CAFR Progress

As we approached 2018 fiscal year close, we let you all know again that it was our intent to close AFRS to agency entries at the end of Phase 2. Many agencies prepared for this "hard deadline" by reconciling general ledger (GL) accounts prior to June 30 and setting agency internal closing schedules that helped them meet the August 31 deadline. We are happy to tell you that almost all agencies completed all AFRS entries by Phase 2 close. We really appreciate those agencies efforts on GL reconciliations and closing activities which allows us to prepare for an October 31 CAFR publishing date.

Project Update: Assess Finance Organizational Strategy and Readiness

OFM Statewide Accounting is currently working on the Assessing Finance Organizational Strategy and Readiness Project that will help inform the One Washington business transformation to modernize and improve aging administrative systems. This project will assess the organizational strategies now used to manage agency finances and begin taking the steps needed to smoothly transition to the new Software as a Solution Enterprise Resource Planning (ERP) system.

While the software selection is still a ways off, this project focuses on activities that do not depend on new technology. The project teams will:

1. Define a centrally governed and consistent statewide chart of accounts structure.
2. Analyze, identify and consolidate customer and payee files into a single master file.
3. Standardize agency interfaces from AFRS.
4. Identify the accounting training needs for the state.
5. Establish a federal grants community of practice.

For more information of each of the project deliverables refer to pages 2-6.

To stay up to date on this initiative, visit the project website, and be on the lookout for upcoming articles in future Connection articles.

Assess Finance Organizational Strategy and Readiness:

Chart of Accounts

The goal of the Chart of Accounts (COA) project is a centrally governed and consistent COA to be used in the new ERP system. During fiscal year 2019, we will be completing Phase 3 of the project which is to define the new COA structure.

Timeline

Phase 1	Phase 2	Phase 3	Phase 4
Build the Business Case 2014 – May 2016	**Implement Statewide Sub-Subobjects** July 2016 – June 2017	**Define New COA Structure** July 2018 – June 2019	**Determine COA Values** Fall 2019 – Jan 2021
Survey & interview stakeholders	Develop SSOs with pilot agencies	Understand current COA uses & gaps	Draft new statewide COA values
Draft the Strawman COA	Expand SSO table to include all agencies	Define new COA structure	Gather feedback
Gather feedback from stakeholders	Establish governance process for changing SSOs	Determine level of governance for each element	Finalize new COA & cross-walk to old COA
Finalize the Business Case	Publish Statewide SSOs	Gather feedback & finalize new COA structure	Establish governance process

We are currently working on understanding how the current COA is used and what gaps currently exist.

In early September, we sent surveys to 13 agencies and the three state forecasting groups. We are also meeting with OFM Budget, LEAP, and Legislative staff to understand their needs.

The next step will be to use the information gathered from the surveys and meetings to draft the new Chart of Accounts structure.

For additional details on each of the FY 2019 activities, refer to the FMAC presentation on September 27, 2018. For more information, please contact:
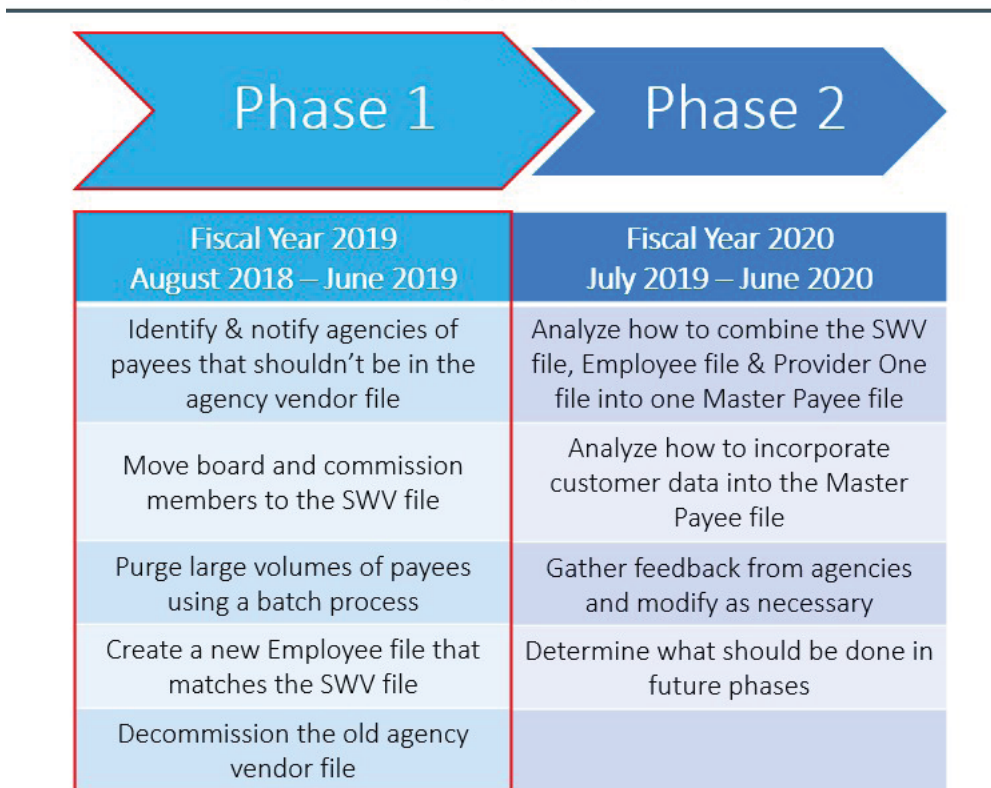
Michael Schaub at (360) 725-0225 or michael.schaub@ofm.wa.gov.

Assess Finance Organizational Strategy and Readiness:

Master Payee and Customer File
Our goal is to have a statewide master payee and customer file when the new ERP system goes live. We are currently working on Phase 1 of the project.

Timeline

Phase 1	Phase 2
Fiscal Year 2019 **August 2018 – June 2019**	**Fiscal Year 2020** **July 2019 – June 2020**
Identify & notify agencies of payees that shouldn't be in the agency vendor file	Analyze how to combine the SWV file, Employee file & Provider One file into one Master Payee file
Move board and commission members to the SWV file	Analyze how to incorporate customer data into the Master Payee file
Purge large volumes of payees using a batch process	Gather feedback from agencies and modify as necessary
Create a new Employee file that matches the SWV file	Determine what should be done in future phases
Decommission the old agency vendor file	

Agency Vendor File Clean-up
Lists of agency vendor records that do not match to HRMS via SSN and agency have been sent out to each agency for review and approval to purge. Twice a month a new list is produced to show where we are in the purge process.

Board and Commission members
Starting September 6, 2018, agencies are no longer able to add new board and commission members to the AFRS Agency Vendor Maintenance file (VE.2). Agencies will need to submit a Statewide Payee Registration Form to the Statewide Payee Desk to have a statewide vendor number created for board and commission members.

On November 1, 2018, all board and commission members who are currently blocked or have not be used since August 1, 2016 will be purged from the Agency Vendor Maintenance file (VE.2).

On January 2, 2019, all remaining board and commission members will be purged from the Agency Vendor Maintenance file (VE.2).

Assess Finance Organizational Strategy and Readiness:

Agency Interfaces from AFRS

Our goal is to have all agencies that interface from AFRS using the same server with a standard set of data elements prior to the ERP implementation. This will make converting the agency interfaces much easier when the new system is configured. We are currently working on Phase 1 of this project.

Timeline

Phase 1	Phase 2	Phase 3
Fiscal Year 2019 **August 2018 – June 2019**	**Fiscal Year 2020** **July 2019 – June 2020**	**Fiscal Year 2021** **July 2020 – TBD**
Setup new State Government Network (SGN) server for the AFRS Statewide Titles	Complete the conversion process for pilot agencies, if needed	Continue converting agencies with interfaces from the mainframe to new SGN server
Setup main Active Directory (AD) in prep for agencies to add their AD to access the server	Convert agencies with interfaces from the mainframe to the new SGN server	Continue converting agencies with interfaces from ER to new SGN server
Create a master Data Dictionary for AFRS Statewide Titles	Convert agencies with interfaces from the Enterprise Reporting (ER) to the new SGN server	Continue converting agencies with interfaces from Integration Team to new SGN server
Create view names for data elements on the server	Convert agencies with interfaces from the Integration team to the new SGN server	
Convert pilot agencies' interfaces to SGN server & stop old interfaces	Add the new Employee Payee file to the new SGN server	

WaTech has setup a new SGN server for the use of all agencies within the SGN to use for getting AFRS tables in place of the mainframe, Enterprise Reporting or WebI. WaTech has also set up an Active Directory (AD) group, which agencies will be able to add their own AD groups to for access to the new SGN server. It is almost ready for agency use.

OFM and WaTech are working on a master data dictionary and FAQ documentation to assist agencies on the data element names, definitions, attributes, and common questions that may come up. These will be posted on the website when completed.

We will start with a few pilot agencies to convert their current AFRS interfaces for their internal systems to the new SGN server. The Statewide Titles data on the server will be updated nightly and near real-time from AFRS.

Once these few pilot agencies are successfully using the new SGN server, then we will open it up for all agencies to use and work with each of them on converting their current interfaces to this new location.

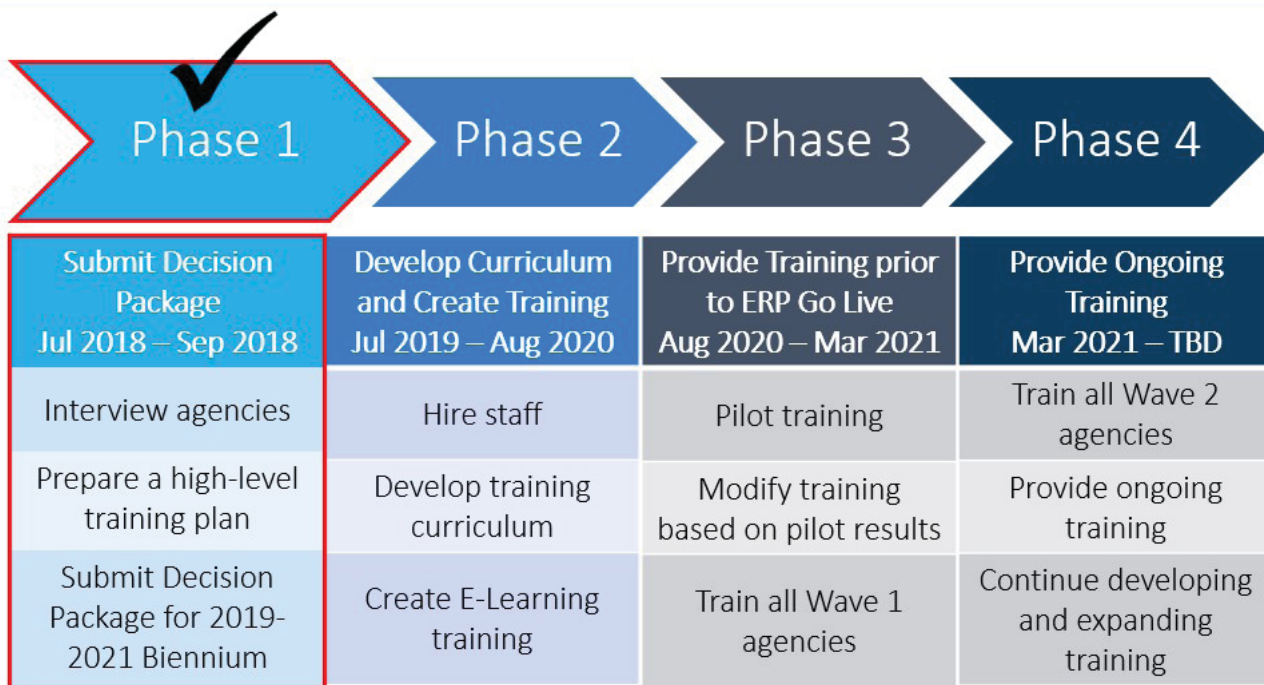For more information, please contact:
Vonnie Tallon at (360) 725-3860 or vonnie.tallon@ofm.wa.gov.

Assess Finance Organizational Strategy and Readiness:

Accounting Training

Many business processes will change when the new ERP system is implemented, and it will be more important than ever for staff to have strong knowledge of accounting principles. OFM Statewide Accounting is seeking funding to provide Accounting Fundamentals training to help agency staff prepare for the new ERP system and as on-going training for new employees and staff growth and development. The first phase of the project is complete.

Timeline

Phase 1	Phase 2	Phase 3	Phase 4
Submit Decision Package Jul 2018 – Sep 2018	Develop Curriculum and Create Training Jul 2019 – Aug 2020	Provide Training prior to ERP Go Live Aug 2020 – Mar 2021	Provide Ongoing Training Mar 2021 – TBD
Interview agencies	Hire staff	Pilot training	Train all Wave 2 agencies
Prepare a high-level training plan	Develop training curriculum	Modify training based on pilot results	Provide ongoing training
Submit Decision Package for 2019-2021 Biennium	Create E-Learning training	Train all Wave 1 agencies	Continue developing and expanding training

We met with seven state agencies in August and September to discuss what types of training would be beneficial for both entry level and senior staff. Based on the feedback we received, we submitted a 2019-2021 decision package to create a curriculum for teaching accounting fundamentals over a series of accounting courses. Starting with a basic accounting course and moving into more complex governmental accounting principles. These courses, unlike what is taught in colleges or universities, would focus on how transactions are recorded for the state of Washington and why they are recorded that way to help staff understand the importance of their work.

For more detail about the project activities completed, you can refer to the FMAC presentation on September 27, 2018.

For more information, please contact:
Brian Tinney at (360) 725-0171 or brian.tinney@ofm.wa.gov.

Assess Finance Organizational Strategy and Readiness:

Federal Grants Community of Practice

In the summer edition of the Connection, we communicated to you about a new pilot federal workgroup. Since then, this pilot has officially been incorporated as an initiative to assess the finance organizational strategy and readiness of the One Washington Project. OFM has formalized a project scope and timeline for the workgroup, included below:

Timeline

Phase 1	Phase 2	Phase 3	Phase 4 and Beyond
Fiscal Year 2018 Nov 2017 – Jun 2018	**Fiscal Year 2019** Jul 2018 – Jun 2019	**Fiscal Year 2020** Jul 2019 – Jun 2020	**Fiscal Year 2021** Jul 2020 – TBD
Identify agencies to participate in new Federal Workgroup	Develop Introduction to Federal Grants-Part 1 Training	Develop Introduction to Federal Grants-Part 2 Training	Gather feedback on trainings and modify as necessary
Gather feedback from agencies on Federal Grant Training needs	Offer first Introduction to Federal Grants-Part 1 Training Class	Offer first Introduction to Federal Grants-Part 2 Training Class	Incorporate new ERP system into Federal Grants Training
Hold first workgroup meetings	Receive feedback on trainings and modify as necessary	Ongoing: Identify and address ongoing grant management needs	Ongoing: Identify and address ongoing grant management needs
Ongoing: Identify and address ongoing grant management needs	Ongoing: Identify and address ongoing grant management needs	Ongoing: Develop common resources for federal grant mgmt	Ongoing: Develop common resources for federal grant mgmt
Ongoing: Develop common resources for federal grant mgmt	Ongoing: Develop common resources for federal grant mgmt		

We are currently in Phase 2 of the project and are working on developing part 1 of the Federal Grant Training. We will present the first draft of the training to the group at the upcoming workgroup meetings, and hope to have the training content finalized by the spring of 2019. We anticipate offering the first training class in May or June of 2019.

For additional details about the formation of the group and the new federal training, you can refer to the FMAC presentation on September 27, 2018.

For more information, please contact:
Sara Rupe at (360) 725-0189 or sara.rupe@ofm.wa.gov.

Audit Resolution Process Update

With the passage of Senate Bill 5372, the new law RCW 43.09.312 became effective on July 23, 2017, and requires state agencies to submit their corrective action plans to the Office of Financial Management (OFM) within 30 days to address audit findings and recommendations. OFM has enhanced its tracking and monitoring protocol to ensure adequate communication with agencies who receive findings to comply with the new requirement. SAAM Chapter 55 Audit Tracking has also been updated to reflect the legal obligation for state agencies to ensure compliance.

As of August 2018, there was a total of 24 findings issued by the State Auditor's Office that were subject to RCW 43.09.312. For all the corrective action plans submitted by agencies in response to the findings, OFM had distributed them to external parties within the required 60-day deadline. We would like to thank agencies for your effort and for working with us on this new process.

Below is a recap of all the findings issued as of August 2018 that were subject to this new requirement:

Audit Report Number	Number of Findings	Release Date	Audit Resolution Reporting Year
1019659	1	8/17/2017	2017
1019710	1	8/24/2017	2017
1019974	2	10/5/2017	2017
1019948	1	10/23/2017	2017
1020673	1	2/1/2018	2018
1020770	1	2/15/2018	2018
1020905	1	3/19/2018	2018
1020970	1	3/22/2018	2018
1020155	1	3/23/2018	2018
1020155	1	3/23/2018	2018
1021189	1	5/21/2018	2018
1021626	1	6/28/2018	2018
1021796	1	7/19/2018	2018
1021710	2	7/12/2018	2018
1021987	4	8/23/2018	2018
1021995	2	8/30/2018	2018
1022030	2	8/30/2018	2018
24			

If you are interested in reading about the findings, please refer to the State Auditor's Office website and search on the report numbers.

For more information, please contact:
Marina Yee at (360) 725-0221 or marina.yee@ofm.wa.gov
Sara Rupe at (360) 725-0189 or sara.rupe@ofm.wa.gov

2018 Statewide Single Audit Update

While the State Auditor's Office (SAO) is busy conducting audits of selected federal programs, Statewide Accounting (SWA) has jump-started the compilation of the 2018 single audit report.

The preparation of the Comprehensive Annual Financial Report (CAFR) and Schedule of Expenditures of Federal Awards (SEFA) was in full-gear after phase II and the disclosure form application closed. SAO will perform audits of the CAFR and SEFA in October, after which the two reports will be incorporated into the financial section of the 2018 Single Audit Report.

To compile the SEFA, SWA utilized the federal disclosure forms to capture detailed data of agencies' federal assistance activities. We want to thank agencies for your effort in completing this year's federal disclosure forms.

SAO has already issued several federal findings and we anticipate the pace will accelerate as we move closer to the end of the year.

Finally, yet importantly, remember to submit the Federal Assistance Certification Form by January 31, 2019!

For more information, please contact:
Sara Rupe at (360) 725-0189 or sara.rupe@ofm.wa.gov
Marina Yee at (360) 725-0221 or marina.yee@ofm.wa.gov

Federal Update

Federal Communication

(1) *Compliance Supplement*

The 2018 Compliance Supplement (included in 2CFR Part 200 Appendix XI) was updated as of April 2018. In addition to defining various federal compliance requirements, the Supplement provides a source of information for state agencies when implementing relevant federal grant policies and procedures to ensure compliance.

The 2018 Compliance Supplement was issued in a different format than prior years in that OMB only provided significant updates and changes. Therefore, auditors will need to use the 2018 and 2017 Supplements together to perform the fiscal year 2018 audit. For your information, AICPA provided some useful resources on identifying sections that have been superseded or deleted by the 2018 Compliance Supplement.

(2) *Uniform Guidance Frequently Asked Questions*

The frequently asked questions (FAQS) are presented by the Council on Financial Assistance Reform on OMB's Uniform Guidance at 2 CFR 200. They are intended to provide additional context and background for the guidance as Federal and non-Federal entities seek to understand the policy changes related to federal grant administration.

If there is a question pertaining to the application of the guidance to a particular Federal award, you can contact the OFM federal consultants for assistance.

(3) *The Digital Accountability and Transparency Act (DATA Act) Update*

The DATA Act was enacted in 2014 to increase accountability and transparency, and expanded on the required federal spending information that federal agencies are to submit for posting to a publicly available website.

OMB was tasked with running a pilot program to identify standardized reporting elements across the federal government and eliminate unnecessary duplication in financial reporting. In the 2017 Fall issue of the *Connections*, we included the link to the DATA Act Pilot Program Report submitted by OMB to Congress on August 10, 2017.

The DATA Act also includes provisions requiring a series of oversight reports by agencies' Offices of Inspector General (OIGs) and the Government Accountability Office (GAO). In July 2018, GAO issued a report assessing the completeness, timeliness, accuracy, and quality of all agencies' spending data, plus their implementation and use of data standards. The report provides useful information on OIG efforts to meet oversight and reporting responsibilities under the DATA Act.

Currently, OMB is working with federal agencies transitioning to the active use of standardized spending data to improve mission delivery. OFM will provide updates if any changes trigger down to the state level.

Master Payee and Customer File

Employee File
We are starting to work with WaTech on the requirements and design for converting the automated employee update from HRMS to AFRS and related areas is AFRS from the agency vendor file to a new Employee file with the Statewide vendor layout.

For more information, please contact:
Vonnie Tallon at (360) 725-3860 or vonnie.tallon@ofm.wa.gov.

Q&A About Agency Vendor File Cleanup and Consolidation to Statewide Vendor (SWV) File

1. In the first phase it says OFM will work with agencies to get the file down to only active employees, does this mean you will only purge those with a status of blocked?

    No. The agency vendor file should only have active employees paid in HRMS. The next phase is moving the employees to a new Employee file, with the same data fields as the Statewide vendor file, and purging the agency vendor file. The second phase will involve changes to AFRS to change all processes currently using the agency vendor file to use the new Employee file.

2. How will the board members, elected state officials and agency heads be setup in the statewide vendor file?

    Employees, board members, elected state officials, agency heads and any other payees that were setup in the agency vendor file will now be setup in the SWV file using the same process with the appropriate vendor type assigned. Employees will automatically be updated from changes made in ESS by the individuals. The W-9 will not be required for employees but we need all other payees to fill out a W-9 form. Exception to completing the W-9 form may be made on an individual basis through OFM SWA.

3. What will be the process of blocking or purging employees once they are moved to the statewide vendor file?

    All payees in the statewide vendor system are blocked if there has been no activity in the last 2 years. If a payee needs to be reactivated, then the data must be validated again.

    Active employees that are updated from HRMS will not be part of the current statewide automated blocking process. Employees that are not in HRMS and have had no activity in the last 2 years will be blocked. Currently there is no purge process in the statewide vendor system.

4. In the 2nd phase will we be using the employee number assigned to each person for payroll purposes as the statewide vendor number?

    We are planning on having the vendor number start with EE plus the employee's personnel number to match the current pattern in the agency vendor file.

5. Will employees be able to update information easily in the statewide vendor system by going into ESS or will they need to complete another Payee Registration form for any change?

    Employees should only update their information in ESS (HRMS). They do not need to contact the Payee Help Desk or complete another Payee Registration form for any changes.

6. Will the information to be uploaded to the new Employee file be coming from the Agency Vendor Number in AFRS or from HRMS data?

    The Agency Vendor file in AFRS is being decommissioned. The employee's information in the new Employee file will be updated from HRMS/ESS.

Q&A About Agency Vendor File Cleanup and Consolidation to Statewide Vendor (SWV) File *continued from page 9*

7. Will we still be able to use the exception code process for reimbursements?

   Yes.

8. Will we be able to do research/run expenditure reports on payments made to these employees after we purge their information in AFRS?

   Yes. You can still run reports in Enterprise Reporting (ER) or Web Intelligence (WebI) with all the detail information about the employee. Deleting their record in the agency vendor file does not impact the historical data in ER or WebI.

9. What If I need to make a payment to an employee by warrant and not use their payroll bank account?

   You can override the payment type by using the Single or Regular Warrant Indicator on the payment transaction. Please see more info at
   https://watech.wa.gov/sites/default/files/ITSolutions/SingleOrRegularWarrantIndicator-082015.pptx.

10. How do I sign up for the automated HRMS update to the agency vendor file?

    You can sign up on the AFRS Agency Vendor Number Edit Screen - TM.3.2.B

    Please see more info at
    https://watech.wa.gov/sites/default/files/ITSolutions/AFRS_AgencyEditControl-Oct2016.docx.

11. Who should I contact if I have additional questions?

    Your agency's OFM Statewide Financial Consultant.

IRS Announcement: 2018 Employer Reimbursements for Employee's 2017 Moves Are Generally Tax Free

On September 21, 2018, the IRS published the following:

Employer payments or reimbursements in 2018 for employees' moving expenses incurred prior to 2018 are excluded from the employee's wages for income and employment tax purposes, the Internal Revenue Service announced today.

The 2017 Tax Cuts and Jobs Act (TCJA) suspended the exclusion from income for moving expenses reimbursed or paid by an employer for most employees starting in 2018, making these amounts taxable, except for amounts for active-duty members of the U.S. Armed Forces whose moves relate to a military-ordered permanent change of station.

Under Notice 2018-75, posted today on IRS.gov, reimbursements an employer pays to an employee in 2018 for qualified moving expenses incurred in a prior year are not subject to federal income or employment taxes. The same is true if the employer pays a moving company in 2018 for qualified moving services provided to an employee prior to 2018.

To qualify, reimbursements or payments must be for work-related moving expenses that would have been deductible by the employee if the employee had directly paid them prior to Jan. 1, 2018. The employee must not have deducted them in 2017. For more information on the 2017 rules, see Form 3903 or Publication 521.

Employers that have already treated reimbursements or payments as taxable can follow the normal employment tax adjustment and refund procedures. See Publication 15, section 13, or Form 941-X and its instructions for details.

Updates on this and other TCJA provisions can be found at IRS.gov/taxreform.

Travel Policy Update

We revised Chapter 10: Travel (http://www.ofm.wa.gov/policy/10.htm) of the *State Administrative and Accounting Manual* (SAAM), effective October 1, 2018.

The maximum meal and lodging rates for several Washington state locations were revised as a result of changes adopted by the U.S. General Services Administration. The state Per Diem Rates map reflects these changes. The map is available on OFM's Travel Resources website at: http://www.ofm.wa.gov/resources/travel.asp.

Direct questions regarding policy content and proper interpretation to Sandy McGough at (360) 725-0194 or sandy.mcgough@ofm.wa.gov.

Premiums for Paid Family and Medical Leave Coming Soon!

The Paid Family and Medical Leave Act (Substitute Senate Bill 5975) was passed in the 2017 legislative session. Although benefits are not payable to qualified employees until January 1, 2020, premium collection will start sooner.

- **Premiums for <u>non-represented</u> employees effective January 1, 2019**
  - o Refer to Section 8 of the bill
  - o Premiums are currently 0.4% of wages subject to Social Security.

- **Premiums for represented employees effective July 1, 2019**
  - o Refer to Section 87 of the bill
  - o Note! We will not know what the calculation will be until after the contracts are bargained in the fall. We will then need to wait until the legislature approves the contracts.

- AFRS has been set up with the following:
  - o The subobject for employer cost is **BK – Paid Family and Medical Leave**
  - o The General Ledger for liability accruals is **5180 – Paid Family and Medical Leave Deductions Payable**
  - o The AFRS transaction code to move money from operating accounts to the State Payroll Revolving Account (035) is **188 – JV Receipt – Paid Family and Med Leave**

- If you have further questions, please contact Steve Nielson at (360) 725-0226 or steve.nielson@ofm.wa.gov.

Fall Quarter Training Offered on a Variety of Subjects

We are pleased to announce that the following training classes, taught by Statewide Accounting staff, will be offered this quarter:

Class Name	Dates	Times	Duration
Compliance: Travel Policies	November 5	8:30 – 4:30	8.0 hours
Accounting for Payroll	November 8	8:30 – 4:00	7.5 hours
1099-MISC Form Data Analysis	November 14 December 5 December 19	1:00 – 5:00	4.0 hours
GL Reconciliation: Basics	November 15	8:30 – 12:00	3.5 hours
General Ledger 5111 Reconciliation	November 28	8:00 – 11:30	3.5 hours
Payroll Revolving Account Reconciliation	November 29	8:30 – 3:00	6.5 hours
Health Insurance Reconciliation	December 6	8:30 – 12:00	3.5 hours
In-Process Report Training	December 6	1:00 – 4:30	3.5 hours
Internal Control: Payroll	December 12	8:00 – 12:00	4.0 hours

To view class descriptions and register, go to the Learning Management System (LMS) website.

Space is limited in all classes, so we ask that you read the detailed class descriptions and coordinate within your office so that you and your staff attend the right classes. If you register but cannot attend, please cancel your registration in LMS to make room for someone on the wait list.

Classes are being held in both the Helen Sommers and Capitol Court buildings. Parking is limited, so we recommend taking the mass transit or walking if possible.

Additionally, the Association of Government Accountants (AGA) and Financial Management Advisory Council (FMAC) are sponsoring a number of audio conferences. The schedules are posted on the Olympia AGA and FMAC websites.

For assistance or additional information, please contact your assigned OFM Accounting Consultant.