

WEST VIRGINIA LEGISLATURE

2018 REGULAR SESSION

Committee Substitute

for

Senate Bill 271

BY SENATORS CARMICHAEL (MR. PRESIDENT) AND

PREZIOSO

(BY REQUEST OF THE EXECUTIVE)

[Originating in the Committee on Government

Organization; reported on January 24, 2018]

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, and §5A-2B-4, all relating to creating the Shared Services Section within the Finance
4 Division of the Department of Administration; authorizing the appointment of a deputy
5 director; setting qualifications for the deputy director; authorizing the hiring of necessary
6 personnel; setting minimum services to be provided by Shared Services Section;
7 authorizing reasonable fees to be charged; requiring development of cost-performance
8 assessment; providing for reporting of certain information by spending units to the Shared
9 Services Section; providing for reports to the Governor and Joint Committee on
10 Government and Finance; providing legislative and emergency rule-making authority;
11 requiring certain spending units to enter into agreement with Shared Services Section for
12 provision of accounting and financial services; permitting certain spending units to enter
13 into agreement with Shared Services Section for provision of accounting and financial
14 services; providing for probationary period and corrective action plan for certain spending
15 units; granting deputy director authority to decline to enter into agreement for provision of
16 services under certain circumstances; authorizing spending unit to cancel agreement with
17 Shared Services Section under certain circumstances; and creating a new special revenue
18 fund.

Be it enacted by the Legislature of West Virginia:

ARTICLE 2. FINANCE DIVISION.

1 §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 under the
5 supervision and control of a director, who shall be appointed by the secretary. There shall be in

6 the Finance Division ~~an accounting section~~ a Shared Services Section and a Financial Accounting
7 and Reporting Section.

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

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. Shared Services Section created; purpose; deputy director.

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

4 (b) The Shared Services Section shall be under the supervision of a deputy director, who
5 shall be appointed by the Secretary of the Department of Administration and who shall, at a
6 minimum, have:

7 (1) A bachelor's degree from an accredited four-year college or university;

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

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

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

14 (d) The Shared Services Section shall provide, at a minimum, accounting, financial
15 reporting, and budgeting services to spending units who enter into agreements pursuant to §5A-
16 2B-3 of this code. The deputy director may charge a reasonable fee to spending units for the
17 accounting and financial reporting services provided to agencies.

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

1 (a) On or before July 1, 2018, the Department of Administration shall develop a cost-
2 performance assessment for use by each state spending unit to measure costs of that spending
3 unit providing its own accounting and financial reporting services.

4 (b) Beginning April 1, 2019, and each year thereafter, all state spending units shall report
5 annually to the Shared Services Section information related to costs of providing accounting and
6 financial reporting services based upon the metrics identified by the Shared Services Section in
7 the cost-performance assessment. The deputy director shall evaluate the cost information
8 provided by spending units to determine if the same services could be provided by the Shared
9 Services Section at a lower cost and in a more efficient manner.

10 (c) On or before July 1, 2019, the deputy director shall report to the Governor and the Joint
11 Committee on Government and Finance the results of the cost-performance assessment
12 documenting the amount each state spending unit incurs for accounting services, and make
13 recommendations for providing the services through the Shared Services Section.

14 (d) The deputy director shall report annually, on or before December 31 of each year, to
15 the Governor and the Joint Committee on Government and Finance the cost savings and
16 efficiencies resulting from providing accounting and financial reporting services by the Shared
17 Services Section.

18 (e) The Department of Administration is authorized to promulgate legislative rules,
19 including emergency rules, to develop the assessment, any forms necessary for reporting costs,
20 and any other information necessary pursuant to §29A-3-1 et seq. of this code.

§5A-2B-3. 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, as determined by the provisions set forth in §5A-2B-2 of
3 this code, shall enter into an agreement with the Shared Services Section for the provision of
4 accounting and financial services.

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

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

14 (d) Those spending units that fail to provide any required report or information to the
15 Department of Administration necessary for the completion of any required federal report,
16 including the single audit required by the Single Audit Act of 1984, P.L. 98-502, and the Single
17 Audit Act Amendments of 1996, P.L. 104-156, as well as any subsequent amendments, by the
18 deadlines established by the Department of Administration will be given a one-year probationary
19 period with a plan of corrective action defined by the Department of Administration.

20 (1) The plan of corrective action shall include defined benchmarks for completing all
21 reports or information necessary for the consolidated annual financial report by the deadline in
22 the next fiscal year.

23 (2) If a spending unit fails to meet established deadlines by the end of the probationary
24 period, the spending unit shall, at the deputy director's discretion, enter into an agreement for the
25 provision of accounting and financial reporting services by the Shared Services Section.

26 (e) The deputy director may decline to enter into an agreement under this section only
27 upon a determination that the complexities of providing accounting, financial reporting, and
28 budgeting services to the spending unit exceed the expertise of the Shared Services Section and
29 that developing that expertise would outweigh any potential cost savings to the state.

30 (f) When a spending unit has entered into an agreement with the Shared Services Section
31 for the provision of accounting and financial reporting services pursuant to §5A-2B-3(a) of this
32 code, the spending unit may cancel the agreement at the end of the fiscal year when
33 documentation showing the spending unit can provide the services at a lower cost to the state is
34 approved by the deputy director.

§5A-2B-4. 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 for
3 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.