



The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

Reminders – Now and Year- End

The end of the fiscal year is fast approaching. As we all prepare for that and deal with interim deadlines, we want everyone to take a minute to just breathe. We all know from today’s local, national, and global news, that there are many things happening that we have no control over. That can be an overwhelming feeling. So, we thought it would be good to remind you that there are things you do have control over, and we hope you will focus your attention there.

OFM doesn’t have control over the global supply chain. To accommodate for these supply chain issues, OFM recently issued a waiver allowing for certain goods received after the June 30, 2022, deadline to be included as expenditures for fiscal year 2022. Please review this [waiver](#) for the specific criteria.

Neither OFM nor the State Auditor’s Office (SAO) has control over the federal government but, due to their lateness, the fiscal year 2021 Single Audit has been delayed. That means agencies will have the added challenge of responding to auditor questions for both the FY21 and FY22 Single Audits. Please focus on the part of this you can control – providing timely information to SAO. Read more about the Single Audit delay on page 3.

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Reconciling Accounts Receivable:

Focus on Department of Enterprise Services, Small Agency Financial Services

Many of you are familiar with the challenges of reconciling all your general ledgers for the numerous accounts used by your agency. Now, multiply that by 40+ agencies and imagine trying to keep everything reconciled and keep track of it all. That’s exactly the position the Department of Enterprise Services (DES) is in. Their fiscal staff handle not only the DES reconciliations, which are done at the project level, but also those for the 40+ small agencies that utilize the DES Small Agency Financial Services (SAFS). We asked them how they manage their SAFS reconciliations, and also asked them to share a little about their process for reconciling accounts receivable (A/R) for all these agencies. Here’s some of what they told us:

TRACKING RECONCILIATION STATUS

SAFS uses an Excel spreadsheet to track their reconciliations. The spreadsheet lists every Small Agency, the general ledger (GL), and who is responsible to reconcile it. Each fiscal month, the reviewer will note any outstanding items and mark the tracker once completed. At the bottom of the sheet, the percentage of GL reconciliations complete is calculated for each fiscal month.

The SAFS Team meets weekly to review GL status for 8-9 agencies, so that each SAFS agency is reviewed once a month. A representative from Accounts Payable, A/R, Budget, and Payroll will report out on GL reconciliations and happenings within each agency. This review not only holds everyone accountable, but also gives the team the opportunity to discuss issues or celebrate victories and give kudos.

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Does it feel like Deja vu?

Fiscal year-end close is just around the corner. Below are the important fiscal year 2022 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 11	Disclosure Form application opens
July 25	Mail out interagency billings (whether based on actuals or estimates)
July 29	Phase 1 Close Agency accruals recorded. Prioritize interagency receivable/payable reconciliations as many agencies have an early internal close date.
August 19	Phase 1B Close <ul style="list-style-type: none"> • Certain state disclosure forms are due • Interagency receivable/payable balancing is due • Pollution remediation site status report is due • Asset retirement obligation report is due
September 2	Phase 2 Close <ul style="list-style-type: none"> • Agency adjustments completed • Remaining State and Federal Disclosure Forms are due (not including certifications) • Disclosure Form application closes <p>All agency adjusting entries made after Phase 2 require OFM approval.</p>
September 14	State Financial Disclosure Certification form, including attachments, is due
February 28, 2023	Federal Assistance Certification form is due

If your agency cannot complete some or all of the Phase 1B disclosure forms and tasks by August 19, 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, September 2, 2022. 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. Please note there are some significant changes to the Lease Disclosure Form this year, as well as changes to the Capital Assets and Liabilities by Major Class forms, due to the implementation of GASB Statement No. 87, Leases. In addition, the federal government has implemented changes to the DUNS number and the term CFDA. Please see articles on pages 5 and 3 for additional information. If you have any questions, please contact your assigned OFM Accounting Consultant.

Single Audit Delay

On March 19, 2021, the Office of Management and Budget (OMB) issued memorandum [M-21-20](#). Among the administrative relief provided in the memorandum is a new six-month extension to the single audit submission deadline. The extension applies to any single audit with fiscal year-ends through June 30, 2021.

OMB released the 2021 Compliance Supplement Addendum 1 and 2, on December 3, 2021, and January 19, 2022, respectively. Due to the late timing, the Office of Financial Management (OFM) and the State Auditor's Office (SAO) adjusted the normal timeline for the fiscal year 2021 single audit. SAO will provide all draft findings to state agencies and OFM by May 31, 2022, and is anticipating that all final findings will be issued by June 30, 2022.

Please note that due to the adjustment in the single audit timeline, the Federal Assistance Certifications will now be due on **May 31, 2022** (changed from February 28, 2022). For those agencies that already submitted federal disclosure certifications, OFM will evaluate and determine if agencies need to re-submit their certifications.

It is important that agencies continue to provide timely access to information, documentation, and staff needed to complete the audits, and promptly communicate issues and concerns with the auditors. It should also be noted that the adjustment in the single audit timeline did not change the existing OFM process and due date expectations for agencies to submit corrective action plans. OFM monitors submission of corrective action plans closely to ensure they meet the required timeline.

For additional information, please refer to the [2021 Compliance Supplement](#) issued in July 2021, and the [Addendum 1](#) and [Addendum 2](#) for important updates to COVID-19 related federal funding and the impact to single audits.

Looking ahead to the fiscal year 2022 single audit, OMB has not yet announced any extension to the March 31, 2023, reporting deadline. For this reason, SAO will begin its normal audit planning work for the fiscal year 2022 audit by sending planning requests to agencies in mid-April. We understand that the planning work will overlap with the current year audit, but it is very important that agencies respond timely to the SAO requests to avoid delays in their audit planning.

For more information, please contact:

Marina Yee at marina.yee@ofm.wa.gov
Stacie Boyd at stacie.boyd@ofm.wa.gov

DUNS Transition to Unique Entity Identifier

Since 2008, organizations have been required to obtain a Data Universal Numbering System (DUNS) number as part of the registration process to apply for and receive federal funding. Effective April 4, 2022, the federal government will phase out the use of the DUNS number as the official identifier and move to a 12-character unique number, Unique Entity Identifier (UEI). This transition is led by the US General Services Administration (GSA).

OFM has been working directly with impacted agencies. For more information, please see the [SAM.gov](#) website or the Federal Grants Community of Practice [meeting minutes](#) from February 3, 2022.

For more information, please contact:

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Federal Grants Community of Practice

The Federal Grants Community of Practice continues to meet every other month. This group was established to open communication among state agencies to share federal grant resources and work through federal issues or concerns, and to develop and offer federal training to state agency federal programs.

With the state's implementation of Workday, open communication is even more important to ensure the state's grant tracking and reporting needs are being met. Over the past year, the One Washington grant lead has been providing updates on the progress of the implementation for grants and projects. These updates will continue to occur throughout the duration of the project.

At the April meeting, in addition to the regular One Washington update, we have scheduled a Cash Management Improvement Act (CMIA) training. This training will go cover what the CMIA is, its objectives, and the main components.

The next meeting is scheduled for April 7 at 2:00 PM.

For more information refer to the [Federal Grants Community of Practice website](#).

Exciting New Training Program Coming to Statewide Accounting

When you think of how your agency has changed in the past couple of years, surely the pandemic is one of the big factors. There is a growing need for more remote trainings, especially those that offer CPE credits.

Before the pandemic, we were hearing from agencies about other changing needs as well, especially around more basic accounting trainings. So, we are glad to share that our team is in the process of developing a new training program that aims to address all the feedback we have received. We hope to roll out new training in phases over the next year.

Here is some of what you can expect:

- More remote and hybrid training options, as well as in-person as health guidelines allow
- More opportunities to earn CPE credits
- Introductory, intermediate, and refresher courses on basic accounting and GAAP for government
- A robust catalog of courses on the policies, processes, and systems you use to do your job

Our new training program will organize courses into *training paths*, so that you can easily identify which courses would be best to take for your specific needs, and in which order. We hope that the training paths will help make course content more approachable and applicable. More information will be coming in the next issue.

Key Deadlines Approaching for Leases (GASB 87)

The following key deadlines are approaching related to the implementation of GASB Statement No. 87, *Leases*.

- **By April 30, 2022**, all agencies need to:
 1. Record all right-to-use lease agreements that meet the capitalization threshold in the [Facilities Portfolio Management Tool \(FPMT\)](#), and
 2. Either:
 - a. Have FPMT set to send accounting entries to AFRS, or
 - b. Send [Kelly Diaz](#) the Summary Lease Accounting workbook showing a list of lease contracts for which balances need to manually be recorded in AFRS as of 7/1/2021. **Note:** In mid-March, an email with this workbook attached was sent to all agencies that have lease contracts in FPMT that were not set to have FPMT send accounting transactions to AFRS. Contact [Anna Quichocho](#) if you did not receive this workbook.

As a reminder, there are two options for recording the lease accounting entries in AFRS: (1) have FPMT send the transactions, or (2) manually record the accounting entries. Watch the new 15-minute [Recording Lease Accounting Transactions](#) eLearning for details on these options.

- **By FM 12 Close (7/15/2022)**, agencies manually recording lease entries must have FY 2022 adjustments entered in AFRS. There are worksheets with the illustrative entries on the [Leases Accounting Resource](#) website.
- **By Phase 2 Close (9/2/2022)**, all agencies must:
 - Reconcile FPMT to AFRS, verifying the activity and GL balances in AFRS tie to FPMT, and
 - Complete all required disclosure forms. Note: The Lease disclosure form has changed, the lease asset GLs (2610-2660) were added to the Capital Asset disclosure form, and the right-to-use lease liability GLs (5174 and 5274) were added to the Liabilities by Major Class disclosure form. We will provide more details as we get closer to year-end.

Questions?

- Visit the [Leases Accounting Resource](#) website for additional resources.
- Contact [Anna Quichocho](#) to set up a meeting with her and those individuals at your agency involved with leases and/or FPMT.

Reminders – Now and Year-End - continued from page 1

Speaking of the federal government, they do have some control over the amount of funding we receive. That federal funding is extremely important to the state, so it is imperative that we submit required information to the federal government on time. We want to remind agencies that your quarterly federal reports are due to Statewide Accounting. The Coronavirus Relief Fund reports were due March 31, 2022, and the Coronavirus State and Local Fiscal Recovery Fund reports are due April 20, 2022. We will be contacting agencies that fail to provide this information by the reporting due date, and we hope that will be none of you since you have control over that.

When you stop and think, there are many other tasks and activities you do have control over in your fiscal shop. For example, you can focus on reconciling and cleaning up GL balances now instead of waiting until year-end. Every little or big task you accomplish will help you feel a bit more control.

Please know we appreciate everyone's hard work throughout the year and, especially, at fiscal year close. So, focus on what you can control, and always ... take time to breathe.

Upcoming GASB Standards

Listed below are new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB) that become effective for fiscal year 2023 reporting.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships*. This statement defines public-private and public-public partnership arrangements (PPP) as well as service concession arrangements (SCA) and availability payment arrangements (APA). It provides specific criteria for meeting those definitions and the accounting and financial reporting requirements for both sides of the arrangements.

For purposes of this statement, a PPP is an arrangement in which a government contracts with another entity (operator) to provide public services by conveying control of the right to operate or use a capital asset for a period of time in an exchange or exchange-like transaction. An SCA is a specific type of PPP in which the operator is compensated by fees from third parties, but the government retains some control over the services to be provided, to whom they will be provided, and the rates to be charged. The government also is entitled to significant residual interest in the service utility of the capital asset at the end of the arrangement.

In an APA, the government procures a capital asset or service by compensating an operator for activities that may include designing, constructing, financing, maintaining, and operating a capital asset for a period of time in an exchange or exchange-like transaction. In contrast to a PPP, the compensation from the government is based entirely on the asset's availability and not the actual performance of a public service.

OFM is currently reaching out to agencies most likely to have these situations and is working on resource documents and updates to SAAM. Agencies may have come across these types of situations while performing the GASB 87-*Leases* analysis. If your agency has not yet been contacted and you believe you have some of these arrangements, please contact your OFM Accounting Consultant.

OFM will be reaching out to agencies most likely to have these situations and is currently working on resource documents and updates to SAAM.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement establishes a definition for Subscription-Based Information Technology Arrangements (SBITAs) and provides guidance on the accounting and financial reporting for such arrangements. The definition and requirements are very similar to those for GASB 87, *Leases*. At the commencement of the subscription term, a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability should be recognized. The commencement of the subscription term begins when the subscription asset is placed into service.

The agreements that meet the definition of a SBITA and the capitalization threshold, will need to be recorded in the Facilities Portfolio Management Tool (FPMT) by spring 2023.

We are in the process of determining the capitalization threshold for SBITAs, as well as establishing a detailed implementation timeline. We will update the [Leases Accounting Resources](#) website as we have more details.

Payee Registration Unit Quarterly Update

Recently there have been new attempts by fraudsters to divert state funds. In the past, the fraud we have seen was mainly associated with changes being made on the statewide vendor forms. Today we are seeing forms establishing new vendors that are also fraudulent, such as bad actors registering as sole proprietors to misappropriate money from the pandemic relief funds. For example, suspects have registered as landlords when in fact they were not. We've also seen the use of a deceased person's information to obtain payments from state agencies. An agency uncovered an attempt to receive a payment utilizing credentials of a known decedent.

This new fraud is difficult for us to detect. When we receive a registration form for a new vendor, we check the taxpayer identification number (TIN) with the IRS. The IRS indicates whether the TIN/name combination is valid. If it is, a new statewide vendor record is established. The payee registration unit has no method of knowing that the newly established record is fraudulent. When we receive statewide vendor form updates, we will continue to utilize our change confirmation procedure to help prevent fraud.

It is becoming more incumbent upon agencies to use due diligence prior to processing requests for payments. Ensure you are familiar with your vendors, especially when running batch payments. Our intent is to alert agencies about this potential risk, so that we may partner to prevent any misdirected funds. If you have any concerns or suggestions, please contact us at (360) 407-8180, or by email at payeeregistration@ofm.wa.gov.

Reconciling Accounts Receivable - continued from page 1

RECONCILIATION TEMPLATES

SAFS uses a standard template and process for reconciling the GLs for the 40+ agencies. For each GL, the template contains the SAAM definition of the GL along with any information specific to the agency, the typical transaction codes (TC) used with that GL, and the sources of information such as the ER report names, JVs, and either manual billing invoices or A/R system aging report.

The benefits of using a standard template and process for SAFS are consistency and reliability. Although 2-3 people are completing the reconciliations, they are all doing it the same, so there is never a question as to the data presented. For example, outstanding items are always listed on the summary page, color coding is consistent, and activity is always broken out by fund, subsidiary, etc. The goal is that anyone can look at that document and understand its meaning.

ACCOUNTS RECEIVABLE RECONCILIATIONS

For the actual reconciliation process, SAFS runs a GL Trial Balance report to ensure they are reconciling to the actual balance in AFRS. They run a GL Activity Flexible report for the specific account/GL being reconciled. On their reconciliation spreadsheet, they track all the transactions that make up the ending balance each month. The list of transactions not cleared from the prior month is copied to the current month spreadsheet and the current month activity is compared to those transactions to determine which transactions cleared. SAFS uses highlighting to show which transactions cleared (blue) and which are still outstanding (yellow). When finished, the total of the blue transactions should be zero, and the total of the yellow transactions should equal the ending balance on the Trial Balance and the activity report. These are the transactions that will carry forward to the next month.

Some of the small agency billings are done through the DES billing system. In these cases, an A/R aging report is also run and the AFRS balance is reconciled to the A/R system balance. Regardless of billing method, outstanding amounts are discussed in the Team meetings and, if needed, SAFS will reach out to the programs for collections efforts.

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TIPS/TRICKS AND COMMON ISSUES/ERRORS

DES was kind enough to share some tips and also some of the pitfalls they have experienced in the hopes that it might help other agencies.

1. Payment transactions being misapplied to the wrong invoice transaction – these errors can carry over into the beginning balance for the following months, until you realize you have a very old receivable that hasn't cleared. Then you contact the customer, and they indicate they've already paid it. So double check that those clearing transactions really do apply to the invoicing transaction.
2. Accruals and year-end liquidations not being cleared out timely. Get them done as early as possible!
3. Using TCs that don't clear the receivable. For instance, receipting in a payment directly to revenue or expense reduction bypassing the receivable and leaving the receivable on the books. DES SAFS tries to prevent this by checking for receivables before posting receipts that don't include an invoice number.
4. Make correcting transactions and follow up the next day to verify they've hit the GLs as you expected. Once we enter a transaction, it's easy to forget to check it the next day. Then you don't find the error until reconciling again which could possibly be months down the road.

And finally, what might sound like a familiar refrain:

5. **Do not wait until year-end to reconcile! If possible, do them monthly or at least quarterly.**

A big thank you to Kara Skinner of DES for sharing their processes and her wisdom gained from many years of experience.

If your agency has a reconciliation process you would like to share in *The Connection* or suggestions for reconciliation topics, please contact Cheryl Hainje at cheryl.hainje@ofm.wa.gov.