue to take transactions and service requests through any of these methods that are available and reliable, and in addition, as communications permit, we will inform our customers when communications become available to tell them what alternatives they have to send their service requests and transactions to us. Customers will be informed of alternatives by system communications, telephone, fax, email, wireless communications, and radio as appropriate.

Currently, accounting transactions pass through the accounting system and are electronically transmitted to the banking systems maintained by the Oregon State Treasurer's Office. We have contacted the Oregon State Treasurer's Office and have received assurances as to the operational status of their BCP plan. We believe we reasonable expect banking services within 24 to 48 hours of a significant SBD.

Approximately 5% of vendor payments are transmitted electronically by vendors who have registered with the SCD's electronic payment accounting system. The remainder vendors are paid via a paper warrant. There are no contingency plans to prepare manual warrants or record manual paper-based accounting events. (Emergency distribution of funds will be available to customers via the Oregon State Treasury.)

Payroll System

Currently, our Division receives payroll service requests and accounting transactions from customers via the state's telecommunications broadband data network. Some interaction occurs via telephone, email, fax, and in person visits by the customer. During an SBD, either internal or external, we will continue to take transactions and service requests through any of these methods that are available and reliable, and in addition, as communications permit, we will inform our customers when communications

become available to tell them what alternatives they have to send their service requests and transactions to us. Customers will be informed of alternatives by system communications, telephone, fax, email, wireless communications, and radio as appropriate.

Currently, payroll transactions pass through the accounting system and are electronically transmitted to the banking systems maintained by the Oregon State Treasurer's Office. We have contacted the Oregon State Treasurer's Office and we have been told that, under its BCP plan, we can expect banking services within 24 hours of a SBD.

Approximately 85% of employee payments are transmitted electronically by vendors who have registered with the SCD's electronic payroll payment system. The remainder employees are paid via a paper check. In the event of an extensive SBD preventing SCD from meeting planned payroll distribution dates, contingency plans exist to repeat a previous payroll cycle electronically meeting payroll for the 85% on the SCD electronic payroll system. Paper checks will be printed and distributed as time and resources permit.

State Controller's Datamart

Our Division maintains an internet accessible data repository of critical accounting and payroll data supporting customer query and management reporting needs. The information is updated weekly and monthly. Customer interaction occurs via the internet over all available internet telecommunication protocols. During an SBD, either internal or external, we will continue to make the Datamart available as communications permit. We will inform our customers when Datamart resources and communications become available. Customers will be informed of alternatives by system communications, telephone, fax, email, wireless communications, and radio as appropriate.

Other Services Currently Provided to Customers

In addition to those services listed above we also provide ongoing accounting, payroll, and budget services to approximately 25 small state agencies, we provide internal control services, external financial reporting services, statewide e-commerce fiscal support, accounts receivable coordination, and other services. In the event of an internal or external SBD, we would, as communications permit, inform our customers of the alternatives they have to initiate service requests and access State Controller Division resources. Customers will be informed of alternative service delivery by system communications, telephone, fax, email, wireless communications, and radio as appropriate.

Other Mission Critical Systems Relied Upon

Our Division relies on other DAS Divisions to provide critical human resource and purchasing system interface data, printing and distribution services, networking and desktop support services, and other general back-end office support. Customers will be informed of any internal assessments and status affecting State Controller Division operations by using system communications, telephone, fax, email, wireless communications, and radio as appropriate.

Alternate Communications between Customers, Employees, Stakeholders and Oversight Authorities

Customers

We now communicate with our customers using the state's broadband WAN, telephone, e-mail, our web site, fax, U.S. mail, and in person visits at our office location. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. For example, if we have communicated with a party by e-mail but the Internet is unavailable, we will call them on the telephone and follow up where a record is needed with paper copy in the U.S. mail.

Employees

We now communicate with our employees using the state's broadband WAN, the telephone, e-mail, U.S. mail, and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. We will also employ a call tree so that senior management can reach all employees quickly during an SBD. The call tree includes all staff home and office phone numbers. We have identified persons who live near each other and may reach each other in person.

The person(s) to invoke use of the call tree is John J. Radford, State Controller and/or Deputy State Controller Joy Sebastian. Our Division has identified all internal call tree participants with associated responsibilities necessary to implement our BCP plan.

Stakeholders and Oversight Authorities

We routinely communicate with our stakeholders and oversight authorities using the telephone, e-mail, fax, U.S. mail, and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party.

Critical Business Constituents, Banks, and Oversight Authorities

Business Constituents

We have considered our critical internal and external business constituents (businesses with which we have an ongoing commercial relationship in support of our operating activities, such as internal/external vendors providing us critical services), and determined the extent to which we can continue our business relationship with them in light of an internal or external SBD. They have provided assurances (based on vendor BCP plans) to us to respond as appropriate or have entered into third party arrangements if they can no longer provide the needed goods or services when we need them because of an SBD to them or our business operations. They have identified or have contracts in place with the appropriate suppliers in the event of an SBD.

Treasury/Banking Services

We have contacted the Oregon State Treasurer's Office and determined that our banks and lenders can continue to provide financing that we may need in light of an internal or external SBD. The appropriate bank information maintaining our operating account is maintained by the Oregon State Treasurer's Office located as described above.

State Print Plant

We have contacted the Oregon Print Plant and determined that the Print Plant has a contract in place to service our printing needs in the Portland area if an SBD has impacted the Print Plant's ability to meet the operational needs of SCD. Our principle contact at the State Print Plant is Phyllis Michael, Publishing and Distribution Manager, Phyllis.Michael@das.state.or.us, 503-373-1753

State Data Center

Our principle contact at the State Data Center is Julie Bozzi, Administrator, Julie.Bozzi@das.state.or.us, 503-378-4578

Technical Services Center, DAS Operations

For desktop, local area network, laptop, printer, fax, copier, phone, telecommunication connectivity and associated security services, our Division relies on the Technical Services Center located and managed by the DAS Operations Division. The DAS Operations Technical Services Center would be responsible for establishing our technical infrastructure in the event of an SBD. Our principle contact at the DAS Operations Technical Services Center is Debra Fery, Debra.E.Fery@state.or.us.

Oversight and Regulatory Reporting

Our Division is subject to regulation by a wide range of federal government statutory and contractual obligations. We now file reports with our regulators using paper copies in the U.S. mail, and electronically using fax, e-mail, and the Internet. In the event of an SBD, we will check with the federal government and other regulators to determine which means of filing are still available to us, and use the means closest in speed and form (written or oral) to our previous filing method. In the event that we cannot contact our regulators, we will continue to file required reports using the communication means available to us.

Disclosure of Business Continuity Plan

We provide in electronic form notice of our BCP to our customers, stakeholders, and oversight authorities via our Web site. We disclose the existence of our BCP plan and general management of BCP via this document, but do not share the details of our BCP for obvious security concerns.

Updates and Annual Review

Our Division regularly updates our detailed BCP plan whenever we have a material change to our operations, structure, business or location or to those of our critical business partners. In addition, our Division reviews our written BCP annually to modify it for any changes in our operations, structure, business, or location or those of our critical business partners.

HOW WE USE BUSINESS CASE METHODS TO MANAGE DISCRETIONARY INVESTMENTS IN CHANGE AND SHARED SYSTEMS

SCD uses a disciplined approach through the use and application of Business Case methods when prioritizing and allocating limited internal and other SCD supported state resources. A Business Case approach is a decision support, planning, and accountability tool that project the likely financial, operational, risks, and other business consequences of alternative choices and final business decisions in spending state resources.

Regular occurring, mandatory, and routine business process, system, and policy initiatives including changes in statewide policy, SCD processes, investments in minor system enhancements, system maintenance, or SCD procedure improvements do not require the use of formal Business Case documentation. All other non-routine/discretionary and significant changes or investments in State Controller systems, organization, processes, policies, and procedures consuming state resources require formal Business Case documentation.

As a rule of thumb, investment of state resources exceeding \$50,000 from any source requires some form of a documented formal Business Case analysis before proceeding. Sources of funds include appropriated State Controller funds, costs and funds contributed from DAS, and contributed in-kind services from state agencies or outside entities. Because of the importance of public fiduciary responsibilities associated with planning, decisions, and the management of business risk, each SCD Business Case is signed by the appropriate SCD Manager responsible for its content, analysis, conclusion, and recommendations including all written estimates of cost and statements of benefits. Each SCD Business Case is reviewed and approved by signature of the State Controller further assigning senior Executive level responsibility and accountability.

As mentioned previously, the SCD has adopted a full costing approach when documenting estimates of cost. A full cost approach requires the identification of full and complete organizational costs including both internal (SCD costs) and external costs which include any projected costs of state agencies, DAS, and other SCD business partners. Full and complete cost estimates also include assigned overhead, project planning, direct project costs, project administration, control, and reporting costs; legal costs, auditing costs, purchasing costs, communications and public relations costs, post project and closing costs, and anticipated operational costs (or cost impacts) for the entire expected life cycle of the

project. Soft costs include anticipated downtime, unproductive time, delivery delays, the costs of employee and political turnover, the use of vacation, sick leave, and family medical leave, holidays, and interruptions due to natural disasters. These costs include labor, employee benefits, direct and/or indirect overhead, materials, supplies, personal service contracts, equipment, maintenance, depreciation and amortization, and other potential costs and charges material to the business case.

Once approved, the SCD Business Case serves as the basis of measuring and reporting periodic or final performance and accountability. Project and cost accounting is established for all direct and indirect costs (where feasible and material) outlined in the Business Case and reported on a regular and recurring basis or at the end of a project documenting the comparison of actual to estimated costs. Appropriate performance measures are established and reported comparing actual benefits achieved to those benefits outlined in the Business Case. Timelines are established, documented, and reported comparing expected timelines outlined in the Business Case to actual timelines achieved during project execution. Post implementation assessments of costs and benefits achieved are conducted by the DAS Internal Audit Section at their discretion or may be requested by the State Controller.

It is recognized that a Business Case, depending on the size, scope, and complexity of the SCD project may not be static. It is anticipated and expected that regular revisions to the business case may be made as new information is brought forward from additional analysis and approved processes. For example, an RFI could be conducted which may bring forth additional information that may alter the Business Case model. External environmental changes may occur which may change the underlying economic assumptions. Such changes are normal and should occur when the Business Case is more dynamic.

SCD uses a general outline substantially conforming to “The Business Case Guide” published by Marty Schmidt of Solution Matrix Ltd. SCD Managers use the guideline and any modifications necessary unique to business circumstances. Each SCD Manager has access to a copy of the guide. The following describes what we believe to be the minimum management issues to be addressed in a quality business case proposing to spend or invest public resources.

Introduction

The introduction provides for a description of the business case subject matter describing the business need, business situation, and motivation. The essential elements describe business objectives, opportunities, business threats, problems, limitations, and constraints that are being proposed by spending customer funds. Linkage to the SCD Business Plan and/or direction from the Governor or links to federal or state legislative laws or approved financial plans would be discussed here. In addition, linkage from specified customer or stakeholder groups (surveys, signed statements of support) along with anticipated financing authorizations would be described here.

Methods and Assumptions

This section documents the decision criteria and financial metrics and provides definitions around project scope and boundaries. Major assumptions are provided addressing dependencies, contingencies, the quality of data, inflation expectations, cultural considerations, and other conditions affecting business case decisions and anticipated outcomes. Costing methodologies as well as a description of the benefit model and rationale are discussed. The identification and description of options and scenarios under consideration are presented and discussed. Options considered and discarded are identified and discussed.

Business Impacts

Financial and operational projections for each rationalized go-forward option or scenario are presented in this section. The development of financial and operational metrics is described including life-cycle cash flow projections (associated with a projected timeline) and life-cycle benefits with a customer-specific expectation timeline. The rationale for including or excluding important financial or operational

impacts is discussed and presented. (Life-cycle cost estimates and benefits include project inception, initiation, acquisition, development, implementation, maintenance, and operations.)

Sensitivity, Risks, and Contingencies

This section describes unique management and business related sensitivities, risks, and contingencies for each scenario or option. Important assumptions, factors, and principle elements are highlighted that may have a material effect and need to be watched, managed, and controlled are identified. A management discussion and analysis addressing project risks, reputational risks, probable outcomes, likelihood of success, the identification of unknown or unanticipated consequences, and material factors beyond the control of management should be presented.

Conclusions and Recommendations

An identification and discussion of the overall strengths and weaknesses of each scenario or option is presented. A presentation of the important points of rationale linking the results presented in the business case back to the important elements of information and data presented in the Introduction, Methods and Assumptions, Business Impacts, and Sensitivity, Risks, and Contingencies sections. Included in this section is a listing of the underlying management reasons and business justification for recommending a go-forward plan of action. Justification should address all financial, political, operational, legal, risk, and customer service issues being addressed.

Key Success Factors and Performance Measurements

This section presents the identification and discussion of timelines, critical success factors, availability of resource requirements, management leadership, internal controls, and specific results necessary to be in place for the project (scenario/option identified) to be considered a success. In addition, this section identifies the key performance measurements, quality assurance, and associated documentation and reporting necessary to establish and report accountability. It is the identification and discussion of strategy and tactics to be employed that focus management and employee attention on project impacts and outcomes that best lead the project to a successful conclusion.

Financing Plan

This section includes the identification of the specific sources of funds proposed to finance all projected and anticipated costs. The Business Case should address sources as to SCD funding sources, DAS sources, in-kind service sources, contribution sources, and the sources and use of debt financing and related plan for servicing the debt. The identification of timing issues, cross-biennial issues, risks and uncertainties associated with the financing plan should be identified and discussed.

Project and Investment Criteria

SCD uses the following criteria in making decisions in the allocation and spending of limited customer resources. Criteria is applied on a case-by-case basis and is general guidance to be “taken as a whole” in evaluating competing priorities. These criteria are presented in a generalized priority order.

General Criteria:

1. Reputational and Credibility Risks
2. Scope Definition and Control Risks
3. Legal and Contractual Risks
4. Security and Safety Risks
5. Cost Shifting and Cost Recovery Risks
6. Long Term Efficiency & Effectiveness Risks
 - a. Economy of Scale – Widespread Customer Impacts
 - b. Specific Economy – Narrow Impacts
7. Short Term Efficiency & Effectiveness Risks
8. Internal (Corporate) vs. External (Agency) Requirements/Benefit Risks

Specific Criteria:

1. Customer Willingness to Finance Need/Desire
 - a. Availability of Customer Funds and Support
 - b. Product/System Functionality – High, Medium, Low
 - c. Intended Fit, Use, and Purpose
 - d. Service Enhancements Worth Level of Effort

2. Environment and Culture
 - a. Planned or Unplanned (Avoid Crisis Mgt.)
 - b. Leadership Availability and Quality
 - c. Project Complexity and Experience
 - d. Political Will/Risk Considerations
 - e. Front Page Test
 - f. Interagency Linkages –System and Programmatic
 - g. Human Change/Learning Capacities
 - h. Legal and Contractual Constraints
 - i. Changing Economics and Financing Risks

3. Predictability and Credibility
 - a. Project Risk/Mitigation Strategies
 - b. Customer Expectations – Quality and Completeness
 - c. Budget Impacts and Control Requirements
 - d. Cost Estimates – Full and Complete
 - e. Project Timelines

4. Productivity
 - a. Employee Competencies, both Central and Agency Based
 - b. Organizational and Employee Resistance
 - c. Training including Initial, Ongoing – Ability to Deliver
 - d. Performance Measure Impacts

5. Profitability
 - a. Cash Flow ROI
 - b. Profit/Loss and Other Economics ROI

Business Case Due Diligence

State Controller Division employees involved in the preparation of State Controller Business Cases are required to exercise professional *due diligence* in accordance with State Controller Division Business Case processes, procedures, and policies.

Resources in the private sector are allocated based on specific business measurements such as return-on-investment ratios, earnings per share, net income, and cash flows. Resources in the public sector are often allocated on perception, groupthink, and relationships. It is important to bring disciplined, documented, and accountable business methodologies to bear on the processes used to allocate public resources.

Due diligence in the preparation of Business Cases in the State Controller's Division is a standard also known as due professional care. It is the effort made by an ordinary prudent person to avoid financial harm to the citizens of Oregon. Failure to make this effort may be considered negligence as defined in

Oregon state statutes and in Oregon case law. The obligation is to meet a standard of behavior that explicitly benefits Oregon citizens.

Professional care standards require State Controller Division employees to take every reasonable precaution to ensure that Business Case processes and policies are followed. This requires that cost and revenue estimates, facts, data, analysis, predicted outcomes, stated deliverables, and business case recommendations presented in the Business Case be factually based to the practical extent possible. Including adequately evidenced by supporting documentation, independent and free from personal bias, appropriately vetted, and reviewed and signed (attestation standards) by those in the chain of decision making authority up to and including the State Controller.

Business Case Vetting

SCD requires that Business Cases proposing spending or investing state resources undergo a formal vetting process. Depending on scope and cost, the vetting process could be limited to one or two participants or could be more extensive involving many more project participants. At minimum, the Business Case should be vetted by appropriate colleagues and constituents who would be impacted by cost, benefits, or project participation. In some cases, the Business Case could be vetted additionally by impartial third-party outsiders.

The vetting process is formal, documented, and signed by the person vetting the Business Case. The purpose of vetting the Business Case is to evaluate the soundness, completeness, and strength of the Business Case. It provides and documents an outsider's evaluation, analysis and recommendation of the Business Case itself.

At minimum, the vetting process addresses the following:

- Has the case writer made the subject, purpose and scope, up front and clear?
 - Are cost estimates, benefits, and cash flow projections complete, well organized, and presented along a timeline? Is there adequate motivation and customer agreement?
 - Does the Business Case present the assumptions, conditions, risks, and methods for identifying estimated costs and projected benefits?
 - Does the Business Case include all important benefits and costs, including those that are non-financial? Is there adequate support and justification?
 - Does the Business Case adequately identify and discuss critical success factors and performance measurements? Is it clear who accepts accountability for success of the project in terms of costs incurred and benefits achieved?
1. Does the Business Case adequately identify and measure all risks associated with project inception, acquisition, implementation, post implementation evaluation, and quality control?

OUR COMMITMENT TO SECURITY AND CONFIDENTIALITY

All employees of the State Controller's Division remain acutely aware of the need to safeguard our customer's data and information assets. These resources have been entrusted to our care. We have professional and legal responsibilities to execute standards of conduct that prevent unauthorized access, control, display, or use of these assets.

Our data and information assets include both public and private personal employee identification and other related financial data in our payroll system. Our accounting systems contain both public and private vendor identification information along with related and significant data on state financial resources. We provide statewide policies and procedures that often describe and require internal controls that address the security and confidentiality of financial transactions, the interface of inbound

and outbound data files into or out of our systems, and the production and distribution of data and information assets produced by the systems under our care.

Our standards of professional care are guided by the following:

Control Objectives for Information and Related Technologies – COBIT – Industry

COBIT is an IT governance framework and supporting toolset that allows managers to bridge the gap between control requirements, technical issues and business risks. COBIT enables clear policy development and good practice for IT control throughout organizations. COBIT emphasizes regulatory compliance, helps organizations to increase the value attained from IT, enables alignment and simplifies implementation of the COBIT framework.

Privacy Act of 1974 – Federal

"Any organization creating, maintaining, using or disseminating records of identifiable personal data must assure the reliability of the data for their intended use and must take reasonable precautions to prevent misuse of the data." Under the Act, agencies are required to ensure that information is accurate, relevant, timely, and complete and that appropriate administrative, technical, and physical safeguards exist to ensure the security and confidentiality of that information.

Computer Matching and Privacy Protection Act – Federal

The Computer Matching and Privacy Protection Act of 1988, P.L. 100–503, amended the Privacy Act of 1974 by adding certain protections for the subjects of Privacy Act records whose records are used in automated matching programs.

Internal Revenue Code – Federal

The Internal Revenue Code (IRC) and more formally known as the Internal Revenue Code of 1986, as amended, is the main body of domestic statutory tax law of the United States organized topically, including laws covering the income tax, payroll tax, gift taxes, estate taxes and statutory excise taxes. The Internal Revenue Code is published as title 26 of the United States Code (USC), and is also known as the internal revenue title.

Payment Card Industry Standards (PCI) – Industry

The PCI data security standard is a multifaceted security standard that includes requirements for security management, policies, procedures, network architecture, software design and other critical protective measures.

Oregon Consumer Identity Theft Protection Act – State of Oregon

The Oregon Consumer Identify Theft Protection Act contains strong standards for safeguarding personal information, requires notification to consumers if there is a breach of security that may result in a disclosure of information, and gives consumers the right to request a security freeze of their credit file to provide some protection against an identity thief obtaining credit in their name. The law applies to all entities that handle personal information, whether they are in the public or private sector.

Health Insurance Portability and Accountability Act of 1996 – Federal

Title II of HIPAA, the Administrative Simplification (AS) provisions, requires the establishment of national standards for electronic health care transactions and national identifiers for providers, health insurance plans, and employers. The Administrative Simplification provisions also address the security and privacy of health data. The standards are meant to improve the efficiency and effectiveness of the nation's health care system by encouraging the widespread use of electronic data interchange in the US health care system.

Enterprise Information Security Policies – State of Oregon

These policies represent a baseline minimum necessary level of security that agencies must conform to. They set the direction and define requirements for information security-related processes and actions for all state agencies. They establish minimum requirements to maintain a secure environment and achieve state government security objectives.

In addition to the eight core standards defined above, the State Controller's Division also produces specific security access policies, procedures, and controls for each of our core enterprise financial management systems. These include an R*Stars Security Manual for the statewide accounting system, an ADPICS Security Manual for the related purchasing system functionality and a Security Chapter contained in the Oregon State Payroll Manual. These documents are used by state agencies and authorized employees and are not available on our web site and are not available to the public for obvious security reasons.

The State Controller's Division maintains physical security based on Facilities Division physical security building access protocols including electronic monitoring, assigned building entrance monitors, 24x7 locked rooms, 24x7 locked filing cabinets and desk drawers, confidential and sensitive materials shredding/destruction equipment and contracts, and other internal policies and procedures designed to safeguard negotiable instruments, protect confidential and sensitive information, and safeguard identify information.

HOW 09-11 LEGISLATIVE SERVICE REDUCTIONS AFFECTED SCD CUSTOMERS AND STAKEHOLDERS

Service reductions were effective April 1, 2009

Statewide Financial Management Services

Enhancement Resource Reduction for SFMS Effective April 1, 2009

DAS like many agencies has cut resources as a result of the economic conditions of the State of Oregon. Effective April 1, 2009, State Controller's Division lost resources to perform system enhancements. These are on-going cuts to the SCD budget; therefore, the resources will not be added back in the foreseeable future. The specific resources removed from the SFMS budget were one Accountant 4, one high level systems analyst and reduced mainframe resources.

What does that mean for our stakeholders?

SFMS will not solicit enhancement requests from agencies for the foreseeable future.

In addition to the resources identified above, SFMS needed to reduce its mainframe usage. For the most part this budget reduction was achieved by reducing nightly batches in the Acceptance region and not creating a Big Test Region. We will continue to review the expenses associated with the mainframe use from both a cost/benefit as well as a risk/reward perspective.

We realize many agencies are experiencing the same type of reductions we are experiencing. Taking into consideration our reduced resources, we will partner with them for the best use of the remaining resources.

Oregon State Payroll Systems

System Programming Enhancement Reduction for OSPS Effective April 1, 2009

As the result of budget cuts effective April 1, 2009, State Controller's Division lost resources that were assigned to perform system enhancements to the statewide systems that we manage. These are

ongoing cuts to our budget that will not be added back in the foreseeable future. OSPS has lost one full-time systems analyst.

How will this affect our customers?

OSPS will not be in a position to make enhancements to the Oregon Statewide Payroll Application (OSPA). For the foreseeable future, we will not be able to solicit suggestions from our system users and stakeholders for improvements or changes to OSPA processes, screens, reports or other outputs. Instead, we will focus our remaining programming resources on the maintenance of the OSPA to ensure timely and accurate production of payrolls, fix known problems that could affect production, and perform the tasks necessary to implement mandated changes.

Mandated changes include, but are not limited to the following:

Implementation of federal or state payroll tax withholding changes	Changes required for implementation of a new PEBB plan year
Code or rate changes related to new or renegotiated collective bargaining agreements.	Code sets required under federal and state family medical leave laws
Changes required as the result of statewide payroll policy decisions.	Changes prescribed by PERS

Focus on core services

We know that other agencies are experiencing similar challenges and resource reductions so we are confident that you understand our need to clearly focus on core services. We believe that our plan will fairly apply our remaining resources toward work that benefits all of our customers across all of the agencies.

The State Controller’s Division Datamart

Resource Reduction for Datamart Support Effective April 1, 2009

As the result of budget cuts effective April 1, 2009, the State Controller’s Division lost .5 FTE assigned to providing technical support for the Datamart. This budget reduction is ongoing and will not be added back in the foreseeable future. The Datamart team is now staffed with one full-time Business Analyst and one half-time Systems Analyst.

How does this affect Datamart customers?

Although the projects may take longer, the Datamart team will continue to focus its IT resources on the On Demand server migration and upgrading the DB2 Database from version 8.2 to 9.5. The roll-out of agency training on using the On Demand server will be delayed.

The Query Tool Replacement Project is moving forward, but delays are expected in the future, due not only to the reduction in direct IT support, but also to an overall reduction in IT resources allocated to enterprise projects. At this point, we do not know what priority ranking will be assigned to this project.

The Datamart team will continue to provide agencies with technical assistance; however, response times may be slower. The Datamart team is also involved in various “transparency” projects to meet state and federal reporting requirements that may take precedence over other projects and requests.

These are stressful times and we understand that other agencies are experiencing similar reductions in resources. As our customer, we felt it was important to provide you a status update. Currently, we do

not anticipate canceling our major Datamart projects or services. However, there is no doubt that our forward progress and ability to respond quickly have been diminished.

State Controller's Division Administration

Clerical Support Reduction Effective April 1, 2009

Due to budget cuts, an Office Specialist 1 position was eliminated and the Administrative Specialist 1 was reduced to half-time. This was a reduction of **50%** to the unit. The duties from the cut positions were reassigned from administrative support staff to the other four sections' accounting staff or eliminated all together. In the case where the task was transferred, the Administration Office Manager provided instructions to the section's staff.

WHAT THE STATE CONTROLLER'S DIVISION DOESN'T DO

The State Controller's Division operates as part of one of about 100 state agencies reporting directly to the Governor under the Executive Branch. All funding of the State Controller's Division is derived from allocated assessments or service charges to the other approximately 100 state agencies. Financially, the Division is dependent upon the state agencies it serves. Organizationally, the Division is on the same reporting and authority level as all other state agencies with the exception of the Judicial and Legislative Branches of government including some semi-autonomous agencies such as the Oregon State System of Higher Education, the SAIF Corporation, and the Oregon Health Science University.

There are of course, as in any organization, occasions where the boundaries of authority and responsibility come into question. The following is prepared and guides SCD management to help determine the appropriateness of where those boundaries influence our thinking and management of limited resources.

The State Controller's Division is not responsible to establish cost accounting requirements in state agencies. State agencies know and understand their business and the need for cost information to support their own business decisions. State agencies establish their own cost accounting structures using the statewide SCD SFMS and Payroll systems to meet their own unique cost information needs. Our Division does provide advice and counsel if requested on cost accounting matters and provides system guidance as appropriate.

The State Controller's Division establishes internal control policies and guidelines for agency use. The Division does not have compliance or enforcement resources to ensure that agencies have established and are effectively implementing internal controls within their agency. State agencies are responsible for implementing and following internal control policies. (The Division when asked will partner with state agencies to improve their internal controls.)

The State Controller's Division establishes state policies, requirements to adopt generally accepted accounting principles, and systems to meet the accounting, payroll, and external financial reporting requirements of national standard setting bodies, and to be in compliance with state and federal laws. The Division does not have compliance or enforcement resources to ensure that agencies are appropriately and effectively applying policies, requirements, state laws, federal laws, and SCD systems. (The Division works with the Audits Division and state agencies to resolve issues affecting audit findings and recommendations.)

The State Controller's Division does not establish salary or compensation for state accountants and payroll professionals. The State Controller's Division does not establish, recommend, or provide guidelines on staffing or organizational structures for state agency payroll and accounting units.

The State Controller's Division does not establish, provide compliance, nor provide accounting or payroll services to cities, counties, school districts, or special districts within Oregon. Our focus is entirely on state agencies and state government.

The State Controller's Division provides interpretive guidance on matters related to compliance with the provisions of the IRS related to employee compensation and travel. However, in most instances, we do not supplant the judgment of agency management who are more orientated to specific agency business needs and ultimately held accountable for management decisions.

The State Controller's Division, in providing technical accounting and budget services to small state agencies do not have responsibility nor authority to make or enforce management decisions regarding small agency revenues, programs, spending decisions, resource allocations, or small agency program internal controls.

The State Controller's Division has limited knowledge of agency business operations and the organization structure used by state agencies to account and control agency based revenues, assets, liabilities, expenditures, and disbursements. For example, many agencies utilize sub-systems that are program related and feed data into the SCD systems. In general, the SCD does not own the underlying data – for example the Judicial and Legislative branches of government have constitutional rights to their own data. Semi-autonomous agencies only feed highly summarized data to the SCD for financial statement reporting purposes only.

The State Controller's Division establishes accounts receivable policies and best practices for compliance with state and federal debt collection laws. The Division does not have compliance or enforcement resources to ensure that agencies have established and are following appropriate procedures for the collection of debts. State agencies are responsible for implementing and following accounts receivable policies. The State Controller does however, when requested, provide consultation with agencies regarding potential improvements and efficiencies in their collection processes. The State Controller's Division facilitates statewide committees, price agreements and publications. The SCD does not establish or manage a centrally coordinated accounts receivable or collection program or department. Each agency is responsible for the collection of their own debts according to the statutory requirements of the agency and the responsibilities of state officers.

The State Controller's Division has established grant accounting processes and reporting within our SFMS and Payroll systems, but we do not have authority over agency grant applications, management oversight concerning grants, nor responsibilities for specific grant reports to granting authorities.

The State Controller's Division does not have the authority nor responsibility to establish a centralized fixed asset system. Fixed assets are accounted within agency sub-systems and reported at a summary level in our SFMS system.

The State Controller's Division does not hold assets from the sale of state property; those assets go to the [Oregon Department of State Lands](#).

HOW DO WE VIEW THE “VOICE OF THE CUSTOMER?”

Throughout state government the term “voice of the customer” or VOC is increasingly being used to link the need for resources and define the way resources are deployed. The issue is shaped by the question, “Are state agencies *listening* to the voice of the customer and are they seeking *resources*, allocating *resources*, and delivering resource constrained services based on the voice of the customer?” As in the private and non-profit sectors of the economy, it is believed that the “voice of the customer” should drive, and at the very least, filter all requests and allocations of resources. The voice of the customer should drive the need, composition, and allocation of resources based on the wants

and needs of the customer. That the level of service, both quantity and quality should be driven by the customer.

For the State Controller's Division, the voice of the customer issue is complex. For us, the voice of customer can be seen in three dimensions: 1.) VOC-Providers of Capital, 2.) VOC-Capital Allocators, and 3.) VOC-Customer Service Users. The most important, highest ranking, and most heavily weighted voice of the customer is our VOC-Provider of Capital. In the middle range we find our VOC-Capital Allocators which carry more importance and greater weight than our VOC-Customer Service Users.

VOC-Capital Providers

Capital is provided to our organization primarily from voluntary and involuntary sources. Our voluntary sources of capital include both investors (sales of state bonds) and intergovernmental revenues such as resources distributed from the Federal government. Our involuntary providers of capital consist of citizens, taxpayers, and fee payers who are required by law to turn over their capital to state government. One of our primary responsibilities is to be responsive and accountable to all citizens.

We believe our highest fiduciary obligations are reserved for both our voluntary and involuntary providers of capital. We pay close attention to the contractual obligations of bondholders, the increasing debt load of government, bond market regulator organizations, and those that set national external accounting and reporting standards. We pay close attention to citizen groups both locally and nationally, to gauge public opinions and attitudes toward government spending. We follow public opinion polls, letters to the editors, and statements by office holders and candidates for public office with respect to their desire for limited government spending. We listen closely to the public debate on government spending and follow the outcome of legislative actions and voting measures to limit spending and raise capital for state government. We regularly review public opinion polls, both nationally and locally when surveys involve public perceptions and attitudes toward government spending and taxation.

VOC-Capital Allocators

Our capital is allocated primarily by the Governor and state legislators and by very high level senior state agency management who have a direct voice in either increasing or decreasing SCD capital during the Governor's budget preparation process and the Legislative processes reviewing and approving the SCD budget. State agency heads see the costs of SCD businesses on a daily basis – they write the actual checks to the SCD which provide the daily cash necessary to run our operation. The Budget and Management Division in the DAS (Department of Administrative Services) and the Legislative Fiscal Office (LFO) provide nearly all of the analysis and decision support for our VOC Capital Allocators enabling the Governor, the Legislature and state agency heads to determine the amount of capital they will support on behalf of State Controller operations.

We believe our second level fiduciary obligation is to support the direction, tenor, and tone of the Governor and our elected state representatives in the Oregon State Legislature. These representatives of the people, in order to finance government, provide opportunities for our voluntary capital providers or place economic burdens on our involuntary capital providers. It is the Governor and state elected representatives who largely impose taxes and fees on citizens to finance State Controller operations.

We place close attention to the spending priorities of the Governor and we listen to the words and see the actions of our state legislative representatives. We read their web sites. We review their campaign literature. We follow the budget process gaining an understanding of many of the tradeoffs in spending priorities and the difficulties in raising additional state capital. We listen and see the choices our elected officials make in balancing short term against long term interests. We listen to the feedback we receive from state agency heads about the difficult choices they must make in spending priorities. We see the public's appetite for government cost and staffing information increasing, not decreasing. We believe we have a keen understanding of the scarcity of capital.

VOC-Customer Service Users

Our customer-focused end users are the principle beneficiary's of our service outcomes and end user deliverables. Here we have a wide variety of users. Employees that receive paychecks; vendors that receive vendor payments; agency staff that daily interact with our accounting, payroll, and Datamart systems; small agencies that contract for direct services; management that receive payroll and accounting reports; investors that receive financial reports; intergovernmental **partners** that receive data, information, and reports; the Governor and Legislators, the Press, and citizens that rely on the integrity and accuracy of our data and information that we publish; the list goes on.

The vast majority of our end users are our most important VOC when it comes to customer service, but they do not provide capital nor generally allocate capital. They demand high customer service, but generally do not have the responsibility to raise capital to meet high customer expectations. They demand high quality services, delivered now, and 100% accurate without exception; but they do not have to consider financial obligations of our investments over the long term.

We pay close attention to the VOC Customer Service Users by conducting an ongoing real-time online rapid response customer service survey system. This "instant" survey gives us immediate feedback on how we are meeting customer service needs. It allows us to dynamically understand how we are being perceived and the changes we need to make to improve customer interactions and relationships.

The DAS conducts an annual customer service survey and most recently engaged Portland State University for a DAS-wide survey producing over a 500 page VOC report. We listen closely to these surveys on ways to adjust our customer service offerings to best meet customer needs with limited and constrained resources consistent with the views of our Capital Providers and Capital Allocators.

We have extensive networks of state employees connected through periodic meetings, face-to-face interactions, project meetings, policy reviews, training, subject matter expert committees, and more. We regularly solicit feedback and incorporate that feedback into our planning and accountability strategies.