



# The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

## FY 2018 SWCAP Update

The fiscal year 2018 Statewide Cost Allocation Plan (SWCAP) is still in the negotiation stage with the federal Department of Health and Human Services (HHS). With staff retirements at HHS, we are working with a new negotiator and anticipate the approval in April. Once the plan is approved, we will send an email notifying agencies and will post the agreement to our website. We appreciate your patience while we work through the approval process with HHS.

Questions about the SWCAP should be directed to Mike Schaub at (360) 725-0225 or [mike.schaub@ofm.wa.gov](mailto:mike.schaub@ofm.wa.gov).



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## Time for Some Spring Cleaning

In our lives outside the office, spring is often a time we do a little extra cleaning. We air out the house, clean windows, and deep clean other areas of our homes that may have been neglected over the winter months. The warmer weather and longer days seem to give us the energy and enthusiasm for these tasks.

How, you may wonder, does this relate to my job in a fiscal shop? Well, just like some areas of our home are neglected or surface cleaned over the winter, perhaps some of your general ledgers (GLs) have been ignored or given only a cursory review. If that's the case in your agency, now is the time – before fiscal year end – to get caught up with the thorough GL reconciliations that are needed to ensure your AFRS balances are correct. This will give you time to make necessary corrections in this fiscal year.

Here are some observations about reconciliations that are worth repeating:

- ✓ Both the reconciliation preparer and the reviewer need to have some basic knowledge about the activity being reconciled. They need to understand the rules and policies that govern the activity, why they are reconciling, what they are reconciling to, and what should be used to support the balance.
- ✓ Knowing what makes up a balance is only a small part of the reconciliation process. The real work is figuring out why the balances are there, how they will be cleared, who is responsible, and when it will be done. Then, you must monitor to ensure the cleanup happens!
- ✓ Having a standard process and using standard templates seem to work well for many agencies. Our [General ledger reconciliation resource webpage](#) features general information, a summary of SAAM required reconciliations, and useful information we collected from agencies such as sample assignment lists, policies and procedures, and reconciliation templates.

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# Another Fiscal Year is Coming to a Close

It's April. Spring is in the air. That can mean only one thing: Fiscal year-end close is just around the corner. Below are the important fiscal year 2018 year-end dates to keep in mind as you plan your internal activities. For a calendar to print out, go to [https://ofm.wa.gov/sites/default/files/public/resources/yearend/FY18\\_calendar.pdf](https://ofm.wa.gov/sites/default/files/public/resources/yearend/FY18_calendar.pdf).

Due Date	Reporting Item
June 29	Last day of the fiscal year; cash cutoff (refer to OST's closing schedule memo)
July 13	Disclosure Form application opens
July 20	Mail out interagency billings (whether based on actuals or estimates)
July 31	<b>Phase 1 Close</b> Agency accruals recorded. Prioritize interagency receivable/payable reconciliations as many agencies have an early internal close date.
August 17	<b>Phase 1B Close</b> <ul style="list-style-type: none"> <li>• Certain state disclosure forms are due</li> <li>• Interagency receivable/payable balancing is due</li> <li>• Pollution remediation site status report is due</li> </ul>
August 31	<b>Phase 2 Close</b> <ul style="list-style-type: none"> <li>• Agency adjustments completed</li> <li>• Remaining State and Federal Disclosure Forms are due (not including certifications)</li> <li>• Disclosure Form application closes</li> </ul> <p>All agency adjusting entries made after Phase 2 require OFM approval.</p>
September 12	State Financial Disclosure Certification form, including attachments, is due
January 31, 2019	Federal Assistance Certification form is due

If your agency cannot complete some or all of the Phase 1B disclosure forms and tasks by August 17, you will need to request an extension by sending a memo to your assigned OFM Accounting Consultant. The memo should list the items for which an extension is needed and the date by which your agency can complete the forms and tasks. The requested date can be no later than the end of Phase 2, August 31, 2018. Remember that completion of the disclosure forms requires all AFRS entries related to those forms to also be complete.

Chapters 90, State Reporting, and 95, Federal Assistance Reporting, in the *State Administrative and Accounting Manual* are updated every year to reflect changes in reporting requirements. The Chapter 90 update will be issued in May and Chapter 95 will be updated following the issuance of the federal Office of Management and Budget's Uniform Guidance. For additional information, please contact your assigned OFM Accounting Consultant.

## Fiscal Year-End Training Classes Offered

Classes on both state and federal year-end closing procedures will be held in May and June. For those people with year-end closing experience, we offer two short update classes that focus on current year changes and key items that we want to emphasize.

Class Name	Dates	Times	Duration
OFM - Fiscal Year-end Closing (State) – Update	May 31 June 6 June 20	10:30 – 12:00 10:30 – 12:00 10:30 – 12:00	1.5 hours
OFM - Fiscal Year-end Closing (Federal) – Update	May 31 June 6 June 20	8:30 – 10:15 8:30 – 10:15 8:30 – 10:15	1.8 hours

In addition, we will be offering the shortened versions of the state and federal fiscal year-end closing update classes at the May 2018 Financial Management Advisory Council (FMAC) meeting. Refer to the [FMAC page](#) for details.

For people new to year-end closing, we also offer two half-day (4 hour) workshops. One workshop focuses on expenditures and payables; the other workshop focuses on revenues, reconciliations, and Phase 2 adjustments. These workshops are hands-on and include exercises. Space is limited in these workshops, so we ask that you read the detailed class descriptions and coordinate within your office so that each agency sends the appropriate staff to each class.

Class Name	Dates	Time	Duration
OFM - Fiscal Year-end Expenditures and Payables Workshop	May 22 June 5 June 19	1:00 – 5:00 1:00 – 5:00 1:00 – 5:00	4 hours
OFM - Fiscal Year-end Revenues, Reconciliations, & Phase 2 Adjustments Workshop	May 22 June 5 June 19	8:00 – 12:00 8:00 – 12:00 8:00 – 12:00	4 hours

**NOTE:** We will not be offering the State Disclosure Forms training as a separate class this year. Changes to state forms will be discussed at FMAC and the Fiscal Year-end Closing (State) - Update class. Changes to federal forms will be discussed in the Fiscal Year-end Closing (Federal) – Update class.

To view class descriptions and register, go to the [Learning Management System](#) (LMS) website. If you register but cannot attend, please cancel your registration in LMS to make room for someone on the wait list.

Year-end classes will be held at the new Helen Sommers Building at 106 11<sup>th</sup> Ave SW. Parking is limited, so we recommend taking the DASH bus or walking if possible.

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

# All Moving Expense Payments Are Now Taxable

Due to recent changes in the tax code ([Public Law 115-97](#)), all employer provided moving expenses are taxable. Effective January 1, 2018, payments to employees or to vendors on behalf of employees are to be included as taxable income on IRS Form W-2 of affected employees.

The appropriate subsections in the *State Administrative and Accounting Manual* (SAAM) have been updated to reflect this change. Refer to [SAAM Technical Correction](#) dated February 18, 2018.

If you have any questions, please contact Steve Nielson at (360) 725-0226 [steve.nielson@ofm.wa.gov](mailto:steve.nielson@ofm.wa.gov) or Sandy McGough at (360) 725-0194 [sandy.mcgough@ofm.wa.gov](mailto:sandy.mcgough@ofm.wa.gov).

# Cash Management Improvement Act

The federal government enacted the Cash Management Improvement Act (CMIA) of 1990 to ensure greater efficiency, effectiveness, and equity in the exchange of funds between the federal government and the states, territories, and the District of Columbia.

The CMIA requires each state to enter into an agreement, the Treasury State Agreement (TSA), with the Secretary of the U.S Treasury that specifies how federal funds transfers will take place. The agreement includes covered programs, funding (draw) techniques, clearance pattern methodologies, interest calculation methodologies, and types of interest calculation costs. The draw techniques are intended to be interest neutral.

All federal funds transfers to the states are covered under CMIA; however, only major assistance programs are included in the TSA. Inclusion of federal programs is based on the state's threshold and the Schedule of Expenditure of Federal Awards from two years prior. The [TSA agreement](#) is amended annually; therefore, the number and types of major federal assistance programs included will vary from year to year.

Following the close of each fiscal year, the state must submit an Annual Report to the federal government to account for the interest liabilities related to the state's most recently closed fiscal year. If federal funds weren't available to draw in accordance with the draw technique, then the federal government owes the state interest. If the state draws funds too early, then the state owes the federal government interest. In December, we submitted the annual report for fiscal year 2017 and owed the federal government a state interest liability of \$183,057.

Currently, OFM is working with agencies that have programs that meet or exceed the state's threshold of \$30 million to gather information for the state fiscal year 2019 TSA. A total of ten state agencies and 26 programs will be included in the 2019 amendment.

Agencies with federal grants that do not meet the threshold are still responsible to comply with CMIA, which establishes minimum cash management standards, and should review and ensure that current methods used to draw federal funds incorporate good cash management.

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# 2017 Single Audit

The 2017 Single Audit Report is now available online at <https://ofm.wa.gov/accounting/financial-audit-reports/single-audit-report/2017-single-audit-report>. The Single Audit must be filed with the federal clearinghouse within nine months of the fiscal year end.

As always, there was a mad dash to complete the Single Audit by the deadline, but we did it! Thanks to all of the agencies who helped make it happen.

A few highlights of this year's Single Audit:

	2017	2016	2015	2014
Federal Assistance Expenditures	\$17.5 billion	\$17.2 billion	\$17 billion	\$15.7 billion
Questioned Costs	\$43.0 million	\$18.4 million	\$28.7 million	\$3.9 million
Total number of findings	52	50	56	55
Activities Allowed/Unallowed, Allowable Costs/Costs Principle	21	22	21	20
Special Test and Provisions	10	22	13	7
Eligibility	3	6	11	4
Subrecipient Monitoring	1	1	3	3

Of the 52 findings this year, 21 were related to Activities Allowed/Unallowed and Allowable Costs/Cost Principles. Non-compliance in these federal requirements continued to be the leading cause for findings. Agencies should continue to focus on improving and maintaining sufficient administrative and accounting controls to ensure compliance with the allowable activities and cost requirements of each grant.

This year, there were ten findings related to Special Tests and Provisions, which was a significant decrease from prior year. Great job to all of the agencies that worked hard to resolve the prior audit findings! Keep up the good work!

If you have any questions or comments, please contact:  
Sara Rupe at (360) 725-0189 or [sara.rupe@ofm.wa.gov](mailto:sara.rupe@ofm.wa.gov)  
Marina Yee at (360) 725-0221 or [marina.yee@ofm.wa.gov](mailto:marina.yee@ofm.wa.gov)

## Cash Management Improvement Act - *continued from page 4*

In addition, we are working with the Office of the State Treasurer and state agencies to re-certify clearance patterns. A clearance pattern is an estimate of the length of time federal funds are deposited in the State Treasury until they are disbursed for program purposes and charged against the State Treasury's account. Clearance patterns are used to support interest calculations and to schedule the drawdowns of federal funds for various funding techniques. At a minimum, they must be re-certified every five years.

If you have questions concerning cash management related to federal assistance programs, please contact Kennesy Cavanah at (360) 725-0229 or [kennesy.cavanah@ofm.wa.gov](mailto:kennesy.cavanah@ofm.wa.gov).

# GASB Standards to be Implemented in Fiscal Year 2018

The following new accounting and reporting standards issued by the Governmental Accounting Standards Board (GASB) become effective for fiscal year 2018 reporting:

**GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions (OPEB)*.** This statement requires employers to report their proportionate share of the plan's total OPEB liability. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The implementation of GASB Statement 75 will be handled by OFM for the state as a whole. In early September, OFM will be publishing an audited report containing all of the information needed for agencies who prepare their own financial statements.

**GASB Statement 81, *Irrevocable Split-Interest Agreements*.** Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement.

We created a new Miscellaneous Disclosure Form question to assist us in gathering the necessary information to implement this standard.

**Statement No. 85, *Omnibus 2017*.** This Statement addresses practice issues that were identified during implementation and application of GASB statements related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. At this time, we do not anticipate that Statement 85 will impact state CAFR reporting.

**Statement No. 86, *Certain Debt Extinguishment Issues*.** This Statement establishes accounting and financial reporting guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. It also provides guidance relating to prepaid insurance on debt that is extinguished.

We added questions to the Bond Sales Disclosure Form to assist us in gathering information regarding Statement 86; however, at this time we do not anticipate that it will impact the state CAFR reporting.

## Accounting Standards Impacting the Future

- **Statement No. 83, *Certain Asset Retirement Obligations*.** Effective for fiscal year 2019, this Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (AROs). Over the next fiscal year, we plan to reach out to agencies that might have AROS to discuss the requirements of Statement 83.

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## Backup Withholding Rate is Now 24%

Due to recent changes in the tax code ([Public Law 115-97](#)), the backup withholding rate is 24% effective January 1, 2018 (reduced from 28%). Please keep the new rate in mind if you process payments that are subject to backup withholding.

Further information on backup withholding can be found in the IRS [General Instructions for Certain Returns](#) (such as Form 1099-MISC). Refer to part N of the instructions.

If you have any questions, please contact Laura Lopez (360) 725-0177 [laura.lopez@ofm.wa.gov](mailto:laura.lopez@ofm.wa.gov) or Steve Nielson at (360) 725-0226 [steve.nielson@ofm.wa.gov](mailto:steve.nielson@ofm.wa.gov).

## Time for some Spring Cleaning - continued from page 1

- ✓ Two accounts not to be overlooked are the Suspense Account (01P) and the State Payroll Revolving Account (035). If general ledger balances in these two accounts go unreconciled for any period of time, it can be very time consuming to catch up and may result in belated claims, corrected payroll tax returns, and/or catch up billings from Health Care Authority and Department of Retirement Systems.

Remember that every year your agency's Director and Chief Financial Officer must attest on the State Disclosure Certification Form that, among other things, your AFRS data is accurate and complete, balances are reconciled, and your agency has a system of internal controls in place. In addition, we are relying on the accuracy of your data to produce an accurate CAFR.

For your balances to be considered reconciled, the reconciliation process has to be complete. That means that all reconciling items identified have been researched and appropriately resolved including recorded in AFRS, if applicable.

As we begin the last quarter of the fiscal year, it's a good time to assess where your agency is in the reconciliation process. As a reminder, a number of reconciliation training classes are offered this spring. Refer to page 3 for details. Oh, and Happy Cleaning!

## GASB Standards to be Implemented in Fiscal Year 2018 - continued from page 6

- **GASB Statement 84, *Fiduciary Activities*.** Effective for fiscal year 2020, this statement provides specific criteria for determining if a fiduciary activity exists. In addition, agency funds will now be called custodial funds. OFM will be analyzing fiduciary accounts to ensure they still meet the criteria of fiduciary activities under the new standard and may be reaching out to agencies during this process.
- **GASB Statement 87, *Leases*.** Effective for fiscal year 2021, this statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. The statement requires lessees to recognize a lease liability and an intangible right-to-use asset, and requires lessors to recognize a lease receivable and a deferred inflow of resources.

This statement will require significant changes from the current lease accounting practices. Implementation will require agencies to spend significant time and effort on analyzing existing lease contracts and gathering information for reporting and disclosure purposes. We have established a workgroup with the agencies that engage in large volumes of leasing activity to help inform, develop, and implement new policies. OFM will provide more information as we get closer to implementation.

If you have questions, please contact your assigned OFM Accounting Consultant.

# Spring Quarter Training Offered on a Variety of Subjects

We are pleased to announce that the following training classes will be offered this quarter. Statewide Accounting staff will teach all classes.

Class Name	Dates	Times	Duration
General Ledger Review	April 12 June 12	1:00 – 5:00	4.0 hours
Payroll Revolving Account Reconciliation	April 16	8:30 – 3:00	6.5 hours
Compliance: Travel Policies	April 17	8:30 – 4:30	8.0 hours
In-Process Report Training	April 25 June 12	1:00 -4:30	3.5 hours
GL Reconciliation: Basics	May 1	8:30 – 12:00	3.5 hours
1099-Miscellaneous Form Data Analysis	May 15	1:00 – 5:00	4.0 hours
Administering Agencies	May 17	10:30 – 12:00	1.5 hours
Accounting for Capital Assets	May 22	1:00 – 5:00	4.0 hours
Health Insurance Reconciliation	May 29	8:30 – 12:00	3.5 hours
GL 5111 Reconciliation	June 5	8:00 – 11:30	3.5 hours
Internal Control: Payroll	June 8	8:00 – 12:00	4.0 hours

To view class descriptions and register, go to the [Learning Management System \(LMS\)](#) website.

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

Many of our classes are held in the Capitol Court building. There are some classes that will be held at the Helen Sommers building. Be sure to check the class location. Parking is limited so we recommend taking the mass transit or walking if possible.

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

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