



The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

OFM Statewide Accounting Wants You!

If you are interested in a position that

- serves state agencies by providing consulting on administrative and accounting issues,
- produces statewide financial reports, and
- develops and maintains *State Administrative and Accounting Manual (SAAM)* policies,

please consider applying for a position with us. The Accounting Division is recruiting to fill openings for two State Financial Consultants. Job duties, required and desirable qualifications and other specifics can be found at <http://www.ofm.wa.gov/jobs/StateFinancialConsultant0116.pdf>. The recruitment is open until the positions are filled.



in this issue

- SAAM Updates – 1
- OFM SWA Wants You! – 1
- Another Successful CAFR Season – 2
- 2016 CAFR Due Dates – 2
- COA of the Future – 3
- CMIA Update – 3
- GL reconciliation best practices – 4
- Health Care Activity Report – 5
- Resolve to Reconcile IRS Forms – 6
- 2015 Audit Resolution Report – 6
- OFM Training – 7

SAAM updates

Effective January 1, 2016, we revised several policies in the *State Administrative and Accounting Manual (SAAM)*. Key changes include:

- In Chapter 10, Travel, we decreased the mileage reimbursement rate for privately owned vehicles from \$0.575 to \$0.54. This decrease 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>.
- In Chapter 25, Payroll, we added verbiage to allow for bi-weekly payroll for employees of higher education institutions pursuant to RCW 42.16.010(5).
- In Chapter 75, Chart of Accounts, we added three new accounts, abolished three accounts, and changed the budget type for two accounts. We added two new general ledger (GL) codes and revised the names/descriptions of 17 GL codes. We added a series of federal unanticipated receipt expenditure authority codes. And, finally, we added three revenue source codes, abolished three revenue source codes and revised the name/descriptions of three revenue source codes.
- In Chapter 85, Accounting Procedures, we clarified that the belated claims policy only applies to appropriated expenditures associated with an enacted budget that specifically allows for belated claims.

Further information on these changes as well as all SAAM policies, directives, technical corrections, and superseded policies are available online on OFM’s website at: <http://www.ofm.wa.gov/policy/default.asp>.

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 OFM Accounting Consultant at: <http://www.ofm.wa.gov/accounting/swa/swacontactsbyagency.asp>.

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

Another Successful CAFR Season!

We are pleased to present the 2015 *Comprehensive Annual Financial Report* (CAFR). We invite you to view the CAFR online at: <http://www.ofm.wa.gov/cafr/2015/default.asp>.

Because of your diligence in meeting the CAFR calendar deadlines and the conscientious work of the State Auditor's Office, we received our audit opinion on October 30th - the earliest audit opinion date ever for the state's CAFR! We appreciate all the time and effort that the fiscal staff at each state agency devoted to closing the fiscal year and providing quality financial data for the CAFR.

The state's CAFR audit opinion relies on the audit opinions of external auditors for a number of agencies and the timeliness of these audit opinions are key. We'd like to acknowledge the agencies and share the dates of their audit opinions:

- State Investment Board – September 30
- State Treasurer's Local Government Investment Pool – October 2
- Department of Retirement Systems – October 15
- University of Washington – October 23

We would also like to acknowledge the October 23 opinion date for the Department of Labor and Industries financial statements. Thanks to all of these agencies for their very timely audited financial statements.

While it takes considerable effort, we can all be proud of the timeliness of financial reporting by the state of Washington. Thank you for your part!

Fiscal Year 2016 CAFR Due Dates – Mark your calendar!

We have set the Phase 1, 1B and 2 cut off dates and the due dates for disclosure forms for fiscal year 2016 close.

As in 2015, the 2016 Phase 1B will be the cut off for balancing interagency receivable/payable balances and the due date for the pollution remediation site status report.

Many agencies have early internal closing cutoffs, so requiring all agencies to complete their interagency balancing by the close of Phase 1B has proved very beneficial.

The 2016 AFRS/CAFR Closing Schedule can be found online at: http://www.ofm.wa.gov/resources/yearend/16_AFRS_Closing_Schedule.pdf.

Interagency billings sent out	July 22, 2016
Phase 1 Accruals	July 29, 2016
Phase 1B Early State Disclosure Forms and cutoff for interagency receivable/payable balancing	August 19, 2016
Phase 2 Agency adjustments completed and State and Federal Disclosure Forms due	September 2, 2016
State Financial Disclosure Certification is due	September 14, 2016
Federal Assistance Certification is due	January 31, 2017

You will note that the due date for the Federal Assistance Certification is much later than in prior years. In consultation with the State Auditor's Office, we are timing its submission closer to the publication date of the Statewide Single Audit.

Every agency's adherence to the CAFR closing calendar is important. To ensure you meet the dates, please look at your year-end activities for opportunities to improve or streamline processes. Continue working on your GL reconciliations throughout the year to reduce the year-end workload and ensure quality financial data.

Here is a preview of disclosure form changes for fiscal year 2016:

- a new form for bond sales to facilitate note disclosure preparation
- a revised pension disclosure form for higher education to facilitate note disclosure preparation

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 cheryl.hainje@ofm.wa.gov or 360-725-0193 or Suzanne Coit at suzanne.coit@ofm.wa.gov or 360-725-0187.

Imagining the Chart of Accounts of the Future

Developing a new chart of accounts (COA) is one of the pre-work activities for a new state core financial accounting system. We want to take a strategic approach and develop a new COA which takes advantage of the capabilities of modern systems rather than using our existing COA in a new system. Work is about to get underway on the new COA. Accenture was selected as the consulting firm to help guide the state through this project. The project is expected to last about five months.

We will include a cross-section of agencies on the project, but it is not possible to identify the agencies until early in 2016 when the planning phase of the project is scheduled to begin.

The COA project has two major phases. In the first phase, Accenture will provide education to state project participants so they can envision the “art of the possible” in modern systems. Accenture will then help state participants develop a “strawman” or draft COA. At the end of this phase, the “strawman” COA will be sent to at least four major vendors providing Enterprise Resource Planning (ERP) systems to other states to ensure that it will work in their products. The purpose of the interaction with the vendors is to provide the state with maximum flexibility when going to market for an ERP system.

In the second phase of the project the COA will be finalized. Adjustments to the “strawman” COA will be made to ensure all of the software vendors can accommodate the new COA and also that agency business needs are met. While the new COA will be different, the basics will remain. There will still be assets, liabilities, fund balance/net position, revenues and expenditures/expenses. Differences will likely include new data fields to track information not currently available in AFRS such as performance measures. Like the current COA, many coding elements will be used by all agencies, but there will also be some fields used by a limited number of agencies for specific purposes.

More information coming soon.

CMIA Update

The Office of Financial Management recently filed the 2015 Annual Cash Management Improvement Act (CMIA) report with the U.S. Treasury Department. The CMIA report summarizes federal and state compliance with the Treasury-State Agreement (TSA) which establishes requirements for transfer of funds associated with federal assistance programs between the federal government and state agencies. As submitted, the federal government owes the state \$3,900 including about \$3,300 in preparation costs. The report will be reviewed by the federal government, and payment should be received in March.

In early 2016, we will begin preparing for the 2017 TSA. We have scheduled training for March 11, 2016. Please register on the [Learning Management System](#) if you will be responsible for preparing the agency response for this process. If you have questions or would like more information, please contact Bret Brodersen at bret.brodersen@ofm.wa.gov or 360-725-0229.

General Ledger reconciliation best practices

We've been talking a lot about general ledger reconciliations in the last few years and with good reason – reconciled general ledger balances are the foundation of quality financial reporting. Keeping general ledger reconciliations current is much more efficient than waiting until year end to catch up an entire year's worth of reconciliations. Current reconciliations are also much more effective from an internal control standpoint.

Here are some reconciliation tips:

1. **Prioritize your general ledger (GL) accounts**

Use a “risk-based approach” to identify the GLs that inherently have the greatest risk of error. Spend more time on the important, high-risk GLs. Consider both quantitative and qualitative factors when designating each GL as a high, medium or low risk. The risk rating of the GL influences how often it is reconciled (e.g., monthly, quarterly) as well who is assigned.

2. **Standardize reconciliations**

Standardized “best practices” should be identified and incorporated in reconciliation policies, processes, and templates across your agency. It is a best practice for the process to include a review of the reconciliation.

3. **Monitor the process**

Designate a monitoring lead. The main duties of the monitoring lead include tracking the completion status of all GL reconciliations, making sure they are completed timely, and following up on incomplete or late reconciliations. This role is often a good way for a staff person to learn and grow within an agency.

4. **Continuous improvement**

Common metrics should be reviewed on a regular basis, for example overdue reconciliations and material reconciling items. Based on these metrics, adjustments can be made to the process if needed (e.g., reallocate reconciliations among team members, provide training on resolution of reconciling items, etc.).

5. **Use technology**

Use technology to facilitate the reconciliation process where you can. It can save time by eliminating the need to re-key data, automatically generating user notifications, and building dashboards.

We continue to offer trainings on reconciliations (see the training article on page 7) and have information on GL reconciliations on our website at <http://www.ofm.wa.gov/resources/GLreconciliations.asp>.

We'd like to hear from you if your agency has reconciliation “best practices” to share. Contact Steve Nielson at steve.nielson@ofm.wa.gov or 360-725-0226.

A New Payroll Reconciliation Tool - Health Care Activity Report

The Health Care Activity Report is now available in the Human Resource Management System (HRMS). The report combines data from HRMS and the Health Care Authority's health insurance system, PAY1. It is designed to facilitate compliance with IRS Form W-2 reporting requirements and assist in reconciling health care costs.

The Health Care Activity Report offers two options.

The **Provider Cost Activity Report** is used to identify differences between HRMS and PAY1 that could result in inaccurate reporting to the IRS on Form W-2, specifically:

- Box 12, Code W - contributions to an employee's Health Savings Account, and
- Box 12, Code DD - cost of employer-sponsored health coverage.

To correct differences noted, agencies can create a pre-formatted Excel file to upload adjustments to Tax Reporter within HRMS.

The **035 GL 5181 Activity Report** can be used to identify differences between HRMS and PAY1 that result in reconciling items in the Agency Payroll Revolving Account (035). Differences identified relate to employee contributions, employer costs, tobacco surcharge, and spousal/domestic partner surcharge.

Agencies can run reports for one month or multiple months. Reports can be run for all activity in the period(s) or just for differences between HRMS and PAY1.

Two important things to note:

- Data from HRMS and PAY1 is loaded only once a month on the 25th to produce the current month's Health Care Activity Report. Any adjustments made after Day 3 of payroll processing will be reflected in the next month's report.
- With the availability of the Health Care Activity Report and the ability of agencies to upload adjustments to Tax Reporter, Consolidated Technology Services (CTS) will no longer make adjusting entries in Tax Reporter on behalf of agencies.

If you have any questions regarding reconciliations, contact Steve Nielson at steve.nielson@ofm.wa.gov or 360-725-0226. Questions on running the report should be directed to the CTS Solutions Center at SolutionsCenter@watech.wa.gov or 360-407-9100

Resolve to Reconcile IRS Forms

Reconciliations are a key element of good internal control and critical to accurate and timely reporting. Payroll offices should begin reconciling and balancing activities with the first payroll of each year. Now that all of the payrolls have been processed for calendar year 2015, it's time to ensure that all of the forms that are required by the IRS are in balance.

The IRS and Social Security Administration will check that amounts reported on IRS Forms 941 (Employer's Quarterly Federal Tax Return) and W2s (Wage and Tax Statement) are in balance. An out of balance may result in an IRS penalty. To avoid problems, agencies should perform reconciliations of amounts on Forms 941 and W-2s. The reconciliations should also include amounts sent on correcting forms 941-X and W-2c.

Year-end balancing activities were covered at the [Personnel/Payroll Association](#) (PPA) meeting on November 12, 2015. Several resources are available:

- [Payroll reconciliations, including:](#)
 - Year-end information – ending 2015 and beginning 2016
 - 941 to W-2 reconciliation template (Excel)
 - Tax deposit reconciliation template (Excel)
- [HRMS year-end page](#)
- [Collecting Prior Year Overpayments](#)
- [November 12, 2015 PPA Meeting Minutes](#)

If you have any questions regarding reconciliations, contact Steve Nielson at or steve.nielson@ofm.wa.gov or 360-725-0226.

2015 Audit Resolution Report

The annual *Audit Resolution Report* was issued to the Legislature in December 2015.

State laws (RCW43.09.310 and RCW 43.09.340) require post audits of every state agency. As part of the audit process, exceptions to specific expenditures or financial transactions become a matter of public record. State law (RCW 43.88.160) requires OFM to ensure agencies take corrective actions to address exceptions and annually report on the status of these audit resolutions.

The Audit Resolution Report summarizes the status of corrective actions taken by state agencies to resolve exceptions reported in conjunction with regularly scheduled individual agency post audits, the statewide single audit, as well as other special reports from the State Auditor's Office.

Some statistics about the audit resolution report:

Findings Reported:	2015	2014	2013
Federal	55	45	63
Fraud	3	1	2
Non-federal	13	6	7
Total	71	52	72
Number of agencies included	22	18	15

We acknowledge agency efforts in assisting us in the compilation of this report and invite you to view the 2015 *Audit Resolution Report* at: <http://ofm.wa.gov/auditresolution/2015/default.asp>.

Winter Quarter Training Offered on a Variety of Subjects

We are pleased to announce that the following training classes will be offered this quarter. All classes will be taught by Statewide Accounting staff.

Class Name	Dates	Times	Duration	Location
Accounting for Payroll	January 8	8:30 – 4:00	7.5 hours	Capitol Court
In-Process Report Training	January 15 March 14	1:15 – 4:45	3.5 hours	Capitol Court
Payroll Revolving Account Reconciliation	February 8	8:30 – 3:00	6.5 hours	Capitol Court
In-Process Report Training	February 17	8:30 – noon	3.5 hours	1500 Jefferson
Compliance: Travel Policies	February 19	8:30 – 4:00	7.5 hours	1500 Jefferson
General Ledger Reconciliation: Basics	February 22	8:30 – noon	3.5 hours	Capitol Court
General Ledger Review	February 24	8:00 – 11:30	3.5 hours	Capitol Court
Health Insurance Reconciliation	February 29	8:30 – noon	3.5 hours	Capitol Court
Cash Management Improvement Act	March 11	9:00 – 10:30	1.5 hours	Capitol Court
Introduction to GAAP in WA State	March 22	8:30 – 4:00	7.5 hours	1500 Jefferson
Compliance: Travel Policies	March 23	8:30 – 4:00	7.5 hours	Capitol Court
Internal Control: Payroll	March 28	8:00 – 12:30	4.5 hours	Capitol Court

To view class descriptions and register, go to the [Learning Management System](#) website. When you receive your confirmation email, be sure to open it and accept the attached meeting notice. The meeting notice includes the location of the class.

Please note that most classes will be held in Capitol Court at 1110 Capitol Way South and the remainder at the 1500 Jefferson building at 1500 Jefferson St SE. Parking is limited so we recommend carpooling, public transit or walking if possible.

Space is limited in all classes, so we ask that you read the detailed class descriptions and coordinate within your office so that you and your staff attend the right classes. If you register but cannot attend, please cancel to make room for someone on the wait list.

If there is a class you would like to take that is not currently offered, please visit the [Get Training webpage](#) for an email link and additional information. We will add you to a waiting list. The webpage includes other helpful information as well. Check it out!

Additionally, the Association of Government Accountants (AGA) and Financial Management Advisory Council (FMAC) sponsor a number of audio conferences. The schedules are posted on the [Olympia AGA](#) and [FMAC](#) websites.

For assistance or additional information, please contact your assigned OFM Accounting Consultant.