



# The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING



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## CAFR Progress

As we approached 2019 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. We appreciate the agencies that 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 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 allow us to prepare for a November 8 CAFR publishing date.

## CAFR Contemplations

While we are still working on completing the FY19 CAFR, many of you are sighing with relief that the fiscal year close is in the rearview mirror. It’s good to give yourself a little break after all the much-appreciated, hard work you did in July and August. However, before you put the pain and struggles completely out of your mind, we have one final assignment for you:

We would like you to do a lessons learned – formal or informal – about the fiscal year close process at your agency, and share your results with us. Basically, brainstorm and document what went well (and why) and what needs to be improved (and how). Be specific as that will be more helpful.

There is a twofold purpose for this lessons learned. First, while it’s fresh in your mind, we want you to identify what you can do now or periodically throughout the year to make next year’s close process easier and less stressful. If your closing went smoothly (as some actually do), sharing your “why” things went well could be useful for other agencies. Second, we are interested in knowing what we can change or add to our training, either fiscal year-end or throughout the year, that will help all agencies with the FY20 close.

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## AFRS and TEMS Data Retention

OFM is in the process of cleaning up our digital records, specifically enterprise systems data, to be in compliance with OFM records retention requirements. The first systems we are planning to bring into compliance are AFRS and the Travel and Expense Management System (TEMS).

The retention requirement for travel records is six years from the end of the fiscal year of the activity. On **October 31, 2019**, OFM will be removing all travel records from TEMS for travel recorded in FY 2013 and earlier. This will leave our current fiscal year plus the prior six fiscal years.

Currently there are AFRS transaction records back to the 1999 biennium. The OFM records retention requirement for this data is 10 years from the end of the biennium. On **November 30, 2019**, OFM will remove the 1999 through 2009 biennial databases, leaving 10 years plus the current biennium available for reporting. Please run any reports or download any data for Biennium 1999 through Biennium 2009 prior to the purge date.

If you have concerns or questions, please email OFM Statewide Accounting at [OFMaccounting@ofm.wa.gov](mailto:OFMaccounting@ofm.wa.gov)

## One Washington Update

During September, the following experts joined the state's modernization effort:

- ✓ Deloitte for organizational change management expertise on behalf of the state enterprise
- ✓ Plante Moran for SaaS solution expertise: Selection and procurement of services
- ✓ ISG Public Sector as the state's expert advisor as the modernization effort navigates the modernization journey

The addition of these experts will help us with:

- Selection of the finance module: We anticipate selection during this fiscal year! Most modern enterprise software companies which offer products related to our needs do so with modules, e.g. a module for finance, or procurement, or payroll, etc. Customers can pick and choose the modules needed.
- Validation of assumptions: ISG and the other vendors are already digging in deep. The first assumptions on deck for validation are scope and the conceptual order in which agencies would begin implementation. We will be able to share the exciting results of this analysis in our next newsletter.
- Selection of a system integrator: In the world of system modernization, an integrator is a key partner to help do the work of designing the configuration of the new system to meet our business needs. To be clear, configuring the new tool is not the same as software development or customization. The state will only be subscribing to an existing finance module, not developing a new program, nor will there be any code customization. Rather agencies will follow standardized processes, and configuration will allow customers to identify some process flows, e.g. invoices may need to be routed for approval and that kind of thing. Another key role the SI will play is coordinating the overall integration activities for agency systems and data. It looks as if we'll also be able to identify an SI this fiscal year, and subject to legislative funding in the supplemental cycle, begin working with the selected vendor early in fiscal year 2021.
- Organizational change management: In consultation with Deloitte, the people, process and technology elements of change will be supported by: a) industry best practices, and b) change readiness activities which will be conducted with agencies so that leaders know in what ways, to whom, and how to target change activities. Once the validation of assumptions mentioned above is complete, we'll begin planning with Deloitte for the next phase of outreach to agencies.

## Federal Grants Community of Practice

The Federal Grants Community of Practice continues to hold quarterly meetings to discuss federal issues and share best practices. One of the main objectives of the group is to address the need for more federal grant training for state agencies. We are pleased to report that the first in-person Federal Grant Requirements training was conducted on September 20, 2019, by the Washington State Auditor's Office. Approximately 50 people from various agencies attended the training, and the feedback was very positive.

During this class, the auditors discussed the federal government's top compliance requirements to help state agencies:

- Gain an understanding of the federal government's objectives and perspectives.
- Be more knowledgeable about what the auditor is looking for.
- Develop internal policies in accordance with federal requirements to reduce the number of audit issues.
- Have a positive audit experience!

This class is beneficial to both fiscal/financial staff and program staff. We are excited to announce that the next training opportunity has been scheduled for April 21, 2020. If you are interested in attending, please register in LMS.

We would like to thank the Washington State Auditor's Office for providing this training and for supporting state agencies in strengthening their federal grant management processes.

To stay up to date on the group's current events and projects, please visit the [Federal Grants Community of Practice Project](#) website.

## 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, 2019.

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](mailto:sandy.mcgough@ofm.wa.gov).

# Federal Update

## Single Audit Compliance Supplement

The federal Office of Management and Budget (OMB) released the final 2019 OMB [Compliance Supplement](#) on July 1, 2019.

The Supplement, which is updated each year, identifies the existing important compliance requirements that the federal government expects to be considered as part of a single audit and is one of the most important pieces of guidance that auditors use in performing single audits. It provides a source of information for auditors to understand federal program objectives, procedures, and compliance requirements, as well as audit objectives and suggested audit procedures for determining compliance with these requirements.

The 2019 Supplement, which is a single stand-alone document this year, contains many more changes than usual, including a mandate called “Pick Six” for each federal program to limit the number of requirements identified as being subject to the compliance audit to six.

There is also an updated section in Part 6 about internal controls. This is a good resource for grant recipients, pass-through entities, and sub-recipients interested in understanding and strengthening internal controls related to compliance. We encourage all agencies to read and use this information.

Part 6 includes:

- Basic information about the Uniform Guidance internal control requirements.
- Background information useful in understanding and adapting control principles and controls to entities of any size and complexity.
- Illustrative controls for eleven of the 12 types of compliance requirements and all 17 principles of internal control from the Committee of Sponsoring Organizations (COSO) framework.

## 2019 Statewide Single Audit Update

The State Auditor’s Office (SAO) is currently conducting audits of selected federal programs. With the submission of the Summary Schedule of Prior Audit Findings to SAO in August, OFM Statewide Accounting has also officially begun the compilation of the 2019 single audit report.

The preparation of the Comprehensive Annual Financial Report (CAFR) and Schedule of Expenditures of Federal Awards (SEFA) is in full gear, after Phase 2 and the disclosure form application closed on August 30. SAO will perform audits of the CAFR and SEFA in October and November, after which the two reports will be incorporated into the financial section of the 2019 Single Audit Report.

We want to thank agencies for your efforts in completing this year’s federal disclosure forms to help facilitate the preparation of the SEFA.

Finally, yet importantly, please note the new due date of the FY19 Federal Assistance Certification Form is February 28, 2020!

For more information, please contact:

Sara Rupe at (360) 725-0189 or [sara.rupe@ofm.wa.gov](mailto:sara.rupe@ofm.wa.gov).

Marina Yee at (360) 725-0221 or [marina.yee@ofm.wa.gov](mailto:marina.yee@ofm.wa.gov)

# Updated 1099-Miscellaneous Training

It's that time of year again when the leaves are changing, the kids are back in school, and 1099-Miscellaneous (1099-MISC) training commences. This year brings some exciting changes to the training class offered by OFM. With the assistance of valuable user feedback, OFM has been revamping the class to better engage participants and assist with the 1099-MISC form preparation process. Attendees will learn more about reportable and non-reportable payments and vendors, who is responsible for what, important dates to remember, and how to use the tools available for reporting. This class includes both instructional and hands-on learning experiences and is perfect for those who are new to 1099-MISC reporting for the state. It is also an excellent refresher for 1099-MISC reporting veterans. Classes are already listed in the [Learning Management System](#) (LMS) and do fill up quickly, so log in and sign up today.

For more information, please contact Laura Lopez at (360) 725-0177 or [laura.lopez@ofm.wa.gov](mailto:laura.lopez@ofm.wa.gov).

## CAFR Contemplations - *continued from page 1*

To get your brainstorming juices going, here are some pain points we observed this year:

- **Overspent appropriations.** Of course, agencies cannot close the books with an overspent appropriation. We noticed this year that agencies (a) didn't cut back on spending early enough, (b) didn't ask for additional authority such as federal unanticipated receipts in a timely manner, and (c) didn't clear their overspent appropriations before Phase 2 cutoff.
- **Capital assets.** There are a multiple activities around capital assets such as ensuring assets are recorded promptly; reconciling object J expenditures to the capital asset system; recording acquisitions, disposals, and depreciation in AFRS. For an agency with substantial capital assets, this should be done monthly or, at a minimum, quarterly. Trying to do it all at year-end is, at best, a challenge and, at worst, a disaster.
- **Interagency due to/due from variances.** Several agencies had disagreements that they were unable to resolve and just left the variances instead of reaching out to their OFM Accounting Consultant for assistance. Billing agencies should be able to provide a list of invoices that represent the "due from" balance as a starting point in the conversation.
- **Adjustments.** We noticed agencies entered one-time adjustments without asking us to review; knew they needed adjustments but waited until the last minute to ask for help; and entered invalid transactions to eliminate a disclosure form variance (which may have been legitimate and simply needed an explanation).
- **Questionable balances.** The ER questionable balances reports are a handy tool that should be run monthly at the subsidiary level. Many agencies waited until year end to clear these balances when this should be done throughout the year in conjunction with monthly reconciliations.
- **Unchanged general ledger balances.** Most GL balances, especially short-term receivables and payables, should change throughout the year. Again, there is a report in ER that agencies should be running monthly and using to scrutinize their GL balances.
- **Balances in GL 9920-Current Period Clearing.** We noticed a definite increase in problems using GL 9920. This GL cannot be used when transactions are between funds or between agencies. It is only for corrections within the same agency and fund.

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# Fall Quarter Training Offered on a Variety of Subjects

We are pleased to announce that the training classes listed below will be offered this quarter. Statewide Accounting staff will teach all classes.

Class Name	Dates	Times	Duration
Compliance: Travel Policies	November 1	8:30 – 5:00	8.5 hours
Accounting for Payroll	November 8	8:30 – 4:00	7.5 hours
In-Process Report Training	November 15	1:00 – 4:30	3.5 hours
Payroll Revolving Account Reconciliation	November 22	8:30 – 3:00	6.5 hours
1099-Miscellaneous Form Data Analysis	November 26 December 10 December 18	1:00 – 5:00	4.0 hours
Health Insurance Reconciliation	December 6	8:30 – 12:00	3.5 hours
Introduction to GAAP in Washington State	December 10	8:30 – 4:00	7.5 hours
GL Reconciliation: Basics	December 11	1:15 – 4:45	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 appropriate classes. If you register but cannot attend, please cancel your registration in LMS to make room for someone on the wait list.

All of our classes are held at the Helen Sommers building. 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.

## CAFR Contemplations - *continued from page 5*

We understand that some issues came up this year because of staff turnover or new assignments. While this is a partially legitimate explanation, there are steps that can be taken to help overcome this as well. Specifically, we recommend creating and maintaining documentation for all tasks, but especially for those that are only done once a year. This can be a huge help if you have unexpected staff changes or absences. Cross-training before there is staff turnover is another practice that can alleviate the struggles for new staff. And, on a personal level, if you know you have new responsibilities, start a little earlier.

Producing our award-winning CAFR truly is a group effort and we rely heavily on agencies to get things done timely and accurately, so we want – and need – you all to be successful. Please do take some time this month on a lessons learned activity, share your findings with your OFM Accounting Consultant, and follow through on the great ideas you come up with. Together, let's work toward making the FY20 close a little smoother for everyone.

