



The Connection

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

Look Out! Here Comes GASB 54!

Hopefully, you have had the opportunity to attend, or you are scheduled to attend, an OFM GASB 54 training session. GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is required for fiscal year 2011 financial reporting.

For implementation of the new GASB statement, OFM has added new rollup funds based on the new fund type definitions, created new fund balance general ledger (GL) codes, and categorized each account's fund balance based on the level of constraint.

Crosswalks and worksheets are available on the new GASB 54 resource page on OFM's website at <http://www.ofm.wa.gov/resources/gasb54.asp>.

OFM's Statewide Accounting team is currently:

- Finalizing work with the ISD team to update hard-coded AFRS programs.
- Posting entries to move the July 1, 2010, beginning fund balances to the new GL codes. Our approach will be to post entries at the agency/account/general ledger code level. We will start with transitioning the beginning balances in GL Code 9556 "Reserved for Petty Cash" to the new GL Code 9122 "Nonspendable Petty Cash."

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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 21, 2011, this fiscal year. To accomplish this goal, your adherence to the year-end closing schedule is key.

Interagency billings mailed	July 22, 2011
Phase 1 Closes - Accruals	July 29, 2011
Phase 2 Closes - Agency adjustments and financial disclosure forms are due	September 13, 2011
State Financial Disclosure certification due	September 27, 2011
Federal Assistance Certification due	December 6, 2011

A critical component of the process is reconciling interagency receivables & 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 22. As in prior years, to facilitate the reconciliation process, the interagency receivables & payables contact list is available on the Year-end Closing resource page on OFM's website 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 13 to ensure that adjustment activity is completed by Phase 2 close.

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

If you have questions or comments on any information contained in *The Connection*, please contact Jayda Williams at jayda.williams@ofm.wa.gov.

It's All About Transparency

What's new at the Federal level?

You may be familiar with the 1512 reporting for federal awards that came about in conjunction with the American Recovery and Reinvestment Act (ARRA). There is now a new requirement that will impose reporting requirements on non-ARRA awards as well.

The new Transparency Act Reporting for Federal Awards became effective October 1, 2010. Under this requirement new awards or subgrants obligated after October 1, 2010, will have the following additional reporting requirements:

- DUNS Number - required of recipients and first-tier subrecipients, and
- CCR Registration - required of recipients; not required for first-tier subrecipients.

What needs to be reported?

Each first-tier subaward or action of \$25,000 or more in federal funds if the federal award that is the source of the funding was made on or after October 1, 2010.

Who reports it?

The recipient of the federal award.

Where is it reported?

Recipient information is reported in the Central Contractor Registration (CCR) System. First-tier subrecipient information is reported in the Federal Funding and Accountability Transparency Act Subaward Reporting System.

When must it be reported?

Required information must be reported by the end of the month following the month in which the funding occurred.

What's new with the State?

The public views transparency as fundamental to accountability. Most states, including Washington, have transparency websites. Washington's transparency website (www.fiscal.wa.gov) already provides access to a wealth of information related to budgets, spending, revenue, state employee salaries, and contracts. Our next goal is to add Vendor Checkbook information.

Here is some information about the Vendor Checkbook project:

- **Timeline.** We have prepared a [timeline](#) to show key tasks involved in getting the Vendor Checkbook onto the transparency website. You'll notice in the timeline that the checkbook information will be available first to the agencies making the payments, then to other state agencies, and finally to the public. When agency data is made available to other state agencies and to the public, it will be limited to 2011-13 biennium payments.
- **Data access and review.** If you have not already done so, we ask that each agency fiscal officer send an email to the Legislative Evaluation & Accountability Program (LEAP) Committee requesting access to your agency's data on the test website. Please do this as soon as possible. Someone on the Committee will set up a unique username and password for your agency and send it to you via email. Once you have access, we'd like you to share the access with others in your agency to review the data for accuracy and disclosability. Data included on the test website is defined in the [presentation rules](#).

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- **Data exempt from disclosure.** Unless information is specifically exempt from disclosure, it will be disclosed if it meets the other inclusion criteria. We anticipate that a data sharing agreement between each agency and OFM will specify what data, if any, is exempt from disclosure. Therefore, we'd like each agency to document the nature of its disbursements that are exempt from disclosure, the related subobject coding, and the statute or other reference that requires the data to be exempt from disclosure. We anticipate building a survey to gather this information and will forward the survey link when it is available.

In addition, we have added a new Vendor Checkbook resource page to OFM's website at <http://www.ofm.wa.gov/resources/checkbook.asp>. This resource page includes frequently asked questions and other useful information. Additional information will be added as it becomes available.

There are many steps to take before we go live and we need your participation, beginning with review of the test website data. We look forward to working with you to achieve this goal. If you have questions or input for us on any of these topics, please contact the Kim Thompson at kim.thompson@ofm.wa.gov.

If your agency hasn't already done so, we encourage you to contact the LEAP Committee and get access to your agency's data. The summer is a busy time and you'll want to make sure you participate in this exciting initiative.

Federal Year-end Reporting

Because numerous errors were noted on the federal disclosure forms last year, we are emphasizing correct reporting for fiscal year 2011. It is important to verify the data entered on the disclosure forms. Be on the lookout for errors such as:

- ARRA expenditures incorrectly reported as regular expenditures
- Program expenditures under-reported.
- Non-cash program expenditures incorrectly reported or not reported at all.
- Pass-through amounts incorrectly reported.
- Program expenditures reported under the incorrect CFDA numbers or not reported at all.
- Program expenditures incorrectly reported under Research and Development.

If you have questions about what to report on federal disclosure forms contact Andrea Brown at andrea.brown@ofm.wa.gov, or your assigned OFM accounting consultant.

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Look Out! Here Comes GASB 54!

- Working with the Enterprise Reporting team to make sure that reports are updated with the new GL codes.

As the Statewide Accounting team completes the tasks noted above, agencies will need to:

- Review the fund balance category assigned to each account that you use and verify the GL code.
- Provide lower level coding, if necessary, for the beginning balance entry.
- Adjust any fiscal year 2011 activity posted to a fund balance reserve GL code to the new GL code.
- Update any agency toolbox entries, recurring journal vouchers, and/or "cheat sheets" with the new GL codes, variable codes, and transaction codes.

If you have any questions, please contact Pat Sanborn at pat.sanborn@ofm.wa.gov, or your assigned OFM accounting consultant.

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.

2011	Aug. 3	CFO Act
	Sept. 28	Fraud
	Oct. 5	SSAE 16: Reporting on Controls
	Nov. 2	Major Challenges to the Public Section Auditing Profession
	Dec. 7	Performance Management
2012	Jan. 11	Getting a Handle on Internal Controls
	Feb. 8	Financial Management
	Mar. 7	Data Mining
	Apr. 18	Find Strengths in Numbers: Sampling Techniques to Improve Financial Audit, Control and Program Performance
	May 9	Fraud
	May 23	Ethics
	June 6	Performance Management

All audio conferences are scheduled for 11:00 am to 12:50 pm (PST). 2 CPE credits are offered for each audio conference. For audio conference locations and to register, visit the AGA-Olympia Chapter's website at www.aga-olympia.org.

EPS Project Update

We have been reporting on the Enterprise Payment Services (EPS) project in The Connection since it was launched by OFM last year. The project is progressing through the design phase. One of the drivers of the EPS project was changes in federal reporting related to vendor payments. Here's the current status of changes to federal reporting:

Expanded 1099-MISC Reporting repealed. On April 14, 2011, the President signed into law the Comprehensive 1099 Taxpayer Protection and Repayment of Exchange Subsidy Overpayments Act of 2011 (HR 4, 1099 Act), which repealed the expanded 1099-MISC reporting requirements. These requirements were to take effect January 1, 2012.

3% withholding delayed one year. On May 9, 2011, the IRS published final regulations relating to withholding by government entities. The final regulations state that the effective date for 3% withholding is January 1, 2013:

- The payment threshold amount did not change – it is still \$10,000. The threshold applies on a payment by payment basis.
- The final regulations reserve for future guidance the issue of the potential application of section 3402(t) withholding to payment card transactions. Withholding requirements and the related reporting requirements will not apply to any payment made by payment card for any calendar year beginning earlier than at least 18 months from the date further guidance is finalized applying section 3402(t) withholding to payments by payment card.

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- Payments made under written binding contracts in effect on December 31, 2012, are not subject to section 3% withholding. If an existing contract is materially modified after December 31, 2012, the contract ceases to be an existing contract and payments under the contract become subject to 3%. The IRS and the Treasury Department are proposing regulations to provide that the exception for payments made under existing contracts will not apply to payments made on or after January 1, 2014, meaning on or after this date all contract payments would be subject to 3% withholding.
- Who is subject to 3% withholding?
 - ◊ Individuals
 - ◊ Trusts and Estates
 - ◊ Partnerships
 - ◊ Associations
 - ◊ Corporations
- As in the draft regulations, there are exemptions in the final regulations, such as:
 - ◊ Payments otherwise subject to withholding
 - ◊ Payments for real property
 - ◊ Payments for retirement benefits, unemployment compensation
 - ◊ Payments of interest
 - ◊ Public assistance payments made on the basis of need or income
 - ◊ Payments to other government entities, foreign governments, Indian tribes
 - ◊ Payments made in emergency or disaster situations

Repeal efforts continue at the federal level. Our understanding is that a repeal vote, if any, will not take place until late in the year. Because there are no guarantees that 3% withholding will be repealed, the EPS project continues to move forward assuming that the requirements will be effective January 1, 2013.

For information about the EPS project, refer to the EPS resources page on OFM's website at <http://www.ofm.wa.gov/resources/eps.asp>. Additional information will be added as it becomes available.

Year-end Closing Resources

To assist you in the fiscal year-end closing process, the following resources are available on the Year-end Closing resource page on OFM's website at <http://www.ofm.wa.gov/resources/yearend.asp>.

- **AFRS/CAFR closing schedule** – A calendar with key dates for the closing process.
- **OST year-end cash memo** – A link to the OST's closing memo.
- **June cash transaction effective dates** – The date various types of transactions (AFRS EFT, IAP, IFT, warrant, etc) that must be posted in AFRS to be considered "paid" in June.
- **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.
- **Interagency receivables & payables contacts list** – A list of agency contacts for interagency receivables & payables.
- **State fiscal year-end closing class** – A class PowerPoint presentation.
- **Federal fiscal year-end closing class** – A class PowerPoint presentation.

We welcome suggestions for additions to this website. If you have any questions or suggestions, please contact Suzanne Coit at suzanne.coit@ofm.wa.gov.

Changes to Payment Transaction Codes

In the Spring issue of The Connection, the Enterprise Payment Services (EPS) update article contained a section about requiring a subobject on payment transactions. The EPS team worked with the EPS Agency Advisory Group to finalize these changes, and we are now ready to provide specific information about the changes that are coming. We also want to explain how these changes will improve other areas of reporting and encourage you to consider implementing the changes before they are required.

For EPS purposes, the presence of a subobject on expenditure-type payment transactions is needed to allow AFRS to determine, in conjunction with the vendor type, whether the payment is subject to the new 3% withholding requirement. This same combination of vendor type and subobject is or will be used in several other areas, as follows:

- **IRS Reporting:** It determines which transactions are subject to 1099-MISC reporting and assigns the appropriate IRS box number.
- **OMWBE Reporting:** It determines which transactions to include in the participation base for OMWBE reporting. It also enables the system to identify OMWBE exceptions and mark them with the correct exception flag.
- **Transparency:** Soon, it will be a key factor in determining the transactions that are included in the Vendor Checkbook on the state's fiscal.wa.gov website.

Summer of SAAM

Effective June 1, 2011, the *State Administrative and Accounting Manual* (SAAM) was updated to reflect new government reporting and accounting standards for fiscal year 2011.

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, to enhance governmental fund balance reporting by establishing new fund balance classifications (nonspendable, restricted, committed, assigned, and unassigned). Implementation of GASB 54 is required for fiscal year ending June 30, 2011.

To implement GASB 54, several changes were made to Chapters 75, 85 and 90 in SAAM. For more information and agency guidance on GASB 54, refer to the GASB 54 resource page on OFM's website at <http://www.ofm.wa.gov/resources/gasb54.asp>.

Revisions to Chapter 90, State Reporting, include the state reporting policies and procedures for fiscal year 2011. This directive also contains the timetable related to fiscal year-end reporting and closing schedule.

The update to Chapter 95, Federal Assistance Reporting, will be issued in mid-July.

For a complete list of key changes in the June SAAM update and for a timetable of year-end reporting and closing dates, refer to OFM [Directive 11A-04](#).

Effective July 1, 2011, SAAM was updated again in a number of areas. Certain changes were related to actions of the 2011 Legislature while others were made to clarify existing policies and improve the effectiveness of state accounting.

Engrossed Substitute House Bill (ESHB) 2921 which restricted out-of-state travel and training, personal service contracts, and equipment acquisitions during the 2009-11 biennium expired on June 30, 2011, therefore was removed from SAAM. However, Engrossed Second Substitute House Bill (E2SHB) 1371 provided for new restrictions on travel by board, commission, and committee members.

For a complete list of key changes in the July SAAM update, refer to OFM [Directives 11A-05](#) and [11A-06](#).

The policies and procedures prescribed in SAAM are the minimum requirements that state agencies must meet. An agency may adopt more restrictive or detailed policies as long as the agency meets the required minimum standards.

Questions regarding manual content and proper interpretation should be directed to the OFM accounting consultant assigned to your agency. You can find your agency's assigned OFM accounting consultant at <http://www.ofm.wa.gov/accounting/swa/swacontactsbyagency.asp>.

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Changes to Payment Transaction Codes

To facilitate the completeness of the processes described above and the accuracy of payment data, we are modifying transactions codes (TC) so that all expenditure-related payments require subobject coding. This change will be effective starting in January 2012.

The details of the TC changes can be found on our EPS website, but here are the highlights:

- All payment TCs will be changed so that a subobject is either required or not allowed starting in January 2012. The change that will affect most agencies is that a subobject will be required on the following TCs: 557*, 577*, 955, 957, 960. [*TCs 557 and 577 are being replaced by TCs 446 and 466, respectively, due to GASB 54 changes.]

When we initially analyzed the TCs as part of EPS, we did not plan to change the Inter-Agency Payment (IAP) TCs to require or not allow subobjects since these payments are not subject to 3% withholding, 1099 reporting or OMWBE reporting. However, we now realize that they will be included in the Vendor Checkbook, so the same subobject rules used for regular payment TCs need to be applied to the IAP TCs. Thus, there will likely be changes to IAP TCs to require a subobject. We will work with the EPS Agency Advisory Group this summer to review proposed changes to IAP TCs.

- Two additional TCs that mirror TC 955 and its related credit memo, TC 960, have been established and are available now. While TC 955/960 will require subobjects starting in January 2012, the new TCs – 951 (payment) and 968 (credit memo) – is intended for non-expenditure related payments and will not allow subobjects. Use the link to our EPS website above to see the list of variable GLs allowed for TCs 955/960 and 951/968.
- Some GLs, such as GL 5199, are valid with TC 955/960 and TC 951/968. In these cases, it is up to the agency to determine which TC to use based on whether the payment is related to an expenditure or not. If it is related to an expenditure (i.e., an accrued or cash expenditure is recorded separately, either before or after the payment), use TC 955/960 with the same subobject used to record the related expenditure. If it is not related to an expenditure, use TC 951/968 without a subobject.

We understand that these changes will require modifications to your internal processes and, in some cases, to internal systems. That is why we are not requiring that these changes be made immediately. However, we encourage you to begin analysis of what it will take for you to comply and, where you can, implement early. Not only will it improve the quality of your IRS, OMWBE, and transparency reporting, it will also be one less change to implement later.

Please address any questions about this to your assigned OFM accounting consultant.

About ESSB 5931

The Washington State Legislature has passed Engrossed Substitute Senate Bill (ESSB) 5931, a bill that consolidates the state's central service agencies as proposed by Governor Gregoire. The Governor signed the legislation on June 15, 2011. The effective date is October 1, 2011.

Operational support to agencies and back office functions will be consolidated into the new Department of Enterprise Services (DES), which will incorporate all or portions of the following agencies:

- Department of Personnel (DOP)
- General Administration (GA)
- Office of Financial Management (OFM)
- Department of Printing (PRT)
- Department of Information Services (DIS)

Under the bill, the following will transfer to DES: all roles and responsibilities of GA and the state printer; OFM's risk management, small agency client services and oversight of personal service contracts; DOP training, career development and oversight of the payroll and recruitment systems; and DIS wireless device purchasing and digital signature authority.

The bill also creates the Office of the Chief Information Officer responsible for strategic information technology and moves the State Human Resources Director and human resource policy to OFM. Additionally, the legislation transfers major services from DIS including server hosting and network administration, telephony, security administration and email to the newly created Consolidated Technology Services (CTS) agency.

For fiscal year 2011 close, it's business as usual. But in October, you can expect to see the new agencies emerge and updates to the *State Administrative & Accounting Manual* (SAAM) as a result of ESSB 5931.