



# The Connection

A QUARTERLY NEWSLETTER FROM OFM REPORTING NEWS & INFORMATION ON STATEWIDE ACCOUNTING & FINANCIAL SYSTEMS

## IT Coding Goes Live

The Office of Financial Management (OFM) implemented new coding requirements for information technology (IT) costs effective July 1, 2010.

We modified Section 75.10 and issued a new section in the State Administrative and Accounting Manual (SAAM). The new Section 75.65, Statewide Project Type Codes, responds to the increased interest in having better information about IT costs.

Key provisions of Section 75.65 include the following:

- Added mandatory project type codes to the statewide chart of accounts.
- Required certain IT expenditures to be coded as either an acquisition/new development or maintenance and operations.
- Deferred the implementation of this new section for institutions of higher education until July 2013.

If you have any questions, please contact Sadie Rodriguez-Hawkins at 360-725-0179, Lee Hall at 360-725-0220, or Bruce Gorsky at 360-725-0221.



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## ALERT! Fiscal Year-end Closing Deadlines are Looming

As you may know, OFM plans to publish this year’s Comprehensive Annual Financial Report (CAFR) by November 30, 2010. To accomplish this goal, your adherence to the year-end closing schedule is key.

Interagency Billings Mailed	July 23, 2010
Phase 1 Closes - Accruals	July 30, 2010
Phase 2 Closes - Agency Adjustments	September 10, 2010

A critical component of the process is reconciling interagency receivables and payables. Consequently, it is very important that interagency billings be mailed timely. Unless prior arrangements have been made between agencies, interagency billings must be mailed by July 23. As in prior years, the interagency receivable/payable contact list is available at <http://www.ofm.wa.gov/resources/yearend.asp>.

Unless approved in advance by OFM, all agency adjustments must be in by Phase 2 close. It is very important that you complete disclosure forms prior to September 10 to ensure that adjustment activity is completed by Phase 2 close.

For additional information, please contact your assigned OFM accounting consultant.

## More Savings for Agencies - Rate Reductions

In **May 2010**, OFM reduced the following systems fees:

- AFRS File Usage
- AFRS Transaction

In addition, effective **July 2010**, agencies will no longer receive an AFRS transaction charge for allotment data passed from TALS (the allotment system) to AFRS.

The schedule below reflects the rate changes made so far for this biennium.

Service	Rates in the 2007-09 Biennium	Rates as of July 2009	Rates as of January 2010	Rates as of May 2010
Capital Asset Management System file utilization	\$0.114	\$0.09	\$0	<b>\$0</b>
Accounts Receivable Customer record fee	\$1.00	\$0.75	\$0	<b>\$0</b>
Accounts Receivable record processing fee	\$1.00	\$0.75	\$0	<b>\$0</b>
Time Management System file utilization (per active employee per month)	\$1.25	\$0.75	\$0	<b>\$0</b>
Travel Expense Management System (per voucher)	\$3.90	\$1.00	\$0	<b>\$0</b>
AFRS File Usage	\$.027	\$.027	\$.027	<b>\$.025</b>
AFRS Transaction	\$.065	\$.055	\$.055	<b>\$.050</b>

We will continue to look for opportunities to pass savings along to you. If you have any questions about the new rates, please contact Muoi Nguy at [muoi.nguy@ofm.wa.gov](mailto:muoi.nguy@ofm.wa.gov).

If you have additional ideas or suggestions on how OFM can offer better or more affordable services, please contact:

- Maria Hug at [maria.hug@ofm.wa.gov](mailto:maria.hug@ofm.wa.gov) for accounting-related system or reporting ideas.
- Wendi Gunther at [wendi.gunther@ofm.wa.gov](mailto:wendi.gunther@ofm.wa.gov) for budget-related system or reporting ideas.

## Washington Awarded Grant for Data Systems

Washington state recently received a three-year \$17.3 million grant from the American Recovery and Reinvestment Act (ARRA) for a statewide longitudinal data system (SLDS). This grant will support the development and implementation of data systems to enable our state to examine student progress from early childhood education into their career paths. Outcomes include providing links between pre-school, K-12, postsecondary, and workforce data while protecting student privacy and confidentiality consistent with applicable privacy protection laws.

Responding to recommendations of the Washington Learns effort, the 2007 Washington State Legislature created the Education Research and Data Center (ERDC) within the Office of Financial Management (OFM), with the Legislative Evaluation and Accountability Program (LEAP) as a statutory partner. The ERDC will help develop an integrated data warehouse to greatly improve access to longitudinal information, including reports, tables, charts and graphs, and research data.

The 2009 ARRA grantees were selected based on the merit of the applicants' proposals and the funding available for the program. The process is administered by the Institute of Education Sciences (IES) at the Department of Education with an independent peer review panel that evaluated the proposals. The award was made based on criteria including the need for the project, project goals and outcomes, activities and timeline, management and governance, and personnel and financial resources.

For more information, please contact Melissa Beard at 360-902-0584 / [melissa.beard@ofm.wa.gov](mailto:melissa.beard@ofm.wa.gov), or visit the ERDC website at [www.erd.c.wa.gov](http://www.erd.c.wa.gov).

## Year-End Closing Resources on OFM's Website

To assist you in the fiscal year-end closing process, the following resources are available on our website at <http://www.ofm.wa.gov/resources/yearend.asp>. Or, if you are navigating from OFM's homepage, hover over the "Accounting" tab, choose "Accounting & Administrative Resources," and click on Year-End Closing.

1. **FY 2010 AFRS/CAFR Closing Schedule** – a calendar key of dates for the closing process.
2. **FY 2010 OST Year-End Cash Memo** – a link to OST's closing memo.
3. **FY 2010 June Cash Transaction Effective Dates** – the dates various types of transactions (AFRS EFT, IAP, IFT, warrant, etc) must be posted in AFRS to be considered "paid" in June.
4. **Most Common AFRS Tran Codes for Fiscal Year-End** – a handy "cheat sheet" which lists the transaction codes to be used for common fiscal year-end adjusting entries.
5. **FY 2010 Interagency Receivables & Payables Contacts List** – a list of agency contacts for interagency receivables & payables.
6. **State Fiscal Year-End Closing Update Class** – a copy of the class presentation.
7. **Federal Fiscal Year-End Closing Update Class** – a copy of the class presentation.
8. **Training** – a link to our training webpage which lists the four year-end training classes we offer.
9. **Spring 2010 Connection articles** – a link to articles such as: Earlier CAFR Publication, Fiscal Year-End Training, and Fiscal Year-End Draws Near.

We welcome your suggestions for additions to this website. Please contact Suzanne Coit at 360-725-0187 / [suzanne.coit@ofm.wa.gov](mailto:suzanne.coit@ofm.wa.gov).

## Fraud Facts: Fraud Patterns are Consistent Worldwide

What do workplaces in governments and companies around the world have in common? Consistent patterns of fraud.

There are some regional differences, but for the most part fraud in the workplace seems to be much the same wherever it occurs in the world. This is one of the findings in the *2010 Report to the Nations on Occupational Fraud and Abuse*, issued in June by the Association of Certified Fraud Examiners. The data are from a study of 1,843 cases of workplace fraud that occurred worldwide between January 2008 and December 2009. Another report finding is that fraud conditions remain very similar to those in prior reports and include the following:

1. The median loss caused by the workplace fraud cases in the study was \$160,000.
2. The frauds lasted a median of 18 months before being detected.
3. Over 40 percent of frauds were detected by tips; more than any other means.
4. Anti-fraud controls helped reduce the cost and duration of workplace fraud schemes. Organizations with anti-fraud controls in place had significantly lower losses and less time-to-detection than those without the controls.
5. High-level perpetrators caused the greatest damage to their organizations. Frauds committed by executives were more than three times as costly as frauds committed by managers, and more than nine times as costly as employee frauds. Executive-level frauds also took much longer to detect.

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## Upcoming FREE Audio Conferences

The Association of Government Accountants (AGA) - Olympia Chapter, the State Auditor's Office, and the Financial Management Advisory Council (FMAC) are co-sponsoring a series of FREE audio conferences.

### 2010

- Aug. 11 Using Performance Measures to Improve Service Delivery
- Sept. 29 Improving Program Performance & Accountability Through Cooperative Audit Resolution
- Oct. 20 Achieving Transparency – The Next Step to Integrating Your Data
- Nov. 10 Fraud
- Dec. 8 Internal Control and Risk Assessment - Thoughts from SAS 109 and 115

### 2011

- Jan. 19 Are We Winning the Improper Payments Battle?
- Feb. 2 Internal Controls
- Mar. 2 Auditing Tools
- Mar. 23 Improving Performance Reporting
- Apr. 20 Fraud
- May 18 Ethics
- June 8 Internal Controls

2 CPE credits are offered for each audio conference.

All audio conferences are scheduled for 11:00 am to 12:50 pm (PST). For audio conference locations and to register, visit the AGA-Olympia Chapter's website at: [www.aga-olympia.org](http://www.aga-olympia.org).

## Fraud Facts *(continued from previous page)*

6. More than 80 percent of the frauds in the study were committed by individuals in one of six departments: accounting, operations, sales, executive/upper management, customer service and purchasing.
7. More than 85 percent of fraudsters had never been previously charged or convicted for a fraud-related offense.
8. Perpetrators often displayed warning signs they were engaging in illicit activity. The most common red flags were living beyond their means (43 percent) and experiencing financial difficulties (36 percent).

What does this mean to you? Fraud can happen anywhere and you are an important part of your agency's internal control. While strong internal controls along with internal and external audits are key elements to preventing and detecting fraud, tips are the means of detecting fraud most often. Fraudster's display warning signs - be aware and be willing to say something.

There are several avenues to report suspected fraud. You can report potential fraud in your own agency, to the State Auditor's Office Whistleblower Program or to the State Auditor's Office Fraud Program.

## The Enterprise Payment Services Project

Have you heard that beginning January 1, 2012, the IRS will require all states and large governments to withhold 3 percent on vendor payments for goods and services that exceed \$10,000? At the same time, IRS year-end information reporting requirements will extend beyond the reporting of payments for contractor services to include payments for goods and include payments made by corporations. These changes will increase the complexity of payment processing and create a significant IRS year-end reporting workload.

The Enterprise Payment Services (EPS) project focuses on three components to address these new business requirements.

- Modify OFM payment systems to comply with the new laws.
- Streamline and automate processes to help manage the administrative burden caused by the changes to year-end reporting.
- Create a self service, web-based vendor (payee) portal.

Benefits include:

- Streamlined and common business processes for state agencies.
- Enhanced vendor, payment, and IRS withholding information and reporting capabilities.
- An enterprise approach to meeting the new IRS requirements.
- Self service portal for vendor self registration and data maintenance.

To take advantage of the enhanced functionality of the AFPS payment system resulting from the EPS project, agencies will need to use the statewide vendor file and decommission their agency vendor files.

OFM has made, or plans to make, a number of changes to the statewide vendor file that will eliminate the need for agency vendor files for many agencies. For example:

- Agencies now have the option to have warrants returned to the agency so that additional documentation can be included before mailing.
- OFM is working to populate the table with employee data from the Department of Personnel's (DOP) Human Resource Management System (HRMS).

OFM offers agencies assistance to transition from agency vendor files to the statewide vendor file. OFM provides vendor file comparisons, assists with necessary file conversions, and helps agencies to develop transition plans. Agencies interested in assessing the benefits of moving to the statewide vendor file can contact Maria Hug, Accounting Portfolio Product Manager, at 360-664-7749 / maria.hug@ofm.wa.gov.

## New Reporting Options for the IT Portfolio Management System

Let me at the data! Every year agencies are required to enter information technology investment and project information into the Department of Information Services' (DIS) Information Technology Portfolio Management System (ITPMS). DIS and OFM teamed up to determine how to improve the options for ITPMS data reporting. Recently, a proof of concept was successfully completed using OFM's Web Intelligence (aka ad hoc reporting) tools.

Work is now underway to put the concept into production and we expect these new reporting tools will be available to agencies later this summer.

We will provide updates to ITPMS users as planning and implementation continues. Please contact Debbie Kendall at 360-902-2978 / debbie.kendall@dis.wa.gov for more information.

## Capital Asset Check-Up

At fiscal year-end, agencies must certify that their capital asset balances reported in AFRS are correct. Accurate reporting of capital assets is important to ensure the integrity of the state's financial statements.

SAAM 85.60.60 states, "Quarterly, all agencies are to reconcile their authorized capital asset management system with the balances in GL Code Series 2XXX "Capital Assets" to ensure the accuracy of the balances in the general ledger." To facilitate this reconciliation, if your agency uses CAMS, the CAMS Report COST & DEPREC. FOR ASSETS \$5000 AND ABOVE is available to identify assets added and disposed of.

Year-end is a good time to review your agency's policies and to verify that your small and attractive asset inventory is up-to-date. For questions regarding capital assets you can contact Stefanie Niemela at 360-725-0228 / stefanie.niemela@ofm.wa.gov.

## What's new in SAAM

Effective July 1, 2010, the State Administrative and Accounting Manual (SAAM) was updated in a number of areas. Certain changes were related to actions of the 2010 Legislature, while others were made to clarify existing policies and improve the effectiveness of state accounting. Some of the key changes include:

### Chapter 25: Payroll

In accordance with Engrossed Substitute Senate Bill 6503, employees whose base salary is \$2,500 or less and have no vacation leave may use shared leave in lieu of a temporary layoff during the closure of an office of a state agency or institution of higher education. This is effective during the 2009-11 Biennium only.

### Chapter 40: E-Commerce

When accepting funds electronically, the use of the automated clearing house (ACH) network is the preferred method. If an economic feasibility study (EFS) for the acceptance of funds electronically is limited to the acceptance of credit cards and/or debit cards and does not include ACH, the EFS is required to explain why ACH is not a viable option.

### Chapter 50: Federal Compliance

Increased the threshold for programs subject to the Cash Management Improvement Act (CMIA) regulations to \$35 million or more.

### Chapter 65: Financial Services Agreements

Added reference to RCW 39.58.080 regarding deposit of public funds.

### Chapter 75: Uniform Chart of Accounts

Modified the chart of accounts for the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions."

- Eliminated Agency 1440, Municipal Research Council
- Added 14 new accounts
- Reactivated 2 accounts
- Deleted 26 accounts
- Changed the name of 3 accounts
- Changed the budget type of 3 accounts
- Changed the administrative agency of 6 accounts
- Added new general ledger codes and 3 revenue source codes

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## **Chapter 80: Accounting Policies *(continued from previous page)***

Revised the definitions of governmental funds and added classifications of fund equity to reflect GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions.”

## **Chapter 85: Accounting Procedures**

- Modified the belated claims policy
- Clarified accounting for losses in permanent funds
- Added accounting policy and illustrative entries for travel advances

Further details related to July 1, 2010, SAAM changes are noted in OFM Directive 10A-10. This directive, as well as, the entire text of SAAM is available on our website at: <http://www.ofm.wa.gov/policy/default.asp>.

Questions regarding content and proper interpretation should be directed to the OFM Accounting Consultant assigned to your agency.

## **Corrective Action Plans: Purpose and Process**

Per RCW 43.88.160, one of OFM’s roles regarding audit findings is “to cause corrective action to be taken...” To this end, the State Administrative and Accounting Manual (SAAM) Chapter 55 requires agencies to provide a corrective action plan (CAP) to address each audit finding they receive during an accountability audit, the statewide single audit of federal programs, and special audits related to fraud investigations. A CAP is required for each finding and is due thirty days after the audit report is issued.

Statewide Accounting (SWA) staff review each CAP to determine if the planned action clearly and adequately addresses the finding and the underlying causes. This requires that the CAP be detailed enough for SWA to understand what is actually being done by the agency to improve the current condition. General statements indicating the agency will “update our policy and procedures” or will “improve internal controls” do not contain sufficient detail to make that determination.

In the CAP review, SWA looks for specific actions and expected outcomes of those actions. For example, “The Department will implement procedures to review and reconcile fuel purchase card transactions to invoices to ensure the Department has been properly billed.” We also want to know how changes will be implemented (such as, one-time or ongoing mandatory training), how information will be communicated to staff, and who will be responsible for monitoring the activity, if applicable.

In the fall of each year, SWA requests updates to the current year’s CAPs to confirm which planned actions have been accomplished to date and what actions are still in process or planned for the future. These updated CAPs become the source for the annual Audit Resolution Report, which is also required by statute, and published each December.

One final step for agencies is to complete a “Certification of Completion of Corrective Action.” When the agency believes the actions taken are appropriate to resolve the audit finding, this certification is signed by the agency director or authorized designee and submitted to SWA.

Additional information and CAP forms are available in SAAM. Questions about the CAP should be addressed to your assigned OFM Accounting Consultant.