



# The Connection

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

## Enterprise Payment System Update

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

In response to these new requirements, OFM launched the Enterprise Payment Services (EPS) project to:

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

Benefits include:

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

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## 23 Years of Excellence in Financial Reporting!

The state of Washington was awarded its 23rd consecutive Certificate of Achievement for Excellence in Financial Reporting for its Fiscal Year 2009 Comprehensive Annual Financial Report (CAFR).

The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting. It represents a significant accomplishment by the state.

The offices of the State Auditor, the State Actuary, the State Treasurer, the Department of Retirement Systems, the State Investment Board and all state fiscal personnel contribute to the production of the CAFR. We thank you for your continuing dedication to this endeavor.

To view the Fiscal Year 2009 CAFR, please visit our website at: <http://www.ofm.wa.gov/cafr/2009/default.asp>.

## Travel Policy Update

We revised Chapter 10: Travel (<http://www.ofm.wa.gov/policy/10.htm>) of the State Administrative and Accounting Manual (SAAM), effective October 1, 2010.

The maximum meal and lodging rates for several Washington state locations were revised to match changes adopted by the U.S. General Services Administration. The state Per Diem Rates map reflects these changes. The map is available on OFM's Travel Resources website at: <http://www.ofm.wa.gov/resources/travel.asp>.

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

## 1099 Reporting

Recently issued Internal Revenue Service regulations move the responsibility for information reporting of payment card transactions from the purchaser to the payment settlement entity. In general, a “payment card” means a credit card, debit card or government-issued electronic benefit transaction (EBT) card. A “payment settlement entity” is either the issuer of a payment card, or, in the case of a third-party network transaction, the third party settlement organization.

**What does this mean to agencies?** Beginning in 2011, U.S. Bank will be responsible for information reporting for payments agencies make with state purchase cards. Additionally, agencies that accept payment cards may begin to receive new 1099-K Merchant Card and Third-Party Payment forms from card issuers. These forms will indicate the amount of gross proceeds paid to them. In most cases, no tax related action by agencies will be necessary as they are exempt from income tax.

The following links provide more details:

[IRS summary](#)

[IRS final regulations](#)

[Draft IRS Form 1099-K \(new form\)](#)

If you have any questions, please contact Denise Tabler at 360-664-7788 / [denise.tabler@ofm.wa.gov](mailto:denise.tabler@ofm.wa.gov) or Steve Nielson at 360-725-0226 / [steve.nielson@ofm.wa.gov](mailto:steve.nielson@ofm.wa.gov).

## Upcoming FREE Audio Conferences

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

### 2010

Oct. 20	Was it Fraud or Just Poor Audit Quality?
Nov. 17	Achieving Transparency – The Next Step to Integrating Your Data
Dec. 8	Internal Control and Risk Assessment – Thoughts from SAS 109 and 115

### 2011

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

2 CPE credits will be earned for each audio conference.

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

## Results through Performance Management System (RPM)

On Sept. 1, 2010, OFM released the second phase of the new Results through Performance Management (RPM) system.

The goal of the RPM system is to allow performance management information to be collected once, in a single system that can be used for multiple reporting purposes such as budget reporting, the Governor’s Government Management Accountability & Performance (GMAP) and internal agency tracking and monitoring. The first phase, delivered in February, replaced OFM’s previous budget performance tracking system with one designed to better meet user needs.

During the second phase, the RPM team developed several new features to meet GMAP needs, including:

- Rich text capability, such as bullets, bold formatting and spell checking.
- “Roll-up” measures where performance data can be entered for regions or divisions, then automatically reported at a statewide level.
- The ability to create action plans and link them to performance measures.
- The ability to create “scenarios,” topics and subtopics that are linked to performance measures.
- The ability to find performance measures by program.

The final phase of RPM will complement existing GMAP and budget transparency reporting by making it easy to get data from RPM to the internet. The project team will soon begin identifying requirements for the final phase.

For more information about the new system, please contact Sara Corbin at 360-664-7737 / [sara.corbin@ofm.wa.gov](mailto:sara.corbin@ofm.wa.gov), Pam Pannkuk at 360-902-0424 / [pam.pannkuk@ofm.wa.gov](mailto:pam.pannkuk@ofm.wa.gov), or Jeffrey Showman at 360-902-7536 / [jeffrey.showman@ofm.wa.gov](mailto:jeffrey.showman@ofm.wa.gov).

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## Enterprise Payment System Update

Over the summer, the EPS project team completed requirements and the project is now moving into the design phase. In this phase, programmers, testers and others will be drilling into detail about business and functional requirements to ensure that they are complete and clear. Details regarding the project schedule are currently being worked out.

The EPS offers many benefits. It is a big undertaking and it will impact you. Major impacts include:

- As the EPS requirements evolved, it became clear that additional fields in the vendor files are needed to accommodate the new withholding and reporting requirements. The current working assumption is that vendor records will be centralized and agency vendor records will be eliminated. As we noted in the summer edition of The Connection, OFM offers assistance to agencies as they transition from agency vendor files to the statewide vendor file. OFM provides vendor file comparisons, assists with necessary file conversions and helps agencies develop transition plans. For more information, contact Maria Hug, Accounting Portfolio Product Manager, at 360-664-7749 / maria.hug@ofm.wa.gov.
- The use of pseudo vendor numbers will change. Research revealed there are a number of valid uses for pseudo vendor numbers. However, given the new IRS withholding and reporting requirements, use of pseudo vendors will require edits. Work continues in this area.
- Also to support IRS withholding and reporting requirements, except in a limited number of circumstances such as revenue refunds, the new EPS will require TINs for all vendors. The EPS will also feature ongoing TIN matching.

Your input is needed in the design phase of the project. When an EPS team member reaches out to you for clarification on your agency business needs, please get involved. We want to make sure that your agency's needs are addressed. Another opportunity to participate is to join the Agency Advisory Group that is being organized to review design prototypes and be involved in usability groups. If you are interested in being on the Agency Advisory Group or have further questions, please contact Ron Robertson, the EPS Project Manager, at 360-664-7758 / ron.robertson@ofm.wa.gov or Ann Bruner, the EPS Project Director at 360-664-7711 / ann.bruner@ofm.wa.gov.

## Federal Funding Accountability and Transparency Act (FFATA)

**What is FFATA?** The Federal Funding Accountability and Transparency Act (FFATA) was signed into law September 2006 and requires that information on federal contracts and awards be made available to the public via an easy to use single, searchable website. Federal agencies have been submitting prime recipient information to the website, USASpending.gov, since January 1, 2008.

**When are states affected?** When the Recovery Act was passed with its many new requirements for federal reporting, FFATA requirements at the state level were put on hold. However, the project is now on the front burner and the federal Office of Management and Budget (OMB) is requiring sub-recipient reporting by states beginning October 1, 2010.

**What does this mean to states?** Data on sub-contracts, sub-awards, and compensation information is required of the prime recipient. States and local governments receiving federal awards are likely prime recipients and therefore affected by this guidance. The flow of information under FFATA is similar to that required by the Recovery Act. Data currently reported under the Recovery Act need not be also reported under FFATA.

**What is our state doing?** Each agency is responsible for its own reporting to the FFATA website: <http://www.ffata.org/ffata/>. FFATA reporting will not affect the state's recovery website, <http://www.recovery.wa.gov/>.

### Where can you get more information?

- OMB memo and guidance issued on August 27, 2010.
- Further OMB guidance on data quality is expected to be released soon.
- The PowerPoint presentation, recording and handouts from a recent FFATA webinar are available at <http://www.nasact.org/FFATA/index.cfm>.
- The FFATA website: <http://www.ffata.org/ffata/>.