



Summer 2021

The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

GASB Statement No. 84, Fiduciary Activities

Effective for fiscal year 2021, 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.

Over the past few months, OFM has completed testing and promoted required changes in AFRS to allow the implementation of the new reporting requirements in the upcoming annual financial report. OFM is currently working with impacted agencies to provide specific guidance on the accounting transactions needed for fiscal year 2021 and in the future.

If you have questions, please contact your assigned OFM Accounting Consultant.



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Fiscal Year-end Reminders

The last 18 months have been filled with many changes, fears, and unknowns, all of which can lead to stress. We hope you are all taking time to care for yourselves and your loved ones. While we can't control or eliminate what's going on in the world at large, we can remind you that we're all in this together and that's how we will get through these challenging times and back to "normal" – together. And, we can provide something to think about that is familiar: fiscal year close. Yes, it's that time again!

First, we want to thank each of you for your efforts, since it is your work that allows us to be successful in getting our Annual Comprehensive Financial Report (ACFR) completed timely and accurately. Last year was surely a challenge for everyone, so extra kudos to you all!

Our ACFR publication goal this year is November 19 and, as usual, to meet this goal everyone must do their part in a timely manner. While fiscal year close is a busy time, there are things you can do to help reduce the stress level. Specifically, if you haven't already, start now to:

- Reconcile your general ledger (GL) balances and post appropriate adjusting entries.
 - Know what makes up the balance in each GL.
 - Ensure GL balances tie to subsidiary records.
 - Have a plan for actions needed to correct balances and follow through on it.

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If you have questions or comments on any information contained in The Connection, please contact Anwar Wilson at anwar.wilson@ofm.wa.gov.

2020 Single Audit

The 2020 Single Audit Report was submitted to the Federal Clearinghouse on June 3, 2021, within the three month-extension granted by the federal government to provide administrative relief to states impacted by COVID-19. The Report is now available online at <https://ofm.wa.gov/accounting/financial-audit-reports/single-audit-report/2020-single-audit-report>.

Here are a few highlights of this year's Single Audit and a comparison with prior years:

	2020	2019	2018	2017	2016
Federal Assistance Expenditures	\$26.0 billion	\$18.0 billion	\$17.7 billion	\$17.5 billion	\$17.2 billion
Known Questioned Costs	\$960.5 million	\$164.9 million	\$21.9 million	\$43.0 million	\$18.4 million
Total number of findings	65	70	61	52	50
Special Test & Provisions	23	11	12	10	22
Activities Allowed/ Unallowed, Allowable Costs/Costs Principle	17	21	20	21	22
Subrecipient Monitoring	11	15	8	1	1

It was a challenging year for single audits and federal assistance reporting, especially with much of the work being completed virtually. As you can see, federal assistance expenditures increased over 40% compared to the level in the last several years. While the influx of federal stimulus funding provided much needed relief to the state as a result of the pandemic, it also brought along new programs and compliance requirements that we had to learn about and work with. We want to thank agencies for working together with us to survive this unique year, and we look forward to using valuable lessons learned to better prepare for next year and beyond.

For the fiscal year 2020 audit, the amount of known questioned costs identified by the auditors increased significantly from previous years, almost a 5-fold increase compared to last year. It should be noted that the majority (63%) of the questioned costs are related to the unemployment insurance program which expanded eligibility for unemployment benefit payments as part of the pandemic relief. There was a surge of known or suspected fraudulent claims, and the auditors determined that the Employment Security Department (ESD) did not have adequate internal controls in place to ensure only eligible recipients received benefits. ESD is continuing its efforts to identify and investigate known and suspected fraudulent claims and to recover overpayments and unallowable payments.

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Out of the 65 findings issued, 23 were for non-compliance with Special Tests and Provisions. With the increasing focus on greater accountability and transparency for federal financial assistance, we will expect to see more specific terms and conditions included on grant awards. The auditors issued 17 findings related to non-compliance with Activities Allowed and Allowable Costs. As always, it is important to ensure internal controls and processes in place are adequate to ensure federal expenditures are proper and supported. There were 11 findings issued for non-compliance with subrecipient monitoring requirements. The Uniform Guidance has recently included more stringent federal requirements for grantees who make subawards. Agencies need to be aware of these additional requirements and design appropriate monitoring activities to ensure federal compliance.

Due to the shortened timeframe between audit cycles, the auditors have already started work on the fiscal year 2021 Single Audit. As soon as the 2021 Compliance Supplement is released, we will communicate any new or updated information to agencies.

If you have any questions or comments, please contact:

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

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- Check that last year's interfund and interagency balances have been liquidated.
 - One known exception to this is Due from Military Dept. (245000) for FEMA reimbursements.
- Review year-end training as needed. Since these are elearning classes, they can be taken when it's convenient for each person.
- Set internal due dates and assign tasks to staff who are trained for those activities.
- Communicate deadlines both internally (those who supply needed information) and externally (vendors, contractors).
- Prepare to issue your interagency billing by the July 16 due date. Timeliness is critical.
- Tackle those interagency balances early on as interagency receivables and payables must be in balance by August 20.
- Verify that needed CFDA numbers are available in AFRS for federal reporting.
 - Contact your OFM Accounting Consultant for additions, providing the cover sheet from the award document that clearly displays the CFDA number.
- Perform administering agency duties.

We appreciate your efforts to meet the ACFR deadlines and look forward to another successful close. Remember, all the work you have done this past year and will do this summer will culminate with the 2021 ACFR. Let's all be proud of what we accomplish together!

Right-to-Use Lease Agreements (GASB 87)

Governmental Accounting Standards Board Statement 87 Leases (GASB 87) establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. GASB 87 applies to leases of capital assets—including buildings, land, and equipment.

The new leases SAAM policies, procedures, and illustrative entries have been published and an [e-Learning](#) on these new policies and procedures is available on [OFM's Accounting Training website](#).

Leases will be recorded in the Facilities Portfolio Management Tool (FPMT)

Agencies currently record all leased and owned facilities in FPMT. We are modifying FPMT so that agencies can comply with GASB 87 and send accounting transactions to AFRS.

Beginning in October 2021, for leases that exceed the capitalization threshold (\$500,000 in total lease payments over the lease term), agencies must:

1. Verify the information previously entered in FPMT and add a master index and statewide vendor number for the lease contracts.
2. Record any additional leases within the scope of GASB 87 in FPMT (i.e., equipment, land, etc.).

Timeline



Additional information is available on the [OFM Leases Accounting Resource Page](#), including a detailed [checklist](#) based on this timeline.

News from the Payee Registration Unit

The payee registration unit's priorities are fraud prevention and detection, excellent customer service, and reduced turn-around times.

The payee registration unit has maintained processing times of ***less than five days*** for several months. Recent changes that have contributed to this improvement include:

- We now contact both the current and new contact's email for confirmation, alleviating delays to record updates.
- For individuals, fewer than three changes are processed with no confirmation. We believe this change helps payees where there is a lower risk of fraud.
- We add banking information if a new vendor number has been established for less than one month without confirmation. Please note that for all other banking changes, additions, or deletions, we will continue to confirm by phone. Banking changes are considered to be high-risk with a potential for fraud.
- Additional staff are answering the payee registration phone-line in order to improve customer service.

It is important to maintain correct vendor/payee information in AFRS because:

1. Warrants are mailed through Consolidated Mail Services, reducing work for agencies.
2. 1099 forms are mailed to the correct address.
3. Changes to electronic funds transfer temporarily result in a mailed warrant during the banking verification process.
4. Relieves agencies from responding to phone calls for remittance advices.

We encourage agencies to provide vendors the forms they need. The most current forms are available at <https://ofm.wa.gov/payee>. For more information regarding which forms are needed, please use this [link](#).

We are here to serve you! If you have any questions, please contact us at (360) 407-8180 ext 5.