



# The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

## Paid Family and Medical Leave Premium Deductions Begin in January 2019

The Washington State Legislature passed Substitute Senate Bill [5975](#) Paid Family and Medical Leave (PFML) program during the 2017 legislative session, which was signed into statute by the Governor on July 5, 2017. [Title 50A](#) RCW creates a new insurance program funded by premiums paid by both employees and employers, and administered by the Employment Security Department (ESD).

Deductions for employee and employer premiums for non-bargaining unit employees (coded as non-represented) will be reflected on employee earnings statements starting with the January 10, 2019, payroll.

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## AFRS Table Roll is Right Around the Corner

The AFRS table roll is the process by which current biennium (2019) AFRS program index, appropriation index, organization index, and descriptor tables are duplicated for the new biennium (2021), eliminating the need for agencies to rekey hundreds or thousands of records. The table roll is completed in phases with the first phase in April 2019 and the final phase, expenditure authority related tables, occurring after the Governor signs the 2019-2021 budgets.

Fiscal officers should expect an email in February asking them to verify or update the agency-assigned contact. Once that is done, Statewide Accounting will send a communication to the agency contacts in March providing the details, instructions, and planned schedule for the table roll. Information will also be posted, as it becomes available, on our Administrative and Accounting Resources website under [AFRS Table Roll](#).

Prior to the table roll, there are a couple things for agencies to do. One task is to decide if there are any changes needed for the new biennium. Changes take planning and coordination with other parts of your agency, so the sooner you start, the better.

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## Another Successful CAFR Season!

We are pleased to present the 2018 Comprehensive Annual Financial Report (CAFR). We invite you to view the CAFR online at: <https://ofm.wa.gov/accounting/financial-audit-reports/comprehensive-annual-financial-report/2018-comprehensive-annual-financial-report>

This year was challenging and presented us with a number of unique situations that caused us to receive our audit opinion on November 21. In an attempt to head off potential issues in 2019, we will be meeting with certain agencies more frequently this year. We also want to remind agencies that, if you have unusual or challenging issues, you should talk to us early and often.

We appreciate all the time and effort that the fiscal staff at each state agency devoted to closing the fiscal year and providing quality financial data for the CAFR. We realize it takes considerable effort and, even with the delay, we can all be proud of the timeliness of financial reporting by the state of Washington. Thank you for your part!

## Resolve to Reconcile IRS Forms

Reconciliations are a key element of good internal control and critical to accurate and timely reporting. Payroll offices should begin reconciling and balancing activities with the first payroll of each year. Now that all of the payrolls have been processed for calendar year 2018, it's time to ensure that all of the forms that are required by the IRS are in balance.

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

Year-end balancing activities were covered at the [Personnel/Payroll Association](#) (PPA) meeting on November 14, 2018.

Several resources are available:

- [Payroll reconciliations, including:](#)
  - Year-end information – ending 2018 and beginning 2019
  - 941 to W-2 reconciliation template (Excel)
  - Tax deposit reconciliation template (Excel)
- [HRMS year-end page](#)
- [Collecting Prior Year Overpayments](#)
- [November 14, 2018, PPA meeting minutes](#)

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

## SAAM Updates

The *State Administrative and Accounting Manual* (SAAM) has been updated to reflect changes in state travel, payroll, and other accounting policies.

Effective **January 1, 2019**, **OFM Directive 19A-01**, revised the following policies:

- In Chapter 10, Travel, we increased the mileage reimbursement rate for privately owned vehicles from \$0.545 to \$0.58. This increase reflects the rate set by the United States Treasury Department which, pursuant to RCW 43.03.060, is the maximum rate the state can pay. The state Per Diem Rates map was also updated to reflect this change. The revised map is available on OFM's Travel Resources website at:  
<https://ofm.wa.gov/accounting/administrative-accounting-resources/travel>.
- In Chapter 25, Payroll, we added the Paid Family and Medical Leave as a mandatory deduction from gross income; added Paid Family and Medical Leave to the worksheets for answers to writs of garnishment; and added a separate exempt earnings calculation for private student loans, per 3SHB 1169, which was effective June 7, 2018.
- In Chapter 75, we changed the materiality threshold by roll-up fund.

For a complete list of key changes in the most recent SAAM updates, refer to the OFM Directives at <https://ofm.wa.gov/accounting/saam/directives>. All SAAM policies, directives, technical corrections, and superseded policies are available online at: <https://ofm.wa.gov/accounting/saam/supersede>.

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

## AFRS Table Roll is Right Around the Corner - *continued from page 1*

The second task that can be worked on now is to clean up your current (BI 19) AFRS tables so unnecessary records are not rolled to the new biennium. The tables that need the most attention are the Organization Index (OI), the Program Index (PI), and the descriptor table 36–Sub-source (D36). Below are some statewide statistics on these tables:

Table	Record Count	Records Used	% Used	Records Not Used	% Not Used
OI	11,046	5,499	49.8%	5,547	50.2%
PI	24,220	17,652	72.9%	6,568	27.1%
D36	21,208	5,380	25.4%	15,828	74.6%

If agencies take no action, these tables will roll to the new biennium. Refer to the [AFRS Table Roll](#) website for instructions on identifying unused OI and PI records for your agency. For information about the D36 or for any other table roll questions, please contact Cheryl Hainje at [cheryl.hainje@ofm.wa.gov](mailto:cheryl.hainje@ofm.wa.gov) or (360) 725-0193.

# 2018 Audit Resolution Report

The Office of Financial Management (OFM) published and distributed the annual *Audit Resolution Report* to the Legislature in December 2018.

The report included findings issued by the State Auditor’s Office (SAO) from November 1, 2017, to October 31, 2018. Below are the summary statistics of the 2014 to 2018 *Audit Resolution Reports*:

<b>Findings Reported:</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Federal</b>	52	50	56	55	45
<b>Fraud</b>	5	2	4	3	1
<b>Non-federal</b>	20	9	20	13	6
<b>Total</b>	77	61	80	71	52
Number of agencies included	16	15	18	22	18

We thank agencies for their assistance in the compilation of this report. The 2018 [Audit Resolution Report](#) can be viewed on the OFM website. If you are interested in reading details of the findings, please refer to the [State Auditor’s Office](#) website.

As we start a new year, it is a good time to refresh our understanding of the legal requirements and responsibilities related to the audit resolution process.

Why are we doing it?

[RCW 43.09.310](#) requires the State Auditor’s Office to perform post audits of state agencies. As part of the audit process, exceptions to specific expenditures or other practices related to the agency’s financial transactions may become matters of public record.

[RCW 43.88.160\(6\)\(d\)](#) states in part:

- “It shall be the duty of the director of financial management to cause corrective action to be taken within six months...”
- “The director of financial management shall annually report by December 31st the status of audit resolution to the appropriate committees of the legislature, the state auditor, and the attorney general. The director of financial management shall include in the audit resolution report actions taken as a result of an audit including, but not limited to, types of personnel actions, costs and types of litigation, and value of recouped goods or services.”

[RCW 43.09.312 \(1\)](#) states that:

“Within thirty days of receipt of an audit under [RCW 43.09.310](#) containing findings of noncompliance with state law, the subject state agency shall submit a response and a plan for remediation to the office of financial management. Within sixty days of receipt of an audit under [RCW 43.09.310](#) containing findings of noncompliance with state law, the office of financial management shall submit the subject state agency’s response and a plan for remediation to the governor, the state auditor, the joint legislative audit and review committee, and the relevant fiscal and policy committees of the senate and house of representatives.”

## 2018 Audit Resolution Report - continued from page 4

OFM facilitates the audit resolution process with the goal of producing effective and efficient action to correct deficiencies uncovered by an audit. Resolution, closure, and follow-up of audits are an integral part of effective management.

### What are included?

The *Audit Resolution Report* summarizes the status of corrective actions taken by state agencies to resolve exceptions reported in conjunction with post audits performed and issued by SAO. Audit exceptions include questioned costs and audit findings reported in an accountability audit, statewide single audit, and fraud audit reports.

### What are agencies' specific responsibilities?

[SAAM 55.10](#) establishes state policies and procedures for audit tracking. This chapter is applicable to all agencies of the state of Washington, unless otherwise exempted by statute or rule. Agencies are responsible for:

- Submitting corrective action plan information to OFM for each finding within 30 days of the issue date.
- Providing updates on the current status of corrective action upon request from OFM.
- Upon completion of corrective action related to an audit finding, submitting to OFM a certification signed by the agency head or assigned designee that the audit resolution process is complete.

### Additional resources?

[SAAM 55.10.60](#) and [55.10.70](#) provides:

- General Corrective Action Plan Template
- Fraud Report Corrective Action Plan Template
- Federal Finding Corrective Action Plan Template
- Certification of Completion of Corrective Action Template

For more information, please contact Marina Yee at (360) 725-0221 or [marina.yee@ofm.wa.gov](mailto:marina.yee@ofm.wa.gov) or Sara Rupe at (360) 725-0189 or [sara.rupe@ofm.wa.gov](mailto:sara.rupe@ofm.wa.gov).

## Paid Family and Medical Leave Premium Deductions Begin in January 2019 -

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Premiums paid by employees, as well as employer costs, will be accrued in a new general ledger (GL) in the State Payroll Revolving Account (035). The GL code is 5180. The title of the GL is Paid Family and Medical Leave Deductions Payable.

Employer costs for PFML will be charged to subobject BK – Paid Family and Medical Leave.

For more information on PFML, visit ESD's [Paid Family and Medical Leave](#) website. Accounting questions can be directed to Steve Nielson at (360) 725-0226 or [steve.nielson@ofm.wa.gov](mailto:steve.nielson@ofm.wa.gov).

# Assess Finance Organizational Strategy and Readiness:

## Chart of Accounts

After the update to the overall One Washington schedule, we have revised our project schedule to spend more time documenting the state's key information needs and outcomes from the Chart of Accounts. We are gathering information from agencies and other stakeholders, such as OFM Budget, legislative staff, LEAP, and the forecasting groups.

From January to March, we will be meeting with the 13 agencies surveyed in September to get more detail on how they currently use the Chart of Accounts and what gaps exist in our current structure. After we summarize the information gathered, we will send it out to all state agencies to find out if the Chart of Accounts elements are being used for a purpose that has not already been captured.

Visit the [Chart of Accounts Project](#) website for project updates and artifacts from the previous phases of the project.

For more information, please contact Michael Schaub at (360) 725-0225 or [michael.schaub@ofm.wa.gov](mailto:michael.schaub@ofm.wa.gov).

## Master Payee and Customer File

Our goal is to have a statewide master payee and customer file when the new ERP system goes live. We are currently working on Phase 1 of the project.

### Agency Vendor File Clean-up

We have been working with agencies one by one to purge inactive employee vendor records and convert active employees to the standard EE vendor number. We have completed all but 13 agencies.

### Board and Commission Members

On November 1, 2018, all board and commission members who were currently blocked or had not been used since August 1, 2016, were purged from the agency vendor file.

On January 2, 2019, we started the process of purging all remaining board and commission members from the agency vendor file. This is expected to be completed by the end of January.

### Statewide Employee File

OFM IT staff are currently working on changes to AFRS for the automated employee update from HRMS to AFRS and related areas in AFRS. The plan is to transition employee vendor records from the agency vendor file to a new Statewide Employee file that is identical to the Statewide Vendor file. We plan on having this implemented by the end of FY19.

For more information, please go to the [FAQs](#) on the project website or contact Vonnie Tallon at (360) 725-3860 or [vonnietallon@ofm.wa.gov](mailto:vonnietallon@ofm.wa.gov).

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## Assess Finance Organizational Strategy and Readiness: - continued from page 6

### Federal Grants Community of Practice

We are currently in Phase 2 of the Federal Grants Community of Practice Project and the federal workgroup continues to work on the development of the federal grants training curriculum. At our most recent meeting, the workgroup provided valuable feedback on the proposed training outline. We decided it would be more effective to divide the *Introduction to Federal Grants – Part 1* training class into a series of more focused classes. Tentatively, the new federal grants training curriculum will include a variety of online classes and in-person training classes. We still hope to offer the first training class in May or June 2019. Stay tuned for more details and training course descriptions.

Please visit the [Federal Grants Community of Practice Project](#) website for project updates and workgroup meeting documents.

For more information, please contact Sara Rupe at (360) 725-0189 or [sara.rupe@ofm.wa.gov](mailto:sara.rupe@ofm.wa.gov).

### New Look for the Fund Reference Manual

The [Fund Reference Manual](#) (FRM) represents an inventory of legally authorized accounts, both active and inactive, based on legislation and administrative action. The FRM webpage is maintained by OFM Statewide Accounting, and we recently worked with WaTech and the Office of State Treasurer (OST) to give the FRM webpage a minor renovation. Several fields that are related to financial reporting – fund type, rollup fund, and closing general ledger (GL) code – were moved to the bottom of the webpage under the subtitle “CAFR Information.” We also added the title of the closing GL code.

The most significant change, however, was around earnings. The field previously called “Interest Earning Authority” used to show either the RCW that allowed an account to keep its own interest or “N/A” if the account did not keep its own interest. OST proposed some changes to help clarify this field. The new field is titled, “Earnings from Investments are:” and the information field shows that the interest is retained by the fund, credited to the general fund, or other specific message about the investment earnings. Here’s an example: “Earnings from Investments are: Retained by this fund under [RCW 43.84.092\(4\)\(a\)](#).” We agree with OST that this makes the information much more clear.

The revised FRM webpage is scheduled to be in production by the end of January 2019. When you go to check out the new look, think about selecting option 4 - Account listing by administering agency. Scroll to your agency to see the accounts for which your agency has administrative responsibilities. If you notice anything that looks incorrect, please let us know by emailing [OFMAccounting@OFM.wa.gov](mailto:OFMAccounting@OFM.wa.gov). We do our best to keep the FRM up to date, but there are over 650 active accounts so your assistance in this effort is needed and greatly appreciated!

# Federal Cost Allocation & Indirect Cost Rates Training Opportunity

OFM is offering two training opportunities on January 16, 2019, listed below, as they relate to the new 2 CFR Part 200 “super-circular.”

Class Name	Dates	Times	Duration
Overview of Federal Cost Allocation & Indirect Cost Rates (2 CFR Part 200)	January 16	9:00 – 11:00	2.0 hours
Practical Application of Federal Cost Allocation & Indirect Cost Rates (2 CFR Part 200)	January 16	1:00 – 3:30	2.5 hours

**Overview of Federal Cost Allocation & Indirect Cost Rates (2 CFR Part 200)** - Presentation of the essential concepts of federal indirect cost recovery under the new 2 CFR Part 200 “super-circular.” This training focuses on the basic process and requirements associated with allocating costs to federal awards and utilizing indirect cost rates, including guidance on the allowability of various cost types, acceptable allocation bases, and indirect cost rate options.

**Practical Application of Federal Cost Allocation & Indirect Cost Rates (2 CFR Part 200)** - An interactive session beginning with a presentation of detailed indirect cost allocation and indirect cost rate examples, including the calculation formats that federal cognizant agencies prefer. Attendees are invited to bring specific data or questions relating to their agency’s indirect costs to the session to receive assistance from the presenter.

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

The class will be held in the Helen Sommers Building ground floor training room, so there are plenty of seats available.

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

## When the SWCAP Approval is Delayed

Over the past couple of years, the federal approval of the Statewide Cost Allocation Plan (SWCAP) has been getting later and later. For the FY 2018 plan, the approval was August 20, 2018, well after the end of the state fiscal year. So what should an agency do if they include the approved fixed cost in their indirect plan and the SCWAP has not been approved?

The correct procedure is to use the fixed cost amount from the last approved SWCAP. Then, when the plan is approved, the agency should make an adjustment in the current fiscal year for the difference between the newly approved plan and the one they used.

If you have any questions, feel free to contact your OFM Statewide Accounting Consultant.

## Winter 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, except the January 16 classes which will be taught by the state's SWCAP consultant.

Class Name	Dates	Times	Duration
GL Reconciliation: Basics	January 8	1:15 – 4:45	3.5 hours
Overview of Federal Cost Allocation & Indirect Cost Rates (2 CFR Part 200)	January 16	9:00 – 11:00	2.0 hours
Practical Application of Federal Cost Allocation & Indirect Cost Rates (2 CFR Part 200)	January 16	1:00 – 3:30	2.5 hours
Accounting for Payroll	January 28	8:30 – 4:00	7.5 hours
In-Process Report Training	February 7	1:00 – 4:30	3.5 hours
Compliance: Travel Policies	February 12	8:30 – 4:30	8.0 hours
Payroll Revolving Account Reconciliation	February 14	8:30 – 3:00	6.5 hours
Health Insurance Reconciliation	March 1	8:30 – 12:00	3.5 hours
Internal Control: Payroll	March 12	1:00 – 5:00	4.0 hours

To view class descriptions and register, go to the [Learning Management System](#) 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 to make room for someone on the wait list.

Many of our classes are held in the new Helen Sommers Building located at 106 11<sup>th</sup> Avenue SW. There are also some classes that will be held at the Capitol Court 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 schedule is posted on the [Olympia AGA](#) and [FMAC](#) websites.

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