



# The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

## AFRS Updates to Statewide Vendors

The following two changes, related to statewide vendors, are on hold until the state is no longer in emergency operation status. The OFM Accounting Portfolio will send communications when implementation dates are scheduled.

### Ownership and Interest

The Ownership and Interest fields for the Statewide Vendor and Statewide Employee records in AFRS will be changed, as follows:

- ✓ All statewide vendors are presumed owned by OFM with the exception of vendor types 8 and 9, foreign vendor and foreign payee (injured workers).
- ✓ Agencies will no longer be able to add ownership records for any statewide vendor, only for vendor types 8 and 9 vendors.
- ✓ Current statewide vendor ownership records will be converted to interest records for all agencies.
- ✓ Agencies will still be able to enter interest records for any statewide vendor.
- ✓ The statewide employee records will continue to use the ownership record to show the HRMS agency for each employee. Agencies can enter interest records for employees outside their agencies, if needed.

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## It's Coming Again ...

Fiscal year-end close is just around the corner. Below are the important fiscal year 2020 year-end dates to keep in mind as you plan your internal activities. For a calendar to print out, go to <https://ofm.wa.gov/accounting/administrative-accounting-resources/year-end-closing>.

Due Date	Reporting Item
June 30	Last day of the fiscal year; cash cutoff (refer to OST's closing schedule memo)
July 13	Disclosure Form application opens
July 17	Mail out interagency billings (whether based on actuals or estimates)
July 31	<b>Phase 1 Close</b> Agency accruals recorded. Prioritize interagency receivable/payable reconciliations as many agencies have an early internal close date.
August 17	<b>Phase 1B Close</b> <ul style="list-style-type: none"> <li>• Certain state disclosure forms are due</li> <li>• Interagency receivable/payable balancing is due</li> <li>• Pollution remediation site status report is due</li> </ul>

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## Federal Grants Community of Practice

The Federal Grants Community of Practice continues to hold quarterly meetings to discuss federal issues and share best practices. Due to the restrictions placed on in-person meetings to reduce the spread of coronavirus (COVID-19), we are using alternative methods to continue the work with the Federal Grants Community of Practice.

We will hold the next federal workgroup meeting via Skype on April 16, and will have a conference line available for members to call in. The tentative agenda for this meeting includes:

- Cash Management Improvement Act (CMIA) training
- Update on changes to OFM training
- Discussion on questions/issues submitted by group members

One of the main objectives of the group is to address the need for more federal grant training for state agencies. We are currently looking into options to continue providing training during this challenging time. More information will be provided as soon as it is available.

We have tentatively rescheduled the *OFM – Federal Grant Requirements* in-person training by the Washington State Auditor’s Office to May 5, 2020 (1:00 PM – 5:00 PM). An additional class has also been scheduled for September 15, 2020 (8:00 AM -12:00 PM). If you are interested in attending one of these classes, please register in [LMS](#).

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

## Fiscal Year-End Training Classes Offered

**Attention: If the Governor’s orders related to coronavirus are still in place, we will explore alternative means of presenting classes such as Skype.**

Classes on state year-end closing procedures will be held in June. For those people with year-end closing experience, we offer a short update class that focuses on current year changes and key items that we want to emphasize.

Class Name	Date	Time	Duration
OFM - Fiscal Year-end Closing (State) – Update	June 9 June 18	1:30 – 3:00 1:30 – 3:00	1.5 hours

In addition, we will be presenting a shortened version of the fiscal year-end closing update class at the May 2020 Financial Management Advisory Council (FMAC) meeting. Refer to the [FMAC](#) page for details.

For people new to year-end closing, we also offer an 8-hour workshop. The workshop will focus on expenditures, payables, revenues, reconciliations, and Phase 2 adjustments. This will be a hands-on class and will include exercises to practice what is covered. Space is limited, so we ask that you read the detailed class description and coordinate within your office so that each agency sends the appropriate staff.

Class Name	Date	Time	Duration
OFM - Fiscal Year-end Workshop	June 4 June 11 June 19	8:00 – 5:00 8:00 – 5:00 8:00 – 5:00	8 hours

To view class descriptions and register, go to the [Learning Management System](#) (LMS) website. If you register but cannot attend, please cancel your registration in LMS to make room for someone on the wait list.

Year-end classes will be held at the Helen Sommers Building at 106 11<sup>th</sup> Ave SW. Parking is limited, so we recommend taking the DASH bus or walking if possible.

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

# Upcoming GASB Standards

The following are new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB) that become effective for fiscal year 2020 and 2021 reporting:

**GASB Statement No. 84, *Fiduciary Activities***. Effective for fiscal year 2020, this statement provides specific criteria for determining if a fiduciary activity exists. In addition, agency funds will be renamed custodial funds and governments will report additions and deductions on the Statement of Changes in Fiduciary Net Position and net position on the Statement of Fiduciary Net Position.

OFM has finished analyzing all fiduciary accounts to ensure they still meet the criteria of fiduciary activities under the new standard. We are in the process of implementing changes for the upcoming CAFR. In the coming months, we will reach out to agencies that operate out of certain fiduciary accounts to gather information and provide guidance on specific accounting transactions needed for this year and on an ongoing basis.

**GASB Statement No. 87, *Leases***. Effective for fiscal year 2021, this statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. Lessees will recognize a lease liability and an intangible right-to-use asset, and lessors will recognize a lease receivable and a deferred inflow of resources.

OFM is expanding the capabilities of the [Facilities Portfolio Management Tool \(FPMT\)](#) to comply with this statement. Beginning in September 2020, agencies must record all leases that meet the requirements in FPMT. FPMT will send GASB 87 accounting transactions, including lease payments, to AFRS.

## What can you do now to prepare?

1. **Review facilities leases currently in FPMT** either with your agency facility staff who currently use the system or using the [2019 Facilities Inventory](#).
2. **Create an inventory of other existing leases and contracts.**
3. **Determine which agreements meet the GASB 87 definition of a lease and which can be excluded.** Only leases that exceed the capitalization threshold of \$500,000 in total lease payments must be recorded under GASB 87 accounting rules.
4. **Document key provisions of each lease agreement** such as the lease term, extensions, termination options, and payment provisions.
5. **Define new workflows for lease payments.** FPMT will send lease payments to AFRS only for the fixed portion of lease payments, such as base rent. Agencies will still pay the vendor directly for services, such as maintenance and utilities, and payments based on the usage of the asset, such as number of copies made.
6. **Visit the [Leases Accounting Resources website](#)** for more information, including an Overview and Steps to Prepare, Frequently Asked Questions, future FPMT lease data fields, and a decision tree and scope guide for determining whether a contract meets the GASB 87 lease definition.

## **GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period***

Effective for FY 2021, this Statement requires that interest cost incurred during the construction period be recognized as an expense as it is incurred. As a result, interest cost incurred before the end of a construction period will no longer be capitalized by enterprise and trust funds.

This statement will be applied prospectively, meaning all future interest costs incurred before the end of a construction period should be expensed. No adjustment is required for assets that have already been capitalized.

We will be updating the applicable sections in the *State Administrative & Accounting Manual (SAAM)* to reflect these changes. If you have questions, please contact your assigned OFM Accounting Consultant.

# 2019 Single Audit

The 2019 Single Audit Report is now available online at <https://ofm.wa.gov/accounting/financial-audit-reports/single-audit-report/2019-single-audit-report>. The Single Audit was submitted to the federal clearinghouse by the required due date of March 31, or within nine months of the fiscal year end. We thank all agencies who contributed to making this possible.

A few highlights of this year's Single Audit:

	2019	2018	2017	2016	2015
Federal Assistance Expenditures	\$18.0 billion	\$17.7 billion	\$17.5 billion	\$17.2 billion	\$17 billion
Questioned Costs	\$164.9 million	\$21.9 million	\$43.0 million	\$18.4 million	\$28.7 million
Total number of findings	70	61	52	50	56
Activities Allowed/ Unallowed, Allowable Costs/Costs Principle	21	20	21	22	21
Special Test and Provisions	11	12	10	22	13
Subrecipient Monitoring	15	8	1	1	3

The amount of questioned costs increased significantly from previous years. It should be noted that the majority (69%) of the questioned costs are related to one finding where the agency implemented a change in process for the Medicaid program in the middle of the fiscal year. The auditors maintained that the agency did not have adequate internal controls in place and did not comply with federal requirements to ensure expenditures were allowable.

There were 15 findings issued for non-compliance with subrecipient monitoring requirements, which almost doubled the number from last year. The Uniform Guidance imposes more stringent federal requirements on grantees who make subawards. Agencies should be aware of the pertinent federal regulations when making subawards and should design appropriate monitoring activities to ensure federal compliance.

If you have any questions or comments, 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)

# Cash Management Improvement Act

The federal government enacted the Cash Management Improvement Act (CMIA) of 1990 to ensure greater efficiency, effectiveness, and equity in the exchange of funds between the federal government and the states, territories, and the District of Columbia.

The CMIA requires each state to enter into an agreement, the Treasury State Agreement (TSA), with the Secretary of the U.S. Treasury that specifies how federal funds transfers will take place. The agreement includes covered programs, funding (draw) techniques, clearance pattern methodologies, interest calculation methodologies, and types of interest calculation costs. Funding techniques are intended to be interest neutral.

All federal funds transfers to the states are covered under the CMIA; however, only major assistance programs are included in the TSA. Inclusion of federal programs is based on the state's threshold of \$30 million and the Schedule of Expenditure of Federal Awards from two years prior. The [TSA](#) is amended annually; therefore, the number and types of major federal assistance programs included will vary from year to year based on expenditures and the state's determined threshold.

Following the close of each fiscal year, the state must submit an Annual Report to the federal government to account for the interest liabilities related to the state's most recently closed fiscal year. If federal funds were not available to draw in accordance with the draw technique, then the federal government owes the state interest. If the state draws funds too early, then the state owes the federal government interest. In December, we submitted the annual report for fiscal year 2019 and owed the federal government a net state interest liability of \$74,487.

OFM also worked with agencies that had qualifying programs to gather information for the state's 2020 TSA. A total of eleven state agencies and 28 programs were included in the 2020 agreement.

Agencies with federal grants that do not meet the threshold are still responsible for complying with the CMIA, which establishes minimum cash management standards, and should review and ensure that current methods used to draw federal funds incorporate good cash management.

If you have questions concerning cash management related to federal assistance programs, please contact Kennesy Cavanah at (360) 725-0229 or [kennesy.cavanah@ofm.wa.gov](mailto:kennesy.cavanah@ofm.wa.gov).



# Paid Family and Medical Leave – Supplemental Benefit Payments

As reported in previous editions of *The Connection*, the Washington State Legislature passed Substitute Senate Bill [5975](#), Paid Family and Medical Leave (PFML) program, during the 2017 legislative session. The bill was signed into statute by the Governor on July 5, 2017. [Title 50A](#) RCW created a new insurance program funded by premiums paid by both employees and employers, and administered by the Employment Security Department (ESD).

Beginning January 1, 2020, employees have had the ability to apply for PFML benefits on the [Employment Security Department \(ESD\)](#) website or on paper.

The 2019 Legislature passed Substitute House Bill [1399](#), which amended the PFML program to add the ability for employers to offer supplemental benefit payments.

Employees may begin using their accrued paid leave as a supplemental benefit to PFML starting May 1, 2020. Those leave types that may be designated as a supplemental benefit are listed below. If the leave type is not listed, the employee may not designate that leave type as a supplemental benefit while on approved PFML.

The following new PFML Supplemental Benefit absence type codes will be added into HRMS with an effective date of May 1, 2020:

Codes	Absence Types	Codes	Absence Types
9374	Vac Lv Sup Ben PFML	9381	Pers Lv Sup Ben PFML FMLA
9375	Vac Lv Sup Ben PFML FMLA	9382	Holiday Sup Ben PFML
9376	Sick Lv Sup Ben PFML	9383	Recog Sup Ben PFML
9377	Sick Lv Sup Ben PFML FMLA	9384	Recog Sup Ben PFML FMLA
9378	Per Hol Sup Ben PFML	9385	Comp Sup Ben PFML
9379	Per Hol Sup Ben PFML FMLA	9386	Comp Sup Ben PFML FMLA
9380	Pers Lv Sup Ben PFML		

In the event an employee is concurrently on PFML and FMLA, consider using the appropriate PFML FMLA supplemental benefit absence type to track both. Agencies with their own leave systems should have corresponding absence types added with an effective date of May 1, 2020.

For more information on paid family and medical leave, visit [ESD's website](#). Direct accounting questions to Steve Nielson at (360) 725-0226 or [steve.nielson@ofm.wa.gov](mailto:steve.nielson@ofm.wa.gov).

## AFRS Updates to Statewide Vendors - continued from page 1

These changes are being implemented to align better with the future payee management in the AFRS replacement system. OFM is responsible for the validation and entry of all statewide vendors, and state agencies are responsible for the validation and entry of employee data in HRMS. Thus, agencies can identify certain vendors or employees as being of interest to their agency, but cannot own the vendor record.

### Monthly Purge Process

OFM Accounting Portfolio will be implementing a new monthly process to purge AFRS statewide vendor records that have not been used or updated in the past 27 months. Vendor records are considered “used” when included on any type of AFRS transaction such as payments, encumbrances, cash receipts, or journal vouchers.

The following payee types are excluded from the purge process: IRS payroll, Third Party Payroll, and IAP (Inter-agency Payment) payee records.

In order to be reactivated, payees that have been purged will need to complete and submit a new Statewide Payee Registration Form to the OFM Statewide Vendor/Payee Desk.

This process is being implemented to make sure payees provide the state of Washington with current address as well as business and payment information.

If you have any questions or concerns about either of these changes, please contact [HereToHelp@ofm.wa.gov](mailto:HereToHelp@ofm.wa.gov).

## It's Coming Again ... - continued from page 1

Due Date	Reporting Item
August 31	<b>Phase 2 Close</b> <ul style="list-style-type: none"><li>• Agency adjustments completed</li><li>• Remaining State and Federal Disclosure Forms are due (not including certifications)</li><li>• Disclosure Form application closes</li></ul> All agency adjusting entries made after Phase 2 require OFM approval.
September 11	State Financial Disclosure Certification form, including attachments, is due
February 28, 2021	Federal Assistance Certification form is due

If your agency cannot complete some or all of the Phase 1B disclosure forms and tasks by August 17, you will need to request an extension by sending a memo to your assigned OFM Accounting Consultant. The memo should list the items for which an extension is needed and the date by which your agency can complete the forms and tasks. The requested date can be no later than the end of Phase 2 close, August 31, 2020. Remember, to complete the disclosure forms, all AFRS entries related to those forms must be entered first.

Chapters 90, State Reporting, and 95, Federal Assistance Reporting, in the *State Administrative and Accounting Manual* are updated every year to reflect changes in reporting requirements. The Chapter 90 update will be issued in May and Chapter 95 will be updated following the issuance of the federal Office of Management and Budget's Uniform Guidance. For additional information, please contact your assigned OFM Accounting Consultant.

# One Washington Update

## Replacing the Agency Financial Reporting System

OFM is currently reviewing the final 2020 supplemental budget to be signed by the Governor. With approved funding for OneWa, implementation activities to begin replacement of AFRS will begin in the first quarter of fiscal year 2021. Functionality for the purchase of goods and services will be included.

OneWa Milestones	Will be completed during...
Selection of enterprise software and procurement of a system integrator*	4 <sup>th</sup> Qtr FY20
Software subscription for the new cloud-based software system and the contract with the system integrator begin**	1 <sup>st</sup> Qtr FY21
Finance implementation activities/AFRS replacement begin**	2 <sup>nd</sup> Qtr FY21
A new chart of accounts available for use**	4 <sup>th</sup> Qtr FY22
Go live of initial finance and purchase to pay functions***	1 <sup>st</sup> Qtr FY23

\* An integrator is experienced with large enterprise complexities and provides implementation services which typically include: guidance in preparing agency systems to interface with the new solution, configuring the new system to meet state requirements, and determining the order in which the other in-scope functions will go live.  
\*\* Subject to funding approval. Available for use = budget creation in the new COA for FY2023.  
\*\*\* “Purchase to pay” means the functionality that allows for the purchase of goods and professional services.

Implementation of the remaining business functions (budget, human resources and payroll, and procurement functions of contracting, RFP, and sourcing) will follow in subsequent biennia.

## Selecting the Solution

Coinciding with the 2020 legislative session and as part of a due diligence process, over 100 state employees participated with Statewide Accounting, State HR, Procurement, and Budget to evaluate software solutions during January and February.

We’re still within the due diligence process, but we anticipate being able to provide an update soon.

## Critical Deadline for Agency Readiness

In October 2019 One Washington launched the agency system, interface and data collection request, which was due in **final form on April 1, 2020**. Agency finance team members and their IT counterparts should be working together to complete the deliverable. Here’s [background information on the request and the current escalation calendar](#). Agencies that have not yet completed this task may be in jeopardy. Additional and potentially significant agency expense due to lack of systems and data planning could be an impact. Also, the date and timeframe an agency on-boards to the new system may be impacted. OneWa provides [agency status here](#).

If your finance team is looking for more information on OneWa, there’s an [agency resource page](#) which contains information like [FAQs](#), a [modernization roadmap](#) and agency [deliverable status](#). Questions and feedback for OneWa are encouraged at [onewa@ofm.wa.gov](mailto:onewa@ofm.wa.gov).



# Spring Quarter Training Offered on a Variety of Subjects

**Attention: If the Governor's orders related to coronavirus are still in place, we will explore alternative means of presenting classes such as Skype.**

We are pleased to announce that the training classes listed below will be offered this quarter. Statewide Accounting staff will teach all classes. In addition, there are a number of year-end and federal trainings being offered this quarter. Please refer to the "Fiscal Year-End Training Classes Offered" and "Federal Grants Community of Practice" articles on page 2.

Class Name	Dates	Times	Duration
GL Reconciliation: Basics	May 7	8:30 – noon	3.5 hours
In-Process Report Training	May 14	1:00 – 4:30	3.5 hours
<b>**NEW**</b> How to Prepare for a Single Audit and Avoid Common Deficiencies	May 19	8:00 – 9:30	1.5 hours
<b>**NEW**</b> Top 10 Audit Findings and What to Do	May 19	10:00 – 11:30	1.5 hours
Compliance: Travel Policies	May 20	8:30 – 4:30	8.0 hours
Introduction to GAAP in Washington State	May 20	8:30 – 4:00	7.5 hours
GL Reconciliation: Basics	June 16	1:15 – 4:45	3.5 hours
<b>**NEW**</b> Accounting for Capital Assets – Accounting Entries and Fiscal Year-End Closing	June 17 June 18	1:00 – 4:30	3.5 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.