



Winter 2013

The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

2012 Audit Resolution Report

The annual *Audit Resolution Report* was issued to the Legislature in December 2012.

This report summarizes the corrective actions taken by state agencies to resolve exceptions to specific expenditures or financial transactions reported in conjunction with regularly scheduled individual agency post audits and the statewide single audit, as well as other special State Auditor's Office reports. This year's *Audit Resolution Report* include 68 exceptions, one of which relates to fraud.

We acknowledge agency efforts in assisting us in the compilation of this report and invite you to view the *2012 Audit Resolution Report* at: <http://www.ofm.wa.gov/auditresolution/2012/default.asp>.

The information in this report provides an opportunity to learn from other agencies. As you read through the findings, ask yourself if there are similar situations or processes within your agency that should be reviewed. As you read through the resolutions, think about how other agencies' corrective actions could be used to improve your agency's processes and controls. Take your ideas, go forth, and do good things!

If you have any questions, please contact the OFM Accounting Consultant assigned to your agency.



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Another Successful CAFR Season!

The Office of Financial Management is pleased to present the 2012 *Comprehensive Annual Financial Report (CAFR)*. We invite you to view the CAFR online at: <http://www.ofm.wa.gov/cafr/2012/default.asp>.

Key challenges for the fiscal year 2012 closing included the creation of the Department of Enterprise Services which merged the Department of General Administration and State Printer and portions of the Department of Personnel, Department of Information Services (DIS) and the Office of Financial Management effective October 1, 2011. Also effective October 1, 2011, was the creation of Consolidated Technology Services which assumed the DIS activities related to providing telecommunication, state network, enterprise security, and computer services to state government. Another major change involved the transfer of the Medicaid program from the Department of Social and Health Services to the Health Care Authority to consolidate the state's health care purchasing. And, to top it off, we took advantage of an opportunity to partner with the Department of Enterprise Services on a Capital Asset Management System (CAMS) improvement initiative.

Because of your willingness to work through the changes and your diligence in meeting the CAFR calendar deadlines, we received our audit opinion on November 15th - the earliest opinion ever! We appreciate all the time and effort that the fiscal staff at each state agency devoted to closing the fiscal year and providing financial data for the CAFR.

Thank you all!

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

State Disclosure Forms - Proposal for Earlier Deadline for Certain Forms

Statewide Accounting is examining ideas on how to speed up the CAFR fiscal year-end process. Our ultimate goal is to publish the CAFR by October 31 in fiscal year 2014.

One idea is to add an early Phase 1B cutoff on August 16, 2013, for certain state disclosure forms. This would require all AFRS entries related to those disclosure forms to also be complete by August 16, 2013.

The remainder of the disclosure forms would still be due at Phase 2 cutoff on September 6, 2013. If we add a Phase 1B deadline, we will make every effort to keep Phase 2 cutoff after Labor Day for fiscal year 2014 and beyond.

We'll be sending a survey to agencies in January to collect your comments about this idea and which disclosure forms to consider for earlier completion. We would appreciate your response to the survey with your thoughts and comments. Stay tuned!

Fiscal Year 2013 Deadlines

While we are justifiably proud of producing our *Comprehensive Annual Financial Report (CAFR)* in 138 days, there is a continued push on the part of the financial community for even earlier financial information. As we have previously reported, the Municipal Securities Rulemaking Board has issued pending voluntary guidelines that call for the filing of financial information within 120 days by 2014 – that's October 31.

More recently, the U.S. Securities and Exchange Commission (SEC) issued a report that makes a series of recommendations that seek to improve the current structure of the municipal market. One of the recommendations is that the SEC be provided with the authority to set requirements for issuer disclosures including timeframes, frequency and content of financial statements and other financial information. The report cites the timeliness of financial information as a major component to its usefulness.

Given this interest for more timely financial information, we plan to continue with efforts to improve the timeliness of the CAFR. We are looking for opportunities to cut a few more days out of the timeline for the fiscal year 2013 CAFR. That said, we have set Phase 1 and 2 cut off dates and due dates for disclosure forms and certifications consistent with fiscal year 2012 close. The 2013 AFRS/CAFR Closing Schedule can be found online at: http://www.ofm.wa.gov/isd/documentation/13_AFRS_Closing_schedule.pdf.

Interagency billings sent out	July 23, 2013
Phase 1 Accruals	July 31, 2013
Phase 2 Agency adjustments completed and State and Federal disclosure forms due	Sept. 6, 2013
State Financial Disclosure Certification is due	Sept. 18, 2013
Federal Assistance Certification is due	Dec. 6, 2013

Every agency's adherence is important in an earlier closing schedule. Please look at your year-end processes and identify those where a process can be streamlined. As we look for ways to improve the efficiency of the CAFR production, we welcome any and all of your ideas.

If you have any questions or comments, please contact Cheryl Hainje at 360-725-0193 or cheryl.hainje@ofm.wa.gov.

SAAM Update

The *State Administrative and Accounting Manual (SAAM)* was updated to incorporate changes related to the implementation of procurement reform effective January 1, 2013. Procurement reform was signed into legislation on March 30, 2012, consolidating state procurement laws under the Department of Enterprise Services and changing the approach to contracting in Washington State. Contracting laws and rules will no longer focus on a distinction between personal service and purchased service contracts. As a result, references in the chart of accounts to these contracting terms have been eliminated, as well as the entire Chapter 15 Personal Service Contracts. For more information about procurement reform, visit the Department of Enterprise Services' website at: http://des.wa.gov/Procurement_reform.

Also effective January 1, the mileage reimbursement rate for privately owned vehicles increased to \$0.565. This increase reflects the rate set by the United States Treasury Department which, pursuant to RCW 43.03.060, is the maximum rate the state can pay. The state Per Diem Rates map was also updated to reflect this change. The revised map is available on OFM's Travel Resources website at: <http://www.ofm.wa.gov/resources/travel.asp>.

For a complete list of key changes in the most recent SAAM update, refer to OFM Directive 13A-01.

All SAAM policies, directives, technical corrections, and superseded policies are available online at: <http://www.ofm.wa.gov/policy/default.asp>.

If you have questions regarding SAAM policy content and interpretation, please contact the OFM Accounting Consultant assigned to your agency.



Treasury State Agreement

By June 30 each year, the Office of Financial Management (OFM) is required to update its Treasury State Agreement (TSA) with the United States Department of the Treasury in accordance with Section 5 of the Cash Management Improvement Act of 1990. The federal programs included on the new agreement are based on expenditures from the most recent Single Audit Report.

Every five years, we are required to perform warrant clearance pattern studies for specific programs. This is the year that the studies are required. The TSA submitted June 30, 2013, effective July 1, 2013 (fiscal year 2014) will include a statewide payroll warrant clearance pattern review and a review of warrants for the specific federal programs listed on the fiscal year 2013 TSA. OFM in conjunction with the Office of the State Treasurer and the applicable agencies will develop all of the state's clearance patterns.

Along with the warrant clearance pattern studies, we plan to work with agencies this spring to review all funding techniques listed on the agreement to determine if program specific techniques can be eliminated and incorporated into general techniques that apply to more than one program. We will also be reviewing the programs listed on the agreement to ensure that we and the agencies share a common understanding of the funding techniques and verify that agencies are drawing funds in accordance with the funding techniques listed in the TSA.

If you have questions, please contact Andrea Brown at 360-725-0183 or andrea.brown@ofm.wa.gov.



Update on the Time, Leave, and Attendance Program

Work continues on the Time, Leave, and Attendance (TLA) Program. As noted in prior issues of *The Connection*, TLA is a first step in modernizing the state's financial and administrative systems by providing an enterprise time, leave, and attendance solution. Activities this past fall included:

- **Functional requirements** – Several workshops and forums were conducted to refine the requirements that had been gathered over the last year. Feedback received was incorporated and the requirements are being prepared for inclusion in the Request for Proposal (RFP).
- **Technical requirements** – The original set of technical requirements were revamped, refined and reviewed after the first round of feedback was received and incorporated. The final product will be included in the RFP.
- **Business policies** – The first set of business policy recommendations were vetted with stakeholders and presented to the business sponsors for review. As decisions are made on the policies, they will be posted to the SharePoint site.
- **Business rules** – Work continued on the matrices of WAC 357 and all collective bargaining agreements to position the program to develop business rules.
- **RFP** – Development of the RFP began and an IT contracts attorney was brought on board to assist with the development of the RFP. The team has been working to develop portions of the RFP and will start work next week with the contracts attorney.

What's next? The focus for the next few months will be on the solution procurement. The release of the RFP is currently targeted for the first quarter 2013. Responses of the RFP will be evaluated and a contract negotiated. The TLA program will also work with the human resource, payroll, and labor relations communities to validate and begin drafting business rules needed for system design and configuration.

The TLA Program is very appreciative of the agency involvement over the past few months. Agencies were asked to review a number of lengthy documents and the input received was used in the formulation of the RFP. More work lies ahead and the Program is counting on continued agency support.

Regular communications are planned through the Financial Management Advisory Council, the Personnel Payroll Association, and the Human Resource Managers to keep you informed of progress and opportunities for involvement. More information can be found on the TLA website at: www.des.wa.gov/tla.

Training Offered by Statewide Accounting

We are pleased to announce that several training classes will be offered by Statewide Accounting and the IRS this quarter. There are a wide variety of subjects, ranging from federal compliance to accounting basics. All classes will be taught by Statewide Accounting, with the exception of the taxable fringe benefits class, which will be taught by the IRS.

Space is limited in these workshops, so we ask that you read the detailed class descriptions and coordinate within your office so that each agency sends the appropriate staff to each class.

To view class descriptions and register, go to the Learning Management System website at: <http://elearn.dop.wa.gov>. For assistance or additional information, please contact the OFM Accounting Consultant assigned to your agency.

Class Name	Dates	Times	CPE Hours
General Ledger Review	January 8	8:00 - 11:00	3.0 hours
Accounting for Payroll	January 15	8:30 - 4:00	6.5 hours
Compliance: Travel Policies	January 22 March 5	8:30 - 3:30	6.0 hours
Federal Grants Administration	January 31	8:00 - 12:00	4.0 hours
Accounting for Capital Assets	February 5	8:00 - 12:00	4.0 hours
Internal Control: Basics	February 5	1:00 - 5:00	4.0 hours
Payroll Revolving Accounting Reconciliation	February 6	8:30 - 4:00	6.5 hours
In-Process Report Training	February 12 March 12	8:30 - 12:00	3.5 hours
Health Insurance Reconciliation	February 14	8:00 - 12:00	4.0 hours
Introduction to GAAP in Washington State	February 26	8:00 - 3:30	6.5 hours
Compliance: Taxable Fringe Benefits	February 28	9:00 - 3:30	6.5 hours
Internal Control: Payroll	March 20	8:30 - 4:00	6.5 hours

GASB Standards to be Implemented in Fiscal Year 2013

In the fiscal year 2013 CAFR, we plan to implement the following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB):

- GASB Statement 60: *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB Statement 61: *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements 14 & 34*
- GASB Statement 62: *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989, FASB and AICPA Pronouncements*
- GASB Statement 63: *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

We are also considering early implementing:

- GASB Statement 65: *Items Previously Reported as Assets and Liabilities*
- GASB Statement 66: *Technical Corrections – 2012 – an amendment of GASB Statements 10 and 62*

These new standards require the presentation of two new groupings on the Statement of Net Position (formerly known as the Statement of Net Assets): Deferred Outflows of Resources and Deferred Inflows of Resources. The Statement of Net Position will be in a format that displays Assets + Deferred Outflows of Resources = Liabilities + Deferred Inflows of Resources + Net Position. Deferred Outflows and Inflows are financial statement elements that relate to a future reporting period. An example of a Deferred Outflow is a deferred charge on a bond refunding that will be amortized over a period of years. An example of a Deferred Inflow is Unavailable Revenue which is revenue for which the revenue recognition criteria has been met, but is not available (i.e. it is not considered available to spend to liquidate current obligations).

One thing you can do now is analyze the balances in General Ledger (GL) Codes 5190 and 5290 “Unearned Revenues” and 5192 and 5292 “Deferred Revenues.” GL Codes 5190 and 5290 should reflect balances for which the asset recognition criteria have been met, but for which the revenue recognition criteria has not. GL Codes 5192 and 5292 (our plan is to change the title “Deferred Revenue” to “Unavailable Revenue”) are restricted to use in governmental funds and should reflect balances for which the asset recognition criteria have been met, but for which the availability criteria has not.

In the coming months, we plan to reach out to agencies that produce financial statements to discuss the implications of implementing these new standards. The spring SAAM update will include changes for the implementation of the GASB standards listed above. If you have questions, please contact the OFM Accounting Consultant assigned to your agency.

New Pension Standards on the Horizon

After years of deliberation, GASB issued new pension accounting and financial reporting standards that will significantly change the way governments report pension benefits. Statement No. 67, *Financial Reporting for Pension Plans*, addresses financial reporting for pension plans and is effective for fiscal year 2014 reporting. Statement No. 68, *Accounting and Financial Reporting for Pensions*, sets accounting and reporting requirements for governmental employers participating in pension plans and is effective for fiscal year 2015 reporting. While current pension reporting is closely tied to how governments fund pensions, the new guidance reflects GASB's belief that funding is a policy decision made by governmental officials and the accounting for those decisions should be consistent and comparable across governments.

Governmental employees generally earn two types of compensation. Current compensation is what is reflected in the paycheck that employees receive during employment. Deferred compensation is received after retirement in the form of pension benefits. Because the pension benefits are earned during employment, the new standards require governments to recognize as an expense and accrue the pension benefit obligation to the extent that the expense isn't paid during employees' tenure rather than when paid out after retirement. This requirement applies to statements prepared on the accrual basis such as the government-wide and proprietary fund statement of net position.

It is anticipated that the new standards will have a significant impact on governmental financial statements. Both the GASB and GFOA websites (www.gasb.org and www.gfoa.org) are good sources for additional information.

For Washington, implementation of these new standards will be challenging because of the number of pension plans administered by the state and the high number of employers participating in each plan. The Department of Retirement Systems, the Office of the State Actuary, the State Treasurer's Office, and the Office of Financial Management have formed a workgroup to implement the new standards.

If you have questions, please contact Pam Valencia at 360-725-0194 or pam.valencia@ofm.wa.gov.

