

# WEST VIRGINIA LEGISLATURE

## 2018 REGULAR SESSION

Introduced

### Senate Bill 271

FISCAL  
NOTE

BY SENATORS CARMICHAEL (MR. PRESIDENT) AND PREZIOSO

[BY REQUEST OF THE EXECUTIVE]

[Introduced January 15, 2108; Referred  
to the Committee on Government Organization; and then  
to the Committee on Finance]

1 A BILL to amend and reenact §5A-2-1 of the Code of West Virginia, 1931, as amended; and to  
 2 amend said code by adding thereto a new article, designated §5A-2B-1, §5A-2B-2, §5A-  
 3 2B-3, §5A-2B-4, §5A-2B-5, and §5A-2B-6, all relating to creating the Shared Services  
 4 Section within the Finance Division of the Department of Administration for accounting  
 5 and financial reporting services; authorizing the appointment of a deputy director;  
 6 providing rule-making authority; defining services offered; allowing for fees; applicability  
 7 and exemptions; providing for reports to the Legislature and Governor; providing for  
 8 reporting of certain information by spending units to the Shared Services Section;  
 9 establishing deadlines for information necessary for the consolidated annual financial  
 10 report; establishing a liaison between spending units and the Department of Administration  
 11 to facilitate compiling the consolidated annual financial report; providing for a plan of  
 12 corrective action and probation for spending units; authorizing the Department of  
 13 Administration to contract for accounting services; and creating a new special revenue  
 14 fund.

*Be it enacted by the Legislature of West Virginia:*

## **ARTICLE 2. FINANCE DIVISION.**

### **§5A-2-1. Finance Division created; director; sections; powers and duties.**

2 (a) The Finance Division of the Department of Administration is hereby continued except  
 3 that the Budget Section is transferred to and shall become a part of the Department of Revenue  
 4 on the effective date of this section as amended in 2004. The Finance Division shall be is under  
 5 the supervision and control of a director, who shall be appointed by the secretary. There shall be  
 6 in the Finance Division ~~an accounting section~~ the Shared Services Section and a Financial  
 7 Accounting and Reporting Section.

8 (b) The ~~accounting section~~ the Shared Services Section shall have the duties conferred  
 9 upon it by this article, §5A-2B-1 et seq. of this code, and by the secretary, including, but not limited  
 10 to, general financial accounting, payroll, accounts payable, and accounts receivable for the

11 ~~Department of Administration~~ spending units which have entered agreements with the Shared  
12 Services Section for accounting services.

13 (c) The Financial Accounting and Reporting Section shall establish and maintain the  
14 centralized accounting system required by §5A-2-24 of this code and issue annual general  
15 purpose financial statements in accordance with generally accepted accounting principles and  
16 with this article.

**ARTICLE 2B. SHARED SERVICES.**

**§5A-2B-1. Legislative purpose.**

1 The Legislature finds that the shortage of accountants throughout state government have  
2 hampered financial services and reporting performed by state spending units. The obstacles  
3 encountered by state spending units in compiling necessary information and reports related to  
4 accounting services, in part, contributed to the delay of the State of West Virginia finalizing its  
5 consolidated annual financial report and single audit. The inability of agencies to find qualified  
6 candidates for accounting positions also threatens continuity of services and disaster recovery.  
7 Therefore, the Department of Administration began exploring ways to provide for accounting  
8 services and financial reporting in a uniform and efficient manner throughout state government  
9 that results in a savings of taxpayer moneys. The Department of Administration believes the most  
10 efficient model of providing these services is through a centralized agency staffed with employees  
11 that can provide the services to a number of different spending units.

**§5A-2B-2. Shared Services Section created; purpose; deputy director.**

1 (a) There is created a Shared Services Section within the Division of Finance for the  
2 purpose of establishing centralized accounting and financial reporting services for state spending  
3 units.

4 (b) The Shared Services Section is under the supervision of a deputy director, who shall  
5 be appointed by the Secretary of the Department of Administration.

6 (c) Candidates for deputy director shall:

7 (1) Have at least a bachelor's degree from an accredited four-year college or university;

8 (2) Have at least six years of full-time experience in finance or accounting, with two years  
9 of experience as an administrator or supervisor; and

10 (3) Have knowledge of generally accepted accounting principles and budgeting.

11 (d) The Shared Services Section is authorized to employ employees, including, but not  
12 limited to, accountants, auditors, and procurement officers, necessary to discharge the duties of  
13 this article.

14 (e) The Shared Services Section shall provide at a minimum accounting, financial  
15 reporting, and budgeting services to spending units. The deputy director may charge a reasonable  
16 fee to spending units for the accounting and financial reporting services provided to agencies.

**§5A-2B-3. Cost analysis and reporting.**

1 (a) On or before July 1, 2018, the Department of Administration shall develop a cost-  
2 performance assessment to measure costs of providing each state spending unit's accounting  
3 and financial reporting services. The Department of Administration is authorized to promulgate  
4 legislative rules, including emergency legislative rules, to develop the assessment, any forms  
5 necessary for reporting costs, and any other information necessary pursuant to §29A-3-1, et seq.  
6 of this code. The Department of Administration shall develop baseline costs for the provision of  
7 accounting and financial reporting services by the Shared Services Section for comparison in the  
8 cost-performance assessment.

9 (b) State spending units shall report annually to the Shared Services Section information  
10 related to costs of providing accounting and financial reporting services based upon the metrics  
11 identified by the Shared Services Section in the cost-performance assessment in the prescribed  
12 format. The deputy director shall evaluate the cost information provided by spending units to  
13 determine if the same services could be provided by the Shared Services Section at a lower cost  
14 and in a more efficient manner.

15 (c) On or before July 1, 2019, the Deputy Director of the Shared Services Section shall

16 report to the Governor and Joint Committee on Government and Finance the results of the cost-  
17 performance assessment documenting the amount each state spending unit incurs for accounting  
18 services, and make recommendations for providing the services through the Shared Services  
19 Section.

20 (d) The deputy director shall report annually to the Governor and Joint Committee for  
21 Government and Finance the cost savings and efficiencies resulting from providing accounting  
22 and financial reporting services by the Shared Services Section.

**§5A-2B-4. Applicability and exemptions.**

1 (a) Those spending units with a cost-performance assessment greater than the baseline  
2 cost set by the Shared Services Section shall enter into an agreement with the Shared Services  
3 Section for the provision of accounting and financial services, provided the deputy director  
4 determines the implementation of the agreement would be feasible and documents that the  
5 agreement will result in cost savings or efficiencies to the state.

6 (b) Any spending unit seeking accounting and financial reporting services may voluntarily  
7 request an agreement for the provision of accounting and financial reporting services by the  
8 Shared Services Section.

9 (c) Those spending units with one full-time equivalent position or less dedicated to  
10 providing accounting and financial reporting services shall enter into an agreement with the  
11 deputy director of the Shared Services Section for the provision of accounting and financial  
12 reporting services, provided the deputy director determines the implementation of the agreement  
13 would be feasible and documents that the agreement will result in cost savings or efficiencies to  
14 the state.

15 (d) Those spending units that fail to provide any required report or information to the  
16 Department of Administration necessary for the consolidated annual financial report by the  
17 established deadline will be given a one-year probationary period with a plan of corrective action  
18 defined by the Department of Administration. The plan of corrective action shall include defined

19 benchmarks for completing all reports or information necessary for the consolidated annual  
20 financial report by the deadline in the next fiscal year.

21 (e) If a spending unit fails to meet deadlines established in §5A-2B-5 of this code at the  
22 end of the probationary period, the spending unit shall, at the deputy director's discretion, enter  
23 into an agreement for the provision of accounting and financial reporting services by the Shared  
24 Services Section.

25 (f) When a spending unit has entered into an agreement with the Shared Services Section  
26 for the provision of accounting and financial reporting services pursuant to subsection (a) of this  
27 section, the spending unit may cancel the agreement at the end of the fiscal year when  
28 documentation showing the spending unit can provide the services at a lower cost to the state is  
29 approved by the deputy director.

**§5A-2B-5. Spending unit liaisons; deadlines for required reporting; training; contracts for  
accounting services.**

1 (a) Each cabinet secretary or head of an institution of higher education shall designate a  
2 liaison within the agency or institution to work with the Shared Services Section to produce  
3 necessary financial information for the consolidated annual financial report. For those agencies  
4 that the Shared Services Section does not provide accounting services to, the liaison shall work  
5 with the Department of Administration to ensure accuracy of information reported and coordinate  
6 inputs necessary for the consolidated annual financial report.

7 (b) The Financial Accounting and Reporting Section of the Finance Division shall provide  
8 training to those agencies in which accounting and financial reporting is not provided by the  
9 Shared Services Section. The training shall encompass necessary information for compilation of  
10 the consolidated annual financial report, format of information, and required deadlines for  
11 reporting.

12 (c) The following information must be submitted by spending units to the Finance Division  
13 for the consolidated annual financial report:

14 (1) Drafts of closing book forms of spending units with audited funds are due by September  
15 15 of each year.

16 (2) The final closing book forms of spending units with audited funds are due by October  
17 15 of each year.

18 (3) Closing book forms for spending units with unaudited funds are due by July 31 of each  
19 year.

20 (4) Closing book forms for institutions of higher education are due October 15 of each  
21 year.

22 (5) Closing book forms for the Higher Education Consolidated Fund are due by October  
23 31 of each year.

24 (d) The Finance Division is authorized to contract for accounting services necessary to  
25 complete the information needed for the consolidated annual financial report for any agency that  
26 misses the deadline in subsection (c) of this section. The Finance Division shall invoice the agency  
27 for the cost of the accounting services.

**§5A-2B-6. Special revenue fund; payments into fund; disbursements.**

1 There is created in the State Treasury a special revenue fund designated the “Shared  
2 Services Section Fund”. The fund consists of appropriations by the Legislature, funds received  
3 for services provided pursuant to this article, and any gifts, grants, or donations received.  
4 Expenditures from the fund shall be made by the deputy director for the purposes set forth in this  
5 article, and are not authorized from collections, but are to be made only in accordance with  
6 appropriation from the Legislature and in §12-3-1 et seq. of this code, and upon the fulfillment of  
7 the provisions of §11-2B-1, et seq. of this code.

NOTE: The purpose of this bill is to create a centralized Shared Services Section to provide accounting and financial reporting services to spending units. The bill requires reporting on the costs of providing accounting and financial reporting services through the Shared Services Section compared to costs of providing the functions by the spending unit, in-house. The bill establishes deadlines for submission of information from spending units

necessary for the consolidated annual financial report, and authorizes the Department of Administration to contract for accounting services if a spending unit cannot provide necessary information by the deadline. The bill creates a special fund to fund the agency.

Strike-throughs indicate language that would be stricken from a heading or the present law and underscoring indicates new language that would be added.