



## Chapter 50 - Federal Compliance

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## 50.10 Annual U.S. Information Returns

### 50.10.10

January 1, 2004

#### What are annual U.S. information returns?

In the course of state business activities, agencies may make certain payments to others that must be reported to the Internal Revenue Service (IRS). Copies of information returns must be furnished to recipients for payments reported.

For payroll related transactions, IRS Forms W-2 are required to be transmitted to the Social Security Administration (SSA) accompanied by a Form W-3, Transmittal of Wage and Tax Statements.

For non-payroll related transactions, the most common annual information returns include Form 1098s (1098, 1098-E, and 1098-T), Form 1099s (1099-G, 1099-INT, 1099-MISC, and 1099-R), and Form W-2G. These forms are transmitted to IRS with Form 1096, Annual Summary and Transmittal of U.S. Information Returns.

Payments to foreign persons paid U.S. source income must be reported to the payee and IRS on IRS Form 1042-S. These forms are transmitted to IRS with Form 1042-T, Annual Summary and Transmittal of Forms 1042-S.

### 50.10.20

January 1, 2004

#### The purpose of these guidelines

To ensure federal reporting compliance, agencies are to obtain current publications and IRS advice as needed. The following guidelines are provided for general informational purposes only, to alert state agencies about compliance issues related to various reporting requirements of the IRS and SSA for annual U.S. Information Returns.

### 50.10.30

January 1, 2004

#### Key IRS publications and timeframes

##### 50.10.30.a

Annual information returns report payments for the calendar year and are generally to be mailed to recipients on or before January 31 of the ensuing year (except for Form 1042-S, due to recipients on or before March 15.) Generally, these forms are due to the IRS by February 28 unless filed

electronically and then the deadline is March 31. Forms 1042-S are due to the IRS March 15. When 250 or more information returns are prepared by an organization (agency), the IRS requires filing on magnetic media and this requirement applies separately for each type of form. SSA Publication MMREF-1 provides specifications for Form W-2. IRS Publication 1220 provides specifications for electronically or magnetically filing forms 1098, 1099, and W-2G.

- 50.10.30.b Annually, during late fall, the IRS mails Publication 393, Federal Employment Tax Forms, to each employer (state agency). Publication 393 contains sample payroll related Forms W-2, W-3, W-2c, and W-3c with completion instructions and a listing of other forms available through IRS TaxFax. Publication 393 also includes Form 7018, Employer's Order Blank for Forms, which agencies may use to order applicable forms for reporting purposes.
- 50.10.30.c The IRS publication, Instructions for Forms 1099, 1098, 5498, and W-2G, provides specific instructions on the filing requirements of these returns. This publication contains a Guide to Information Returns. This guide is a helpful quick reference for form numbers, titles, what to report, amounts to report, and due dates to the IRS and the recipient.
- 50.10.30.d Additional instructions and examples are available from the IRS on their website at <http://www.irs.gov/formspubs/index.html>. Key publications include:
- Publication 15 (Circular E), Employer's Tax Guide;
  - Publication 15-A, Employer's Supplemental Tax guide;
  - Publication 15-B, Employer's Tax Guide to Fringe Benefits;
  - Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Corporations;
  - Publication 519, U.S. Tax for Aliens;
  - Publication 901, U.S. Tax Treaties;
  - Publication 1141, General Rules and Specifications for Private Printing of Substitute Forms W-2 and W-3; and
  - Publication 1179, General Rules and Specifications for Substitute Paper Substitute Forms 1096, 1098, 1099, 5498, W-2G and 1042-S.
- 50.10.30.e For information on all SSA Form W-2 filing methods, forms, publications and other information, refer to the SSA website at <http://www.ssa.gov/employer/how.htm>.

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**50.10.40**  
January 1, 2004

**Taxpayer Information Numbers (TIN) are required**

50.10.40.a

**Required reporting**

The Taxpayer Information Number (TIN), name, and address of the recipient are required to be entered on the annual information forms for identification of the payee. The TIN is the social security number (SSN) issued by the Social Security Administration (SSA) or an Employer Identification Number (EIN) issued by the IRS.

For payroll reporting, a Form W-4, Employee's Withholding Allowance Certificate is required to be completed and signed by an employee to obtain SSN information.

For non-payroll reporting for an individual or business, the TIN may be either a SSN or EIN. The best way to obtain and document the payee's TIN and business information is to secure a properly completed signed Form W-9, Request for Taxpayer Identification Number and Certification from the payee. Agencies are encouraged to request and obtain Forms W-9 from vendors when the business relationship is first established and prior to payment for services.

50.10.40.b

**IRS penalties**

Failure to report a TIN or correct TIN may result in penalties assessed by IRS. Refer to the IRS publication, Instructions for Forms W-2 and W-3 regarding Form W-2 penalties.

For incorrect or missing TIN reporting penalties for other information returns, refer to the IRS Form related publication such as the Instructions for Forms 1099, 1098, 5498, and W-2G.

50.10.40.c

**SSA SSN and IRS TIN verification programs**

Agencies are encouraged by the SSA and IRS to utilize their respective TIN Verification programs. The protection afforded by these programs functions best when a combination of payroll/vendor system bulk verification processes are performed periodically coupled with agency individual verifications done on a more frequent basis as needed.

The SSA website TIN matching verification program is explained at <http://www.ssa.gov/employer/ssnv.htm> and is to be used only for verifying social security numbers (SSNs) related to payroll transactions.

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The IRS website TIN matching verification program is explained at <http://www.irs.gov/taxpros/article/0,,id=107478,00.html> and is to be used for verifying both SSN and TIN numbers related to non-payroll transactions. The IRS website to register for the TIN matching program is <https://la.www4.irs.gov/e-services/Registration/index.htm>. Contact the agency's payroll or vendor system's Help Desk to determine if and when system bulk verifications are done to assist agencies on a periodic basis.

### 50.10.40.d

#### **When backup withholding is required**

Backup withholding is a type of federal income tax *required* to be deducted from certain non-employee transactions under various circumstances, including when the vendor payee fails to furnish a TIN number or provides an incorrect TIN number and will not correct it on a timely basis.

IRS Publication 1281, Backup Withholding For Missing and Incorrect Name/Tin(s) or Publication 1679, A Guide To Backup Withholding For Missing and Incorrect Name/TIN(s) explain the requirements, IRS mismatch process, and penalties that can be assessed.

Note that if an agency encounters a situation where deduction of backup withholding is required, timely deposit to IRS of the federal income tax and annual reporting on IRS Form 945 are also required. These tax deposits must not be co-mingled with payroll tax deposits reported on quarterly Forms 941.

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### 50.10.50

January 1, 2004

#### **These U.S. information returns apply to most state agencies**

The following U.S. information returns are the most applicable to state agencies. Refer to current calendar year IRS instructions for each form to obtain full reporting requirements.

#### 50.10.50.a

**Form W-2, Wage and Tax Statement**, is issued to report wages and taxable fringe benefits subject to federal income tax withholding, OASI, and/or Medicare employment taxes and all taxes actually withheld for a calendar year. Non-taxable moving expense reimbursements made directly to employees are also reportable.

#### 50.10.50.b

**Form W-2G, Statement for Recipients of Certain Gambling Winnings**, is used by the State Lottery Commission to report payments for lottery winnings of \$600 or more to a winner and any required federal regular gambling withholding tax withheld from winnings.

50.10.50.c

**Forms 1098, 1098-E, and 1098-T:**

**Form 1098, Mortgage Interest Statement**, is required to be issued when an agency receives \$600 or more in certain types of mortgage interest during the calendar year.

**Form 1098-E, Student Loan Interest Statement**, is required to be issued if an agency receives student loan interest of \$600 or more from an individual during the calendar year.

**Form 1098-T, Tuition Statement**, is required to be issued by an eligible education institution to report qualified tuition and related expenses for each student. Exceptions apply.

50.10.50.d

**Form 1099-G, Certain Government Payments**, is used to report certain government payments including:

- Unemployment compensation payments by the Employment Security Department.
- Certain federal taxable grants of \$600 or more which are administered by the state.
- Amounts of federal income tax withheld under the 31% backup withholding rules.

50.10.50.e

**Form 1099-INT, Statement for Recipients of Interest Income**, is generally *not* applicable to state governments because of the tax-exempt status for interest on obligations of a state or municipal government. However, if an agency has custody of or administers certain trust funds, there may be reporting requirements.

50.10.50.f

**Form 1099-MISC, Statement for Recipients of Miscellaneous Income**, is used to report a variety of miscellaneous transactions *generally* when the amount of the payment in a calendar year is \$600 or more. If backup withholding has been taken, Form 1099-MISC must be filed, regardless of the payment amount. The most frequently encountered ones are noted below.

- Payments to estates or beneficiaries for deceased employees' wages, whether the payment to the recipient is made in the year of death or a subsequent year.
- Payments for rents.
- Payments for fees, services, commissions, or other forms of compensation to *persons* not treated as employees for services

rendered. Examples are payments for professional services pursuant to personal services contracts and payments to witnesses or experts in legal adjudication.

- Payments to attorneys or gross payments to attorneys.
- Prizes and awards that are not for services rendered. (Report taxable awards to employees on Form W-2.) This excludes payments for lottery winnings paid by the State Lottery Commission which are required to be reported on Form W-2G.
- Payments to physicians or other suppliers or providers of medical or health care services in connection with medical assistance programs, or health, accident, and sickness insurance programs.

Payments to corporations are generally *not* required to be reported except for medical payments, and payments for legal services. Also, generally, payments made to tax-exempt organizations, such as other governmental agencies, social service agencies, and hospitals, are exempt from informational reporting requirements.

Reporting is required for most payments to individuals and partnerships. It is important to know whether the recipient of the payment is doing business as an individual, partnership, corporation, specific business structure of a limited liability entity, or is tax-exempt so correct reporting can be completed.

*Do not report business expense reimbursements where the payee's business receipts have been provided to the agency.*

50.10.50.g **Form 1099-R, Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.,** is used to report pension and retirement plan distributions of \$10 or more, whether or not federal income tax is withheld. Also report Internal Revenue Code Section 457 plan (deferred compensation) distributions and any income tax withheld.

50.10.50.h **Form 1042-S, Foreign Person's U.S. Source Income Subject to Withholding,** is used to report amounts paid during a calendar year to foreign persons who are subject to withholding even if no withholding amount is deducted and withheld due to a treaty or Code exception or if any amount withheld was repaid to the payee. Refer to the form instructions for which payments must be reported. If required to file Forms 1042-S, Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons, must also be filed on an annual basis.

- 50.10.50.i Use **IRS Form 945, Annual Return of Withheld Federal Income Tax**, to report federal income tax withholding withheld from non-payroll payments such as pensions, backup withholding, and withholding on gambling winnings. Refer to separate tax deposit requirements for Form 945 in the form instructions and IRS Publication 15 (Circular E).

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**50.10.60**  
January 1, 2004

**Federal training opportunities**

The reporting and backup withholding requirements of U.S. annual information returns are extensive and failure to comply with them can result in costly penalties.

Questions can be directed to IRS either by telephone or email per contact information provided in IRS publications. It is important that documentation of IRS advice be retained. If the response is by telephone, document the name and badge number of the person providing the advice in case questions arise at a later date.

Agencies are strongly encouraged to attend training classes that are made available to the state by the IRS and SSA. Additionally, there are training classes available from various companies that focus on specific tax issues, such as international taxation, that may be beneficial to those agencies that encounter such types of issues.



## 50.20

# Cost Allocation and Indirect Cost Recoveries

### 50.20.10

July 1, 2003

#### The purpose of these policies

This section establishes state policies and procedures governing cost allocation and indirect cost recoveries. The policies and procedures are built upon federal law and federal administrative regulation for federal funded situations and state law regarding interagency situations.

### 50.20.20

July 1, 2003

#### Authority for these policies

This section is issued, as revised, pursuant to the authority granted to the Director of Financial Management to "... adopt and periodically update an accounting procedures manual" [RCW 43.88.160(1)].

### 50.20.30

July 1, 2003

#### Applicability

This part is applicable and binding on all agencies of the state of Washington receiving, administering or expending federal assistance, unless otherwise exempted by federal or state law, and on all agencies involved in interagency situations. The Budget and Accounting Act (RCW 43.88.020) defines the term "Agency" to mean "Every state office, officer, each institution, whether educational, correctional, or other, and every department, division, board, and commission, except as otherwise provided..."

Agencies may request a waiver from complying with specific requirements of this chapter. Refer to Subsection 1.10.40 for information on how to request a waiver.

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**50.20.40**  
July 1, 2003

**Agencies must comply with the cost allocation and allowable cost principles in OMB circulars**

The United States Office of Management and Budget (OMB) has published several circulars establishing uniform principles for determining the allowability of costs incurred by nonfederal entities expending federal awards. In addition, these circulars provide requirements for the development and submission of cost allocation plans and indirect rate cost proposals. State agencies and institutions perform functions and activities that are either federally assisted or provide central service support to federally assisted programs or activities. As such, they are subject to provisions of the cost principle circular applicable to their activities.

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**50.20.50**  
July 1, 2009

**Which OMB circular applies?**

50.20.50.a

**2 CFR, part 225 (Circular A-87) – Applies to all state agencies and institutions, except for:**

- Public institutions of higher education.
- Publicly owned hospitals, and
- Other providers of medical care described in 50.20.50.d. below.

This circular establishes:

1. Principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts and other agreements with state and local governments and federally recognized Indian tribal governments;
2. Requirements for the development and submission of cost allocation plans and indirect rate cost proposals for these nonfederal entities;
3. Specific requirements on the distribution of state/local government central service costs, including provisions on the development and submission of state/local government central service cost allocation plans; and
4. Requirements for the development and submittal of state public assistance cost allocation plans.

- 50.20.50.b      **2 CFR, Part 220 (Circular A-21)** – Establishes principles for determining costs applicable to grants, contracts and agreements with **institutions of higher education**. This Circular also provides requirements for the development and submission of facilities and administration cost proposals (indirect).
- 50.20.50.c      **2 CFR, Part 230 (Circular A-122)** – Establishes principles for determining costs of grants, contracts and other agreements with **nonprofit organizations**. Colleges and universities, covered by Circular A-21, are specifically excluded from coverage by this circular. The Circular also provides requirements for the development and submission of indirect cost rate proposals.
- 50.20.50.d      Federal awards administered by **publicly-owned hospitals or other providers of medical care** are subject to requirements promulgated by the sponsoring federal agencies.
- 50.20.50.e      **Entities receiving sub-grants of federal awards** are subject to those federal cost principles applicable to the subrecipient organization.
- 50.20.50.f      **All central service and department/agency costs** that are allocated or billed to educational institutions, hospitals or other providers of medical care or services by other state or local departments or agencies are subject to 2 CFR, Part 225 (Circular A-87).

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**50.20.60**  
July 1, 2003

**The Statewide Central Services Cost Allocation Plan (SWCAP) is used to identify and assign central service costs**

Most governmental units provide certain services such as accounting, computing, payroll services, motor transportation, etc., to operating agencies on a centralized basis. Since federally supported awards are performed within the individual operating agencies, a process is necessary to identify these central service costs and assign them to benefited activities on a reasonable and consistent basis. The federally reviewed and approved, statewide, central service cost allocation plan provides that process.

The Accounting Division of OFM prepares, administers and submits to the federal government an annual central services cost allocation plan for the state (SWCAP). One part of the plan justifies and reconciles the activities of the billed state central services (internal service, self-insurance and fringe benefit). A second part allocates the allowable costs of other state central services benefiting agencies expending federal awards.

Two basic methods are used in the plan to assign appropriate costs of centralized services to operating agencies or their programs:

- **Billed Central Services** where allowable costs are billed to benefited agencies and/or programs on an individual fee for service or similar basis. Self-insurance and fringe benefit activities are other central service activities that bill customers for services or benefits provided.
- **Allocated Central Services** where services that benefit operating agencies and/or programs are not billed on a fee for service or similar basis but allowable costs are allocated to benefited agencies on some reasonable basis.

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**50.20.65**  
July 1, 2009

**Responsibilities of central, billed internal service activities**

State of Washington central, billed internal service activities have the following responsibilities:

1. Understand and adhere to the requirements of 2 CFR, part 225 (Circular A-87), particularly those provisions relating to allowable amounts of working capital and annual adjustments between revenue and allowable actual costs.

2. Ensure that the following information is made available for inclusion in the state plan:
  - A current narrative description of the activity;
  - A description of the procedures (methodology) used to charge activity costs to users including how billing rates are determined and a schedule of current rates; and

A summary of costs billed to users for the most recent complete state fiscal year, by user.

**50.20.70**

July 1, 2009

**Responsibilities of central, self-insurance fund activities**

State of Washington central, self-insurance fund activities have the following responsibilities:

1. Understand and adhere to the requirements of 2 CFR, Part 225 (Circular A-87).
2. Ensure that the following information is made available for inclusion in the state central services plan:
  - Summaries of billings and claims paid for the latest complete state fiscal year;
  - A narrative description of the types of risks covered;
  - An explanation of how the level of fund contributions are determined, including a copy of the actuarial report (with the assumptions used) if the contributions are determined on an actuarial basis;
  - A description of the procedures used to charge or allocate fund contributions to benefited activities; and
  - An identification and explanation of reserve levels maintained in excess of claims [1] submitted and adjudicated but not paid, [2] submitted but not adjudicated, and [3] incurred but not submitted.

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**50.20.75**

July 1, 2009

**Responsibilities of central, fringe benefits activities**

State of Washington central, fringe benefits activities, including pension and post-retirement health insurance plans, have the following responsibilities:

1. Understand and adhere to the requirements of 2 CFR, Part 225 (Circular A-87).
2. Ensure that the following information is made available for inclusion in the state central services plan:
  - Description of fringe benefits provided to covered employees;
  - Current fringe benefit policies;
  - Procedures used to charge or allocate the costs of benefits to benefited activities; and
  - For pension or post-retirement health insurance plans [1] the government's unit funding policies, e.g., legislative bills, trust agreements, or state-mandated contribution rules, if different from actuarially determined rates [2] the pension plan's costs accrued for the year [3] the amount funded and dates of funding [4] a copy of the current actuarial plan (including the actuarial assumptions) and, if applicable, [5] the plan trustee's report and/or a schedule showing the value of interest costs associated with late funding.

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**50.20.80**

July 1, 2003

**Responsibilities of agencies and institutions administering or expending federal awards**

State of Washington operating agencies and institutions, administering or expending federal awards have the following responsibilities:

1. Unless prohibited by federal /state laws or regulations or formal funding limitations (refer to examples in Subsections 50.20.90.b & c), operating agencies are to include the fixed cost allocation from the approved, state central service cost allocation plan in their agency indirect cost/cost allocation pool.
2. Any indirect costs or cost allocation amounts recovered, as a result of a SWCAP cost allocation amount being included in an agency's indirect rate or cost allocation plan, are to be deposited as a recovery in the state General Fund 001 utilizing revenue source 0448. Refer to examples in Subsection 50.20.90.

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**50.20.85**

July 1, 2003

**Indirect costs in interagency situations**

50.20.85.a

RCW 39.34.130 states that: "...the full costs of a state agency incurred in providing services or furnishing materials to or for another agency under Chapter 39.34 RCW or any other statute shall be charged to the agency contracting for such services or materials and shall be repaid and credited to the fund or appropriation against which the expenditure originally was charged." For these purposes, full costs shall generally include direct and indirect costs.

50.20.85.b

The nature of interagency activity varies greatly ranging from providing a service or product with established indirect costs components to the simple sharing of usage, and/or rental, costs for a common piece of equipment. As such, parties to interagency agreements should include specific language in the text of their agreements to determine and define allowable indirect costs.

**50.20.90**

July 1, 2009

**Central Services Cost Allocation Illustrations**

50.20.90.a

**EXAMPLE 1 – Agency and Central Services Indirect Costs are Reimbursable**

**Assumptions:**

The agency indirect cost plan included the following:

<u>Item</u>	<u>Amount</u>	<u>Indirect Rate</u>
Agency Direct Costs	\$1,000,000	22% TDC
Agency Indirect Costs	<u>220,000</u>	
Total Agency Costs	1,220,000	
Central Services Allocation	<u>30,000</u>	3% TDC
Total Cost Per Plan	<u>1,250,000</u>	25% TDC

The agency's indirect rate is 25 percent of Total Direct Costs (TDC), computed as follows:

Agency indirect costs of \$220,000 plus State Central Services Allocation of \$30,000 is total indirect cost of \$250,000 divided by direct costs of \$1,000,000 is 25 percent TDC rate.

The 25 percent TDC rate computed per the agency's annual indirect cost plan has been approved by the agency's cognizant federal grantor agency.

The agency requests payment from its federal grantor agency for work performed under a federal grant activity. The payment request is computed as follows:

Direct Cost Reimbursement	\$50,000
Indirect Costs at 25% Rate	<u>12,500</u>
Payment Requested	<u>\$62,500</u>

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**Procedure - Revenue Source Coding:**

When the \$62,500 is received from the federal grantor agency, the state agency is to identify and code the federal revenue as follows:

<u>Reimbursement For</u>	<u>Amount</u>	<u>Account</u>	<u>Source</u>	<u>Sub-Source</u>
Agency Direct Costs	\$50,000	xxx	xxxx	xxxxxxx
Agency Portion of Indirect Costs	11,000	xxx	xxxx	xxxxxxx
Central Services Portion of Indirect Costs	<u>1,500</u>	001	0448	010000
Total Revenue	<u>\$62,500</u>			

The receipt by the agency of \$50,000 for agency direct costs and \$11,000 for agency indirect costs represents the recovery of agency expenditures incurred in the performance of the grant or contract. These amounts represent revenue of the agency's operating fund. However, the receipt of \$1,500 for Central Services Costs represents recovery of State Central Services furnished without cost to the agency, and thereby represents revenue to the state General Fund.

50.20.90.b

**EXAMPLE 2 - Only Agency Indirect Costs are Reimbursable****Assumptions:**

2 CFR, Part 225 (Circular A-87) states that federal agencies are to reimburse state agencies for their overhead or indirect costs, except where restricted or prohibited by law.

The facts in this example are the same as in Example 1 above, except that federal law limits the reimbursement for indirect costs for a particular grant program to 20 percent of direct costs. The agency is thus limited to a payment of \$60,000 for direct and indirect costs from the federal grantor agency for work performed under a federal grant activity. The agency will receive \$50,000 for agency direct costs and \$10,000 (20 percent x \$50,000) for agency indirect costs.

**Procedure - Revenue Source Coding:**

When the \$60,000 is received from the federal grantor agency, the state agency is to identify and code the federal revenue as follows:

<u>Reimbursement For</u>	<u>Amount</u>	<u>Account</u>	<u>Source</u>	<u>Sub-Source</u>
Agency Direct Costs	\$50,000	xxx	xxxx	xxxxxxx
Agency Indirect Costs	<u>10,000</u>	xxx	xxxx	xxxxxxx
Total Revenue	<u>\$60,000</u>			

Since the allocation for State Central Services did not result in increasing the allowable indirect amount because of the 20 percent limitation, the entire indirect cost recovery is to be coded to the agency's applicable operating fund and federal source code.

50.20.90.c

**EXAMPLE 3 - Indirect Costs are Partially Reimbursable**

**Assumptions:**

The facts again are the same as in Example 1, except that a federal law limits indirect reimbursement for a particular grant program to 24 percent of direct costs. The agency is thus limited to a payment of \$62,000 for direct and indirect costs from the federal grantor agency for work performed under a federal grant activity. The agency will receive \$50,000 for direct costs and \$12,000 (24 percent x \$50,000) for indirect costs.

**Procedure - Revenue Source Coding:**

When the \$62,000 is received from the federal grantor agency, the state agency is to identify and code the federal revenue as follows:

<u>Reimbursement For</u>	<u>Amount</u>	<u>Account</u>	<u>Source</u>	<u>Sub-Source</u>
Agency Direct Costs	\$50,000	xxx	xxxx	xxxxxxx
Agency Indirect Costs	11,000	xxx	xxxx	xxxxxxx
Central Services Allocation	<u>1,000</u>	001	0448	0100000
Total Revenue	<u>\$62,000</u>			

Since the state central services allocation increases the allowable indirect rate from 22 percent to 24 percent, the two percent increase (\$1,000) in recovery represents the reimbursement to the state General Fund for state central services allocated to the state agency.



## 50.30 Compliance with Federal Single Audit Act

### 50.30.10

July 1, 2003

#### The purpose of these policies

This section contains the policies, regulations and procedures regarding compliance with the Federal Single Audit Act, as amended, and Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

Under provisions of the Single Audit Act, as amended, the state of Washington has opted to obtain a statewide Single Audit to meet the basic federal audit requirements for all federal assistance awards administered or expended by agencies or institutions of the State. The Single Audit Act and OMB Circular A-133 establish various requirements for state agencies and institutions administering federal assistance that are included in this section.

### 50.30.15

July 1, 2003

#### Authority for these policies

This section is issued, as revised, pursuant to the authority granted to the Director of Financial Management to "...adopt and periodically update an accounting procedures manual" [RCW 43.88.160(1)].

### 50.30.20

July 1, 2003

#### Applicability

This part is applicable and binding on all agencies of the state of Washington receiving, administering or expending federal assistance, unless otherwise exempted by federal or state law. The Budget and Accounting Act (RCW 43.88.020) defines the term "Agency" to mean "Every state office, officer, each institution, whether educational, correctional, or other, and every department, division, board, and commission, except as otherwise provided..."

Agencies may request a waiver from complying with specific requirements of this chapter. Refer to Subsection 1.10.40 for information on how to request a waiver.

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**50.30.25**

July 1, 2003

**About the revised Single Audit Act requirements**

In 1984, Congress passed the Single Audit Act, which required most governmental recipients of federal assistance (e.g., state and local governments) to have organization-wide financial and compliance audits on an annual basis. Subsequently, the federal Office of Management and Budget (OMB) issued several circulars to clarify audit requirements on various types of federal assistance recipients. The original Single Audit Act, however, did not include within its coverage all agencies and institutions defined as a state agency in the state of Washington (excluded higher education).

In 1996, responding to suggestions of numerous groups, Congress amended the Single Audit Act significantly. Major changes included language to:

- Increase and standardize the expenditure threshold for triggering a single audit to \$300,000 in expenditures of federal awards per year,
- Extend coverage to entities not covered in the original act like colleges and universities and other non-profit organizations,
- Authorize the Director of OMB to establish a risk-based approach to determining major programs for audit coverage purposes,
- Establish a minimum coverage requirement at 50% of expenditures of federal awards in a year,
- Shorten and standardize the deadline for submission of single audit report information,
- Revise the definition of internal control to recognize acceptance of Committee of Sponsoring Organizations (COSO) definition,
- Allow biennial audits in very limited situations,
- Exempt each nonfederal entity, with annual expenditures of federal awards less than \$300,000 in any fiscal year, from compliance, in that fiscal year, with:
  - Audit requirements of the Single Audit Act, and
  - Any applicable requirements concerning financial audit programs under which such federal awards are provided to that nonfederal entity.

In addition, the Amendments required federal departments and agencies:

- To adopt by “common rule” the new single audit regulations issued by the Director of OMB (Circular A-133), and
- To the maximum extent practical rely upon, and use, audit work performed pursuant to the Single Audit Act.

In 2003, the federal Office of Management and Budget (OMB) published amendments to Circular A-133 that:

- Raised the dollar threshold for requirement of a single audit to \$500,000 or more in expenditures in an entity’s fiscal year.
- Raised the dollar threshold for OMB designation of a federal cognizant agency from \$25 million to \$50 million in expenditures per entity fiscal year.
- Allowed federal agencies flexibility to exchange federal oversight agency responsibilities.

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### 50.30.30

July 1, 2003

### Definitions relating to the Single Audit process

Following are common definitions utilized in state and federal policies relating to the Single Audit process:

**CFDA Number** - The five-digit number assigned to a federal assistance program in the federal *Catalog of Federal Domestic Assistance* or, in the absence of a catalog defined number, the number defined by instructions from the federal audit clearinghouse (refer to Subsection 95.10.40.d).

**Cluster of Programs** - A grouping of closely related programs that share common compliance requirements. Refer to Subsection 95.20.20.a.(3) for a definition and description of program clusters presently used by the state of Washington and its agencies and institutions.

**Cognizant Federal Agency for Audit** - The federal agency designated to carry out coordinating audit responsibilities identified in Circular A-133. Normally would be the primary awarding agency unless otherwise designated by OMB. Health & Human Services is the cognizant federal agency for the state of Washington Single Audit.

**Cognizant State Agency** - A state agency that has assumed the responsibility of implementing single audit requirements and coordinating audit follow-up for a particular grantee by virtue of providing the majority of federal assistance. In the event a state agency does not assume cognizant state agency responsibility, it is then the responsibility of each individual state grantor agency to implement and coordinate audit follow-up of single audit requirements.

**Compliance Supplement** - Refers to the Circular A-133 Compliance Supplement included as Appendix B to Circular A-133 or such documents as OMB or its designee may issue to replace it.

**Corrective Action Plan** - A plan of actions taken by an auditee that:

- Corrects identified deficiencies developed during a single or program audit;
- Produces recommended improvements; or
- Demonstrates that audit findings are either invalid or do not warrant auditee action.

A corrective action plan includes the timetable for action and the identification of individuals responsible for seeing corrective action takes place.

**Federal Award** - Federal financial assistance and federal cost-reimbursement contracts that nonfederal entities receive directly from federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

**Federal Financial Assistance** - Assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations or other assistance. It does not include amounts received for provision of vendor services to federal agencies or reimbursement for services rendered directly to individuals.

**Federal Program** - All federal awards to a nonfederal entity assigned a single number in the CFDA. When no CFDA number is assigned, state of Washington agencies and institutions are to report federal assistance activity per Subsection 95.10.40.d.

**50**  
**Federal Compliance**

**Internal Control** - A process, effected by an entity's management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operation;
- Reliability of financial reporting; and
- Compliance with applicable laws and regulations.

**Local Government** - Any unit of local government within a state including a county, borough, municipality, city, town, township, parish, local public authority, special district, school district, intrastate district, council of governments, and any other instrumentality of local government.

**Major Program** - A federal program determined by the auditor to be a major program in accordance with provisions in Circular A-133 or a federal program identified as major by a federal agency or pass-through entity in accordance with provisions in Circular A-133.

**Management Decision** - The evaluation by a federal awarding agency or pass-through entity of the audit findings and related corrective action plans and the issuance of a written decision as to what corrective action is necessary.

**Nonfederal Entity** - A state (as defined in Circular A-133), local government or nonprofit organization.

**Nonprofit Organization** - Any corporation, trust, association, cooperative or other organization that:

- Is operated primarily for scientific, educational, service, charitable or similar purposes in the public interest;
- Is not organized primarily for profit; and
- Uses its net proceeds to maintain, improve, or expand its operations.

The term nonprofit organization includes nonprofit institutions of higher education and hospitals.

**Pass-Through Entity** - A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.

**Reporting Package** - As defined in OMB Circular A-133 includes:

- Entity's financial statements and schedule of expenditures of federal awards,
- Summary schedule of prior audit findings as discussed in the Circular,
- Auditor's reports as outlined in the Circular, and
- Corrective action plan as discussed in the Circular.

**Research and Development** - All research activities, both basic and applied, and all development activities that are performed by a nonfederal entity.

- **Research** is a systematic study directed toward fuller scientific knowledge or understanding of the subject studied. It also includes activities involving the training of individuals in research techniques where such activities utilize the same facilities as other research and development activities and where such activities are not included in the instruction function.
- **Development** is the systematic use of knowledge and understanding gained from research directed to the production of useful materials, devices, systems, or methods, including design and development of prototypes and processes.

**Single Audit** - A financial, internal control, and compliance audit of a nonfederal entity administering federal assistance awards including the financial statements of the entity.

**Subrecipient** - A nonfederal entity that expends federal awards received from a pass-through entity to carry out a federal program, but does not include an individual that is a beneficiary of such a program.

**Vendor** - A dealer, distributor, merchant, or other seller providing goods or services that are required for the conduct of a federal program.

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**50.30.35**

July 1, 2009

**Office of Financial Management (OFM) responsibilities**

1. Prescribe statewide policies and procedures to ensure that agencies and institutions of the State, administering or expending federal assistance, meet the requirements of the Single Audit Act and Circular A-133.
2. Act as the auditee for the statewide Single Audit of Washington.
3. Collect the necessary information and prepare the annual Schedule of Expenditures of Federal Awards.
4. Work with the State Auditor's staff to prepare the statewide Data Collection Form and submit it to the federal audit clearinghouse.
5. Submit the annual, statewide Reporting Package to the federal audit clearinghouse.
6. Work with the Office of State Auditor to ensure that Single Audit requirements are met, particularly the inclusion of the Auditor's report(s) in the Reporting Package.
7. Prepare and publish the annual State of Washington Federal Single Audit.
8. Maintain the OFM Audit Tracking System (OATS) to provide information on the resolution of all findings contained in audits of state agencies and institutions.
9. Follow-up on audit findings, including preparation of a Summary Schedule of Prior Audit Findings and a Corrective Action Plan.

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**50.30.40**

July 1, 2003

**Office of State Auditor responsibilities**

1. Conduct an annual statewide single audit. The audit is to be conducted in accordance with *Governmental Auditing Standards*.
2. Ensure that audit satisfies Single Audit Act and OMB Circular A-133 requirements regarding:

- Financial statements;
  - Internal control;
  - Compliance with laws, regulations and provisions of contract and grant agreements; and
  - Audit follow-up on prior audit findings.
3. Establish dollar threshold to distinguish between Type A and Type B federal programs per Circular A-133.
  4. Perform risk assessments of federal programs as required.
  5. Identify major federal programs.
  6. Complete and sign applicable sections of Data Collection Form.
  7. Prepare and submit the auditor's report(s) as defined in Circular A-133.

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**50.30.45**

July 1, 2009

**Responsibilities of state agencies/institutions  
administering or expending federal awards**

1. Develop internal policies in accordance with this policy and the requirements of the Act and Circular.
2. Identify, account for, and report all expenditures of federal awards in accordance with laws, regulations, contract and grant agreements, and requirements included in this and other sections of the OFM, *State Administrative and Accounting* manual.
3. Provide year-end, certified, federal financial data per requirements included in Chapter 95.
4. Prepare a corrective plan, in the format specified in Subsection 55.10.30, to address each agency audit finding and forward such plan(s) to OFM within 30 days after issue date of the agency audit.
5. Take corrective action on audit findings.
6. If acting as a pass-through entity, refer to Subsection 50.30.50 for list of responsibilities.

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**50.30.50**

July 1, 2009

**Pass-through entity responsibilities**

1. Properly identify federal awards by informing each subrecipient of the CFDA title and number, award name and number, award year, if the award is R & D, and name of the federal agency;
2. Advise subrecipients of requirements imposed on them by federal laws, regulations, and the provisions of contract and grants agreements as well as any supplemental requirements imposed by the pass-through entity;
3. Monitor the activities of subrecipients as necessary to ensure that federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grants agreements and that performance goals are met;
4. Require subrecipients to provide an annual inventory of federal awards sufficient to allow the pass-through entity to determine whether a single audit is required. The inventory can also be used for determining cognizant state agency, if applicable;
5. Ensure that subrecipients expending \$500,000 or more in federal awards during the subrecipient's fiscal year have met the audit requirements of Circular A-133;
6. Issue a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensure that the subrecipient takes appropriate and timely corrective action;
7. Consider whether subrecipient audits necessitate adjustment of the pass-through entity's own records;
8. Require each subrecipient to permit the pass-through entity and auditors to have access to the records and financial statements as necessary to comply with Circular A-133; and
9. In limited instances, pass-through entities can inherit the responsibility for receiving, reviewing, approving and monitoring indirect rate cost proposals/plans. 2 CFR, Part 225 (Circular A-87) states that, "where a local government only receives funds as a subrecipient, the primary recipient will be responsible for negotiating and/or monitoring the subrecipient's plan.

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**50.30.55**

July 1, 2003

**Pass-through entities must monitor subrecipients**

Subrecipient monitoring is the processes and procedures undertaken by a pass-through entity as necessary to ensure that subrecipients are complying with applicable laws, regulations, contract or grant agreement provisions, and that performance goals are being achieved. As part of ensuring legal requirements are met, it also includes processes and procedures to verify that applicable audit requirements are satisfied and audit findings are reviewed for timely corrective action.

Factors such as the size of awards, the percentage of total program funds awarded to subrecipients and the complexity of compliance requirements influence the nature and extent of appropriate monitoring procedures.

Forms of monitoring activities that might be employed include:

1. Pre-award assessments of subrecipient financial and program capabilities;
2. Require and collect written certification from subrecipients that required information on federal awards has been provided and that the subrecipient understands and agrees to comply with applicable laws, regulations, contract and grant agreement provisions and other requirements imposed by the pass-through entity;
3. Document reviews of subrecipient financial and programmatic reports;
4. Perform site visits to subrecipients to review financial and programmatic records as well as observe operations;
5. Perform limited scope audits. Limited scope audits are defined as an agreed-upon procedures engagements conducted in accordance with the American Institute of Certified Public Accountants' (AICPA's) generally accepted auditing standards (GAAS) and attestation standards, that are paid for and arranged by a pass-through entity and address only one or more of the following types of compliance requirements:
  - Activities allowed or unallowed;
  - Allowable costs/cost principles;
  - Eligibility;
  - Matching, level of effort, earmarking; and/or
  - Reporting.

6. Arrange for documented reviews of specific subrecipient activity based on risk assessment or significant compliance requirements. An example might be client eligibility determination;
7. Review and follow-up on subrecipient single audits; and
8. Use various checklists to document activities such as the review and follow-up on subrecipient audits or the receipt of required reports and documents prior to closure of contracts or grant agreements.

**50.30.60**

July 1, 2009

**Pass-through entities must determine subrecipient (subgrantee) vs. Vendor (contractor) determinations**

One of the more challenging tasks facing state agencies/institutions, acting as grantees and/or pass-through entities for federal assistance, is determining when federal program awards retain their identity of federal financial assistance. The distinction is important because federal financial assistance is subject to federal compliance requirements including federal audit requirements. If federal funds “lose” their federal financial assistance identity, the federal restrictions or requirements are generally no longer in effect. Federal funds typically lose their identity through expenditure (i.e., the funds are spent procuring goods or services from a vendor). Merely passing along federal funds to a subrecipient through a subgrant does not alter the federal assistance or award identity.

OMB Circular A-133, §\_\_.210, states, “Federal awards expended as a recipient or subrecipient would be subject to audit under this part. The payments received for goods or services provided as a vendor would not be considered federal awards.” §\_\_.210 also provides a list of characteristics indicative of federal awards received as a subrecipient and a separate list of characteristics indicative of payments received by a vendor for providing goods or services. Listed below are some other factors that can be used to distinguish between subrecipient and vendor relationships:

- **Solicitation and Competition** - Generally government rules and regulations mandate maximum free and open competition for award of procurement contracts. There are no similar government-wide requirements for competitive awards of subgrants.

- **Number of Awards** - A purchaser usually picks only one vendor to provide needed goods or an identifiable scope of services. On the other hand, organizations awarding assistance (subgrants) generally make multiple awards until funds are exhausted.
- **Criteria for Selection** - Agencies awarding assistance generally place the ability to demonstrate need for funds above most other factors. Agencies awarding vendor contracts usually identify factors showing capability to deliver as most important.
- **Statement of Work/Scope of Services/Project Objectives** - In a vendor procurement, the specification or scope of work is defined by the awarding agency, i.e., the awarding agency identifies what it is buying. In an assistance or subgrant situation, the potential subrecipient generally identifies the program details of the activity for which it is seeking support.
- **Timing of Payment** - Federal assistance payments are usually made before or at the time work is performed. Vendor payments are generally made after performance or at intervals of progress toward identified deliverables.
- **Pricing of the Agreement** - Grantees and subgrantees generally operate on the premise that the ultimate settlement of the agreement will be on the basis of incurred allowable costs. No increment above cost is either intended or allowed. Vendors, regardless of type, are paid increments above costs (profit) usually in exchange for the risk they assume in competing with others to offer the needed goods or services.
- **Special Conditions** - Grantees are permitted to impose “high risk” conditions on subgrantees. These are normally imposed on a case-by-case basis. In such cases, the subgrantee must be told about special conditions being imposed, the corrective actions needed to have them removed and the method of appealing the decision to impose, if such exists. Procurement contractors/vendors have no such protections. Because the grantee is buying the goods or services, it has the right to impose whatever terms deemed appropriate as long as they are mutually accepted at the time of the award.

- **Award Cost Participation** - Often, matching or cost sharing requirements are passed through to subrecipients, who are responsible for helping the grantee meet matching requirements. While technically possible, cost sharing would be unlikely in vendor agreements.
- **Award Risk** - Generally, assistance awards are treated as so-called “best effort” awards. That is the grantee or subgrantee assumes little risk if performance does not meet goals. This is recognition that assistance is often rendered to try to solve intractable problems that may not respond. Procurement contracts, particularly fixed-price contracts place much of the risk of achieving the objective or guaranteeing performance on the contractor or vendor.
- **Treatment of Property Purchased with Award Monies** - In assistance awards, if a grantee permits the subrecipient to purchase real property, equipment and significant inventories of supplies with federal funds, the grantee typically retains a residual interest in the property, enabling it to recover the property or money associated with its sale price at fair market value. Although technically possible, such arrangements are not normally found in vendor contracts.
- **Applicable Rules** - The type of award can be determined by noting the federal administrative rules being followed. Subgrants are governed by federal grantor implementing applicable sections of the Uniform Administrative Requirements Common Rule (§37) (A-102) and 2 CFR, Part 215 (Circular A-110) (paragraph 5 of the preamble). The two federal guides contain separate rules for procurement of vendor services (§36 of the Common Rule (A-102) and 2 CFR, part 215 (Circular A-110).
- **Public Policy Requirements** - Frequently, Congress has imposed various civil rights, environmental and work-place requirements on the expenditure of federal funds. The so-called “boiler-plate” language of an agreement may provide further evidence of whether an award is being treated as assistance (subgrant) or procurement (vendor). Policies dealing with assistance are usually drawn from the standard Statement of Assurances that accompany federal grant applications (Standard Form 424B for non-construction programs, Standard Form 424D for construction programs). For procurements under grants, the public policy provisions are identified in §36(i) of the Uniform Administrative Requirements Common Rule (A-102) and 2 CFR, part 215 (Circular A-110).

- **Termination** - Typically, an awarding agency hires help in a procurement contract, but provides help in an award of federal financial assistance. As such, procurement contracts can generally be terminated at the convenience of the awarding agency as well as for the vendor's non-performance or violation of terms and conditions. Subgrants can only be terminated by the awarding agency for cause - which is for a material violation of the terms and conditions of the award. The subgrantee normally can terminate an award agreement unilaterally or the awarding agency and the subgrantee can mutually agree to do so.

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**50.30.65**

July 1, 2003

**Basis of accounting to use with federal grant and entitlement transactions**

The fund type of the account in which the grant or entitlement transactions are recorded determines the basis of accounting. Transactions for governmental fund type accounts are recorded using the modified accrual basis. Proprietary and trust fund type accounts use the accrual basis. Refer to Subsection 80.30.20.

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**50.30.70**

July 1, 2003

**How to recognize revenue**

50.30.70.a

**Governmental Fund Type Accounts.** Grants or entitlement revenue recorded in governmental fund type accounts is recognized as revenue in the accounting period when it becomes susceptible to accrual, that is, both measurable and available. In applying this definition, carefully review legal, contractual, and accounting policy requirements for guidance.

- Entitlements are recorded as revenue at the time of receipt or earlier if the accrual criteria is met. Entitlements are restricted more in form than in substance. Generally, only a failure on the part of the recipient to comply with prescribed regulations will cause a forfeiture of the resources.
- Grant revenue is recognized when the related expenditure is made. If cost sharing or matching requirements exist, revenue recognition depends upon compliance with these requirements.

- 50.30.70.b **Proprietary and Trust Fund Type Accounts.** Grant or entitlement revenues received by propriety and trust fund type accounts for operating purposes, or which may be utilized for either operations or capital acquisitions at the discretion of the recipient agency, are recognized as revenues in the accounting period in which they are earned and become measurable (accrual basis). Grants restricted for the acquisition or construction of capital assets are recorded as contributed capital. Refer to Subsection 85.60.30.
- 50.30.70.c **Deferred Revenue.** Receipts from federal grant and entitlement awards received before the applicable revenue recognition criteria is met are to be recorded as deferred revenue and, subsequently, recorded as revenue when the criteria is met.

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### 50.30.75 Use the CFDA number to record federal activity

July 1, 2003

- 50.30.75.a Record federal assistance program revenues and expenditures/expenses by the unique code assigned each federal financial assistance program in the Federal Catalog of Domestic Assistance (CFDA) or, in the absence of a catalog defined number, the number defined by instructions from the federal audit clearinghouse. Refer to Subsection 95.10.40.d. Preferably, this is to be done as an integral part of the agency's grant accounting system to enable the system to produce reports by catalog number. However this may be accomplished by maintaining a crosswalk of federal programs to catalog numbers.
- 50.30.75.b When catalog numbers have not been provided in the federal grant contract and can not reasonably be determined by other means, agencies should identify federal programs with a number consisting of the two-digit federal agency number and a three-digit federal program of 999 "Other Federal Assistance." Refer to example in Section 95.20.

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### 50.30.80 Accounting for federal assistance activity between state agencies

July 1, 2003

Unless directed otherwise by federal law, regulation or federal awarding agency directive, record federal revenue and expenditure/expense activity between state agencies or institutions such that the activity is not duplicated either for accounting or reporting purposes.

State agencies or institutions involved in inter-agency federal assistance activity should use the following accounting procedures:

1. The originating state agency records and reports the federal revenue and a corresponding expenditure/expense using Object N “Grants, Benefits, and Client Services” for the amount paid to the subrecipient agency.
2. The subrecipient state agency records program expenditures offset by an interagency reimbursement (Object S) for the moneys received from the original agency. This results in no net revenue or expenditure/expense to the subrecipient agency.

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**50.30.85**

January 1, 2012

**Accounting for expenditures of nonfinancial federal awards**

50.30.85.a

**Cost of Administering Nonfinancial Programs.** Administration costs for nonfinancial federal programs are recorded as federal revenues and expenditures under the applicable CFDA program number and reported at year-end on the Federal Financial Assistance - Direct screen of the electronic reporting module.

50.30.85.b

**Donated Inventory Programs.** Agencies of the state of Washington receive federal nonfinancial assistance in the form of donated inventories (primarily food commodities and disease immunization supplies). Such assistance may be received directly from a federal agency or indirectly from a custodial state agency.

Record donated inventories as consumable inventories in accordance with Subsection 85.56.40. State agencies must report the fair value of inventory consumed during the year on the Nonfinancial Assistance screen of the electronic reporting module. State agencies having inventories of federally provided commodities for distribution to other agencies or locations will not report these commodities as revenue but as consumable inventories offset by deferred revenue.

Record distribution by the custodial agency to the consuming agency as a reduction of inventory by the custodial agency (no expenditure/expense). The state agency actually using the commodities reports the nonfinancial revenue and the associated nonfinancial expenditure/expense in their accounting records and on their year-end Nonfinancial Assistance report.

For food commodities use the commodity list prepared by the Food and Nutrition Service of the U.S. Department of Agriculture to determine the fair value of the nonfinancial assistance.

Record federal food donations as consumable inventories in accordance with Subsection 85.56.40. State agencies must report the fair value of inventory consumed during the year on their Nonfinancial Assistance report. State agencies having inventories of foods for distribution to other agencies or locations will not report these commodities as revenue but as consumable inventories offset by deferred revenue. The state agency actually using the commodities reports the nonfinancial revenue and the associated nonfinancial expenditure/expense in their accounting records and on their Nonfinancial Assistance report. Use the commodity list prepared by the Food and Nutrition Service of the U.S. Department of Agriculture to determine the fair value of the nonfinancial assistance.

50.30.85.c

**Federal Surplus Property.** Do not record the value of federal surplus property received by a state agency or institution in the official state financial accounting records. Maintain the property in appropriate subsidiary ledgers for proper control of the assets. Report federal surplus property on the Nonfinancial Assistance report screen under the applicable CFDA program number. It shall be valued at fair market value at the time of receipt or the assessed value provided by the federal agency donating the property. As part of the year-end reporting process, the Surplus Property Program within the Department of Enterprise Services will provide each agency or institution with a summary report of the value of federal surplus property received by that agency or institution for the reporting year.

**50.30.90**

July 1, 2003

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**Accounting for federal assistance received from another nonfederal entity, other than another Washington State agency/institution (pass-through)**

Record identified federal assistance received indirectly from another state (e.g. Oregon) or local government and/or private entity as federal pass-through revenue (Revenue Source Code 0546). There are additional year-end financial reporting requirements specific to federal pass-through revenue and expenditures found in Subsection 95.20.60.



## 50.40

# Cash Management Improvement Act

### 50.40.10

July 1, 2005

## Purpose of the Cash Management Improvement Act

The Cash Management Improvement Act of 1990 (CMIA) provides rules and procedures for the efficient transfer of federal financial assistance between the federal agencies and the state. The implementing regulations are in 31 CFR Part 205. The general provisions of the Act are as follows:

1. Federal agencies must make timely fund transfers and grant awards to state agencies.
2. State agencies must minimize the time between the deposit of federal funds in the state's account and the disbursement of funds for program purposes.
3. With some exceptions, the state is entitled to interest from the federal government from the day the state pays out its own funds for federal assistance program purposes to the day federal funds are credited to the state bank account.
4. With some exceptions, the federal government is entitled to interest from the state from the day federal funds are credited to the state's account to the day the state pays out the federal funds for federal assistance program purposes.
5. The state must enter into a Treasury-State Agreement (TSA) with the U.S. Department of the Treasury, Financial Management Service (FMS) to set forth terms and conditions for implementing CMIA.

### 50.40.20

November 15, 2000

## The Treasury-State Agreement defines the drawdown methods to be used by agencies

The Office of Financial Management (OFM), with the assistance of all affected state agencies, negotiates the TSA with FMS. The TSA outlines by program, the funding technique and the clearance pattern the state will use to draw down funds from the federal government.

Generally, conformance with the TSA assures that the state does not owe the federal government, or is not due from the federal government, interest liability on its drawdowns.

Amendments to the TSA may be proposed by either the state or the federal government at any time during the duration of the contract.

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**50.40.30**

July 1, 2011

**Federal assistance programs and state agencies subject to the CMIA**

The programs listed in the Catalog of Federal Domestic Assistance are subject to CMIA regulations. Currently, programs with \$30 million or more in federal expenditures, as determined from the state's 2010 Single Audit Report Schedule of Expenditures of Financial Awards, are required to be covered under the TSA (CMIA agreement). The list of federal assistance programs impacted by CMIA may be revised annually, depending on the total amount of federal expenditures as reported in the state's Single Audit Report. State agencies that administer CMIA programs are subject to CMIA regulations.

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**50.40.40**

July 1, 2005

**Responsibilities of the Office of Financial Management (OFM)**

The responsibilities of OFM are to:

1. Annually identify the state agencies and federal assistance programs that will be considered as CMIA programs and notify affected state agencies.
2. Negotiate with FMS new agreements and amendments to the existing TSA (Refer to Subsection 50.40.20).
3. With the assistance of the Office of State Treasurer (OST) and affected state agencies, develop clearance patterns.
4. Prepare annual interest reports and direct cost claims for submittal to FMS (submitted in December each year for the previous state fiscal year).

5. Direct OST as to the payment of state interest liability and/or receipt of federal interest liability.
6. Certify, with affected agencies' concurrence, every five years that clearance patterns correspond to a program's clearance activities.

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**50.40.50**

July 1, 2002

**Responsibilities of agencies that administer CMIA programs**

The responsibilities of the state agencies that administer CMIA programs are:

1. Request federal funds in accordance with the approved funding technique described in the TSA and in amounts needed for immediate payments.
2. Document the amount of federal funds requested and when federal funds are deposited in the state's account.

If federal funds are not available when required per the TSA, process the request which will document federal funds were properly requested by the state in accordance with the TSA.

- For the federal draw systems that reject requests when federal funds are not available in the system, make the request and print the rejection notice as evidence of the state's conformance with the TSA. If necessary, make appropriate phone calls to federal agencies to notify them that federal funds are not available per the TSA. Document efforts made to request federal funds per the TSA.
- When federal funds are not available per the TSA, maintain documentation of the amount of state funds expended, the dates of these expenditures, the date federal funds were requested, and the date federal funds were received. Maintain this documentation for use in calculating federal interest liability on late federal funds.

**Note:** In most cases, the state cannot calculate a federal interest liability unless the state has made a request through a federal draw system and had it rejected, or has notified the applicable federal agency that federal funds are not available per the TSA.

3. Calculate the state and federal interest liabilities (Refer to Subsection 50.40.60) by program and any associated direct costs (Refer to Subsection 50.40.70).
4. Notify OFM, Accounting Division, of changes to the funding techniques and clearance patterns. A state agency shall not make a change until it is reviewed and approved by OFM and FMS.
5. Certify to OFM that CMIA programs conform to the drawdown methods described in the TSA (Refer to Subsection 50.40.20). OFM requests this certification in December of each year.

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**50.40.60**

July 1, 2005

**How to calculate interest owed or due**

In cases where interest is owed to the federal government, or due from the federal government, under the TSA, agencies should calculate and document the interest owed or due. The interest rate to be used is the annualized rate equal to the average equivalent yield of 13-week Treasury Bills auctioned during the state's fiscal year. The interest rate is provided to the state by FMS. Agencies should ensure that interest calculations are auditable.

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**50.40.70**

July 1, 2003

**Interest calculation costs of implementing the TSA are reimbursable**

Interest calculation costs related to implementing the TSA are reimbursable by the federal government and are claimed on the Annual Report of interest liabilities that is submitted by OFM to FMS in December each year. Interest calculation costs are those costs an agency incurs in performing the actual calculation of interest liabilities, including those costs an agency incurs in developing and maintaining clearance patterns in support of interest calculations. Costs associated with expenses for normal disbursing services, such as processing checks or maintaining records for accounting and reconciliation of cash accounts, or expenses for upgrading or modernizing accounting systems are not reimbursable. Agencies must maintain documentation to substantiate claims for interest calculation costs. Interest calculation costs in excess of \$50,000 are not eligible for reimbursement, unless the agency can justify that without incurring such costs, it would not be able to develop clearance patterns or calculate interest.

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**50.40.80**  
November 15, 2000

**Responsibilities of agencies receiving federal funds,  
but not designated as CMIA programs**

The principal responsibilities of other state agencies receiving federal funds not designated as CMIA programs are:

1. Draw federal funds as close as possible to when the underlying disbursement is made by OST or the local bank.
2. Draw federal funds at the earliest date allowed by the federal program or regulations.



## 50.50 Compliance with the Americans with Disabilities Act

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### 50.50.10

October 1, 2005

### Background

Title II of the Americans with Disabilities Act of 1990 generally became effective for public entities such as the state of Washington on January 26, 1992. On February 24, 1993, the Governor signed Executive Order 93-03, specifically implementing the Americans with Disabilities Act for the state of Washington.

The Act ([Public Law 101-336](#)), commonly referred to as the “ADA”, makes it unlawful to discriminate against individuals on the basis of disability in the employment, services, programs, or activities of the state. The ADA extends the prohibition of discrimination on the basis of disability, established by Section 504 of the Federal Rehabilitation Act of 1973, as amended, to all state and local governments and all places of public accommodation, regardless of receipt of federal financial assistance. By law, the U.S. Department of Justice's Title II regulations adopt the general prohibitions of discrimination established under Section 504 and incorporate specific prohibitions of discrimination from the ADA.

### 50.50.20

July 1, 2005

### Purpose

The purpose of this section is to ensure that state agencies, including public institutions of higher education, conduct hearings, conventions, conferences, meetings, and formal training sessions in barrier-free facilities so that individuals with disabilities are not excluded from participation or hindered in performing their jobs.

### 50.50.30

July 1, 2005

### Applicability

These regulations apply to all hearings, conventions, conferences, meetings, and formal training sessions held or sponsored by state agencies, and are to be followed except when the specific audience is known and the attendees do not require barrier-free facilities. Normally, this exception would only apply to closed meetings and not public events.

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**50.50.35**

October 1, 2005

**Special definitions**

**State Facility** – Any facility owned, leased or occupied by the state.

**Non-State Facility** – A facility that is not owned, leased or occupied by the state.

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**50.50.40**

January 1, 2012

**Choose barrier-free facilities for hearings, conventions, conferences, meetings and formal training sessions**

State agencies are **required** to give first priority to state-owned or state-leased barrier-free facilities in place of renting or leasing other facilities. To assist state agencies in selecting such locations, the Department of Enterprise Services has a database of state-owned and state-leased meeting facilities that are barrier-free and can accommodate ten or more people. The database is available online at:

<https://fortress.wa.gov/ga/apps/RoomInfo/SearchRoom.aspx>

When a hearing, convention, conference, meeting, or formal training session is held or sponsored by a state agency(ies) at a non-state facility, whether free or at a cost to the state:

1. The employee responsible for choosing the facility is to submit a written request in advance of the event to the state agency head or authorized designee.
2. The request is to contain written justification for selecting a non-state facility.
3. Approval of the site by the state agency head or authorized designee is to be in writing.

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**50.50.50**

October 1, 2005

**Use the Accessible Meeting Facility Checklist to help evaluate non-state sites for ADA compliance**

50.50.50.a

An [Accessible Meeting Facility Checklist](#) developed by the Governor's Committee on Disability Issues and Employment (GCDE) is to be used to help evaluate a non-state facility for ADA compliance prior to executing a contract with a facility vendor.

- 50.50.50.b Use of the checklist will provide **reasonable, although not absolute, assurance** that the facility will meet ADA accessibility standards. **Additional accommodations** not included in the checklist may be needed in some instances to ensure barrier-free access to the services, programs, or activities being provided.

**50.50.60**

October 1, 2005

**Criteria to meet the minimum access requirements**

The following criteria from the Accessible Meeting Facility Checklist are the **minimum access requirements** for conducting hearings, conventions, conferences, meetings, or formal training sessions:

## 50.50.60.a

**Site and Building Exterior**

- If off-street parking is provided, the parking and passenger loading zone is to be on a level, stable, firm, slip resistant surface.
- A ramp, curb-cut, or level walkway leads from the parking area to a primary entrance to the building.
- Exterior walkways are free of vertical obstructions up to 80" in height.
- All exterior ramps have a firm, non-slip surface.
- Primary entrances to the building have a clear opening of at least 32 inches and either an automatic door or a door with opening pressure less than 8.5 lbs.

## 50.50.60.b

**Building Interiors**

- Interior corridors from the primary entrances to the meeting room and restrooms have a clear width of 36" minimum.
- All interior doors including elevator doors, restroom doors, and accessible toilet stalls between the primary entrance and meeting room have a minimum clear opening of 32".

## 50.50.60.c

**Meeting Rooms**

- If the facility has fixed seating, provide a minimum of 36" clear aisles throughout the meeting room area.

50.50.60.d

### Restrooms

- Accessible toilet stalls with a minimum dimension of 60" wide x 58" deep are to be provided.
- Grab bars installed 33" to 36" above and parallel to the floor on the back or to the side of the toilet are to be provided.

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## 50.50.70

October 1, 2005

### Agency responsibilities in contracting for a barrier-free, non-state facility

The representative of a state agency must comply with the following procedures when contracting for a barrier-free, non-state facility for hearings, conventions, conferences, meetings, or formal training sessions:

1. Use the [GCDE Accessible Meeting Facility Checklist](#) to help evaluate a non-state facility for ADA compliance prior to executing a contract with a facility vendor. (Refer to Subsection 50.50.50.) **or**

Provide the vendor a copy of the Accessible Meeting Facility Checklist with the procurement document (field order, contract, etc.) and ensure the vendor completes the checklist, unless a current completed checklist for the facility is already on file with the state agency.

2. Provide a list of the minimum accessibility requirements (Subsection 50.50.60) to the vendor. The facility selected for the hearing, convention, conference, meeting, or training session must, at a minimum, meet all of these requirements.
3. Ensure the procurement documents contain an acknowledgment from the vendor certifying the following:
  - The barrier-free non-state facility will meet the **minimum accessibility requirements** contained in Subsection 50.50.60 on the scheduled date(s) of the event.
  - When requested by the agency, the vendor will make **special modifications** to the non-state facility to meet ADA accessibility requirements for a particular event. Any agreement to provide special modifications may entail negotiation of additional costs payable by the contracting agency. Agreements for special modifications are to be written and signed by a state agency representative and the non-state facility vendor prior to the event being held.

## Federal Compliance

- The vendor is solely responsible to ensure that the non-state facility meets the minimum accessibility requirements contained in these regulations, and that any special modifications to the non-state facility are completed for the event. The vendor shall indemnify and hold harmless the contracting state agency from any claims resulting from the vendor's failure to meet the minimum accessibility requirements.
4. Ensure the non-state facility vendor attaches a **signed** ADA certification statement and a completed Accessible Meeting Facility Checklist to the invoice being submitted to the state agency for payment.

The ADA certification statement is to read: "To the best of (vendor's name) knowledge, the facilities provided to the (state agency's name) on (date or dates) met all of the minimum accessibility requirements (and any special modifications to the facilities included in the contract)." It is not necessary for the vendor to attach a completed copy of the Accessible Meeting Facility Checklist to the invoice, if the agency has a current copy of it on file and references the checklist and the date of completion on the face of the invoice.

5. The representative of a state agency who signs the receiving report is to prepare and attach a statement indicating that to the best of the representative's knowledge the non-state facility met, or did not meet, all of the minimum accessibility requirements (and any special modifications to the facilities included in the contract) on the date(s) of the hearing, convention, conference, meeting, or training session. If the facility did not meet the minimum accessibility requirements, a complete explanation of the failure(s) is to be included in the statement.

**50.50.80**

October 1, 2005

**When a non-state facility turns out not to meet ADA access criteria**

50.50.80.a

Should a state agency obtain a receiving report with a statement by its representative indicating that the non-state facility did not meet ADA access criteria, the agency is authorized to deny payment to the vendor due to breach of contract.

50.50.80.b

The state agency should not contract for further use of the non-state facility until it assures itself that the non-state facility meets the **minimum accessibility requirements** contained in Subsection 50.50.60. **Failure by a state agency(ies) to obtain such assurance could result in judicial action and the imposition of significant financial penalties.**

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**50.50.90**  
October 1, 2005

**How to get more information on ADA compliance**

Any individual or organization wanting information, regarding how to bring individual situations, issues, etc. into compliance with Title II of ADA and/or Executive Order 93-03, is encouraged to contact the Governor's Committee on Disability Issues and Employment at:

Governor's Committee on Disability Issues and Employment  
PO Box 9046, MS: 6000  
Olympia, WA 98507-9046

Phones:

Olympia: (360) 438-3168 (voice), or (360) 438-3167 (TTY)  
Spokane: (509) 482-3851 (voice)

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**50.50.95**  
October 1, 2005

**How to file an ADA related complaint**

Any individual believing to be a victim of discrimination prohibited by Title II ADA regulations may file a complaint. Complaints filed on behalf of classes of individuals are also permitted. Complaints should be in writing, signed by the complainant or an authorized representative, contain the complainant's name and address, and describe the public entity's alleged discriminatory action. Complaints may be made to:

***Law Against Discrimination (RCW 49.60)***

Washington State Human Rights Commission  
711 S Capitol Way, Suite 402  
PO Box 42490, MS: 42490  
Olympia, WA 98504-2490

<http://apps.leg.wa.gov/rcw>

Phones:

Olympia: (360) 753-6770 (voice) or (800) 300-7525 (TTY)  
Seattle: (206) 464-6500 (voice) or (206) 587-5168 (TTY)  
Spokane: (509) 456-4473 (voice)  
Yakima: (509) 575-2772 (voice)  
Statewide: (800) 233-3247 (voice)

***Complaints about State Programs & Services***

US Department of Justice  
Civil Rights Division  
950 Pennsylvania Ave. NW  
Disability Rights Section – NYAV  
Washington, DC 20530

<http://www.usdoj.gov/>

Phones:

(202) 514-0301 (voice), or (202) 514-0383 (TTY)  
(800) 514-0301 (voice), or (800) 504-0383 (TTY)

***Title 1, Employment Related Complaints - State Government***

U.S. Equal Employment Opportunity Commission  
Field Management Programs  
1801 L Street, N.W., Room 8023  
Washington, D.C. 20507

<http://www.eeoc.gov/facts/howtofil.html>

Phones:

(800) 669-4000 (voice), or (800) 669-6820 (TTY)