



Winter 2020

# The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

## CAFR Lessons Learned – Part 1

In the [Fall 2019](#) issue of The Connection, we asked agencies to go through an internal lessons learned exercise and share their results. So far, the most common response as to why things went well for agencies is not a surprise to us and should not be a surprise to you. It is completing monthly general ledger reconciliations along with other routine activities such as reviewing exception reports and following up on problems as they occur, and keeping the in-process clear. The consensus is that staying on top of these tasks makes the year-end process much easier.

The Liquor and Cannabis Board (LCB) shared some specific processes that have helped them be successful in the fiscal year close process:

- We set an early internal close date of 8/21/19, so we could be done before the phase 2 close on 8/30/19. This eased the stress of entries being done right up until the final Phase 2 close date, and reduced the chance of a mistake or an entry causing something else to be out of balance.

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## Another Successful CAFR Season!

We are pleased to present the 2019 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/2019-comprehensive-annual-financial-report>.

Each year provides its own challenges in the CAFR preparation and fiscal year 2019 was no exception. We again want to remind agencies that, if you have unusual or challenging issues, you should talk to us early and often. This is a team effort and we are here to help.

Although we received our audit opinion on November 22, which was a bit later than planned, we were able to provide a draft of the CAFR for the State Treasurer's Office for their November 13, 2019, bond refunding. The FY 2019 completion date is consistent with FY 2018, for which Washington's CAFR was the fourth fastest among all states.

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!

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

## Two AFRS screens being removed (MI.7 and MI.8)

On January 9, 2020, two AFRS screens will be removed: the MI.7 (Payment Write File) and MI.8 (Payments Made Today).

These screens were added to AFRS in 2000 to provide agencies with more timely information about payments. At that time, agencies had to wait until they received the hard copy of their payment registers in campus mail to know what payments had been generated on the previous night's processing. (Flashback!)

Today, all the information on these two screens is available in Enterprise Reporting under the Daily Reports folder. Specifically, payment information is available on the various payment registers and the vendor remittance advice reports. As a result, these screens receive extremely limited usage and are being removed.

## SWCAP Submitted Timely, Approvals Falling Behind

Over the past couple of years, the review and approval of our Statewide Cost Allocation Plan (SWCAP) has fallen behind. The Fiscal Year 2021 Plan, submitted in December 2019, makes a total of three plans that are pending review and approval by the U.S. Department of Health and Human Services (HHS), including the fiscal years 2019, 2020, and 2021 plans.

Due to this delay, our guidance is for agencies to continue to use the fixed cost amount from the last approved SWCAP agreement in their indirect plans, which is the fiscal year 2018 plan. As plans are approved, agencies should make an adjustment in the current fiscal year for the difference between the newly approved plan and the one they used.

Once HHS approves any outstanding SWCAPs, statewide accounting will notify agencies that it is available and can be viewed on the OFM website at <http://ofm.wa.gov/swcap/default.asp>.

Direct any questions to Julie Girard at (360) 725-0191 or [julie.girard@ofm.wa.gov](mailto:julie.girard@ofm.wa.gov).

## CAFR Lessons Learned – Part 1 - continued from page 1

- We have an internal fiscal year-end checklist to make sure that we complete all fiscal year end related duties, complete them on time, and everyone knows who is responsible for what. This helps keep everyone on track.
- We sent out regular reminders within the agency of due dates for fiscal year end. That helped to ensure that most items were submitted on time.
- We kept a daily outstanding items list during the final few weeks of fiscal year end. This allowed us to keep track of which items were outstanding and who they were assigned to so we didn't lose sight of them.

On the “what needs to be improved” side of lessons learned, there were again common pain points. One recurring theme was that interagency payables and receivables was one of the biggest challenges. Another was that other parts of the agency were not timely in forwarding vendor invoices to the fiscal unit.

On the interagency front, some specific frustrations and suggestions are as follows:

Condition	Suggestion
Agencies missed the billing cutoff and then billed at the last minute.	Send an estimated bill and/or communicate with the agency being billed.
Cryptic descriptions on invoices required extra work to figure out how to code.	Billing agencies should clearly state what goods and services are being billed as well as the time period.
Agencies did not clearly indicate that an invoice was an estimate.	Include the word “estimate” at the top of the invoice and/or include a watermark clearly indicating it is an estimate.

Additionally, agencies should ensure prior year balances have been resolved and cleared so the balances showing on ER reports are truly the current amount due. If you have an ongoing relationship with another agency, keep up to date with the invoices and amounts due. Resolve any issues as they come up throughout the year. Don't wait until the end of August and try to reconcile the entire year.

Several agencies mentioned the issue of other divisions/programs within the agency not forwarding invoices prior to the Phase 2 cutoff. This usually results in belated claims which, besides the extra administrative effort, are charged against current spending authority. This leaves less for the agency to spend on its mission in the current year.

To address this issue, these agencies have had internal discussions with the managers of the noncompliant units and plan to work with them on streamlining and improving processes. They also plan to meet with them again early on in the FY20 year-end closing process. Given the number of agencies mentioning this issue – especially those with a decentralized fiscal unit, we welcome additional suggestions and solution sharing around this issue.

Kudos to LCB and other agencies that took the time to objectively evaluate their processes and share their results so other agencies can benefit from their observations. Please continue to send us your lessons learned results, and look for CAFR Lessons Learned – Part 2 in a future issue.

# Paid Family and Medical Leave – Employees Can Apply for Benefits

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

Starting January 1, 2020, employees can start applying for PFML benefits on [ESD's](#) website or on paper.

An OFM Service News email relaying important HRMS information related to PFML was sent out on December 12, 2019. Following are excerpts from the email:

New PFML action type/reason codes and a new absence type code will be added to HRMS by January 14, 2020, for tracking PFML leave. Employees will use the new leave without pay (LWOP) PFML absence type to record their time out of the office while on PFML.

#### Action Type/Reason:

- Leave of Absence – Active (U8) – PFML (43)
- Leave of Absence – Inactive (U9) – PFML (28)
- Return from Leave of Absence (UA) – PFML (45)

#### Absence Type:

- LWOP PFML (9390)

It is at the discretion of the agency to use the Leave of Absence action types related to PFML. In the event an employee is concurrently on PFML and FMLA, agencies may consider using the appropriate FMLA-related absence type to track FMLA and the new PFML Leave of Absence action type/reason codes to track PFML.

The 2019 Legislature passed Substitute House Bill [1399](#) which amended the PFML program to add the ability to offer a supplemental benefit. After May 1, 2020, we will provide a solution in HRMS to allow employees to use accrued leave as a supplemental benefit to PFML. We will provide more information on this solution as it becomes available.

Note that Washington's Family Leave Act (FLA) expired December 31, 2019. As a result, the following action type/reason codes will be updated to reflect their "do not use" status.

- Leave of Absence – Active (U8) – Family Leave Act of WA (36)
- Leave of Absence – Inactive (U9) – Family Leave Act of WA (22)
- Return from Leave of Absence (UA) – Family Leave Act of WA (39)

**Please do not use these codes after the sunset date.**

For more information on paid family and medical leave, visit [ESD's](#) website. Direct accounting questions to Steve Nielson at (360) 725-0226 or [steve.nielson@ofm.wa.gov](mailto:steve.nielson@ofm.wa.gov).

# 2019 Audit Resolution Report

The Office of Financial Management (OFM) published and distributed the annual Audit Resolution Report to the Legislature in December 2019.

The report included findings issued by the State Auditor’s Office (SAO) from November 1, 2018, to October 31, 2019. Below are the summary statistics from the 2015 to 2019 Audit Resolution Reports:

Findings Reported:	2019	2018	2017	2016	2015
Federal	61	52	50	56	55
Fraud	3	5	2	4	3
Non-federal	17	20	9	20	13
Total	81	77	61	80	71
Number of agencies included	24	16	15	18	22

We thank agencies for their assistance in the compilation of this report. The [2019 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.”

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## Federal Grants Community of Practice

The Federal Grants Community of Practice continues to hold quarterly meetings to discuss federal issues and share best practices. One of the main objectives of the group is to address the need for more federal grant training for state agencies. In the coming months, we have a variety of federal training opportunities available:

- Thompson’s Interactive webinar viewing (Free)
  - February 5, 2020 (1:00 – 2:30): OFM - Employee, Contractor or Subrecipient? Compliance-Based Decision Making for Non-Federal Entities
  - February 5, 2020 (3:00 – 4:30): OFM - Understanding and Managing Indirect Cost-Related Risks
- Management Concepts in-person training (estimated cost \$435 per person for each two-day class\*)
  - February 18-19, 2020 (8:00 – 5:00): OFM – Subawarding for Pass-through Entities
  - February 20-21, 2020 (8:00 – 5:00): OFM – Subawarding for Pass-through Entities
- Washington State Auditor’s Office in-person training (Free)
  - April 21, 2020 (1:00 – 5:00): OFM – Federal Grant Requirements

\* The actual cost of the class depends on the number of students enrolled. The total cost charged to the state will be divided equally among all students that attend and will be billed by OFM to the appropriate agencies.

If you are interested in attending any of these classes, please register in [Learning Management System](#) (LMS).

To stay up to date on the group’s current events and projects, please visit the [Federal Grants Community of Practice Project](#) website.

## 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 2019, 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 for 2019.

Year-end balancing activities were covered at the [Personnel/Payroll Association](#) (PPA) meeting on November 21, 2019. Several resources are available:

- [Payroll reconciliations, including:](#)
  - Year-end information – ending 2019 and beginning 2020
  - 941 to W-2 reconciliation template (Excel)
  - Tax deposit reconciliation template (Excel)
- [HRMS year-end page](#)
- [Collecting Prior Year Overpayments](#)
- [November 21, 2019 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.

# One Washington Updates

One Washington (OneWa) is a multi-year business transformation program to replace the state's aging core administrative systems, such as AFRS, and modernize administrative functions through innovation and improvements supported by technology. Visit our main [webpage](#) for the latest information and to sign up to receive OneWa email updates.

Modernization of core enterprise systems is expected to be complete in fiscal year 2026. Here are the in-scope functions planned for phase one go live (see the [modernization roadmap](#) resource for more detail and a visual timeline):

- ✓ AFRS replacement
- ✓ Budget control
- ✓ Standard cost allocation\*
- ✓ Interagency billing
- ✓ Fixed assets
- ✓ Consumable inventory\*
- ✓ Vendor/customer management
- ✓ Accounts receivable
- ✓ Purchase to pay\*
  - Commodity management
  - Encumbrance accounting to payment (Req./PO, invoice, receipt, payment)
  - Contract items
- ✓ Travel payments

*\*Functionality will be new to the state enterprise*

The system integrator's implementation strategy, agency business needs, and agency change readiness assessments are factors in determining the implementation order of expanded finance and/or purchase to pay functions, and HR, payroll, procurement, and budget modules. We'll share adjustments to the timeline as they are identified.

## Ramping Up for OneWa Continues

In the first half of fiscal year 2020, a number of contractors joined the OneWa team and, with expertise from these contractors and assistance from many agencies, a number of important tasks were undertaken. Perhaps even more noteworthy, Governor Inslee recently signed [Executive Order 19-04](#) and released his [proposed 2020 supplemental budget](#), both reflecting support of OneWa.

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## One Washington Updates - continued from page 7

Following are the highlights of the recent and ongoing OneWa activities:

- The executive steering committee fine-tuned [the scope](#) for the initial go live with early inputs from the much anticipated arrival of our industry partners.
- [Benchmarking](#) of the state's own business processes against world-class peers is completing.
- The [baseline assessment of agency readiness](#) has completed.
- Inventories of agency systems and interfaces are being refreshed.
- To help visualize the OneWa scope and schedule, here's a comprehensive [roadmap for the journey](#).
- OneWa has entered into the [due diligence process](#) for selection of the enterprise solution! Executive summary:
  - Agency subject matter experts have reviewed uses cases and requirements.
  - The due diligence announcement to vendors was released in mid-December.
  - Software evaluations will run from mid-January to mid-February of 2020.
  - State selection of the cloud-based solution in spring 2020.

### Upcoming OneWa Milestones

OneWa is currently conducting a [due diligence process](#) for the evaluation and selection of enterprise software for finance, procurement, budget, and HR/payroll functions. Subject to funding, here's the outline of upcoming milestones:

OneWa milestone...	Will be completed during...
Selection of enterprise software and procurement of a system integrator	4 <sup>th</sup> Qtr FY20
Software subscription for the new cloud-based software system and the contract with the system integrator begin	1 <sup>st</sup> Qtr FY21
Finance implementation activities/AFRS replacement begins	2 <sup>nd</sup> Qtr FY21
New chart of accounts available for use	4 <sup>th</sup> Qtr FY22
Go live of initial finance and purchase to pay functions	1 <sup>st</sup> Qtr FY23

### Initiative/Information Resources Available

Through the early part of December, agencies responded to [these initiatives](#):

- Agency baseline readiness assessment survey
- Agency system and interface inventory
- Benchmarking survey (for selected agencies only, see [Wall of Success](#) for list)

The [agency resource page](#) has more information on all OneWa initiatives.

### Industry Expertise

Contracted industry partners are reviewing the state's research completed during 2019, familiarizing themselves with the nature of our state's federated structure, leveraging current experience and developing a comprehensive modernization approach that is both data-driven and fiscally responsible.

Here's a [comprehensive list of all the contractors associated with OneWa and their roles](#).

Questions and feedback are encouraged at [onewa@ofm.wa.gov](mailto:onewa@ofm.wa.gov).

## 2019 Audit Resolution Report - continued from page 5

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 agency's 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 Plan Template

For more information, please contact:

Marina Yee at (360) 725-0221 or [marina.yee@ofm.wa.gov](mailto:marina.yee@ofm.wa.gov)

Sara Rupe at (360) 725-0189 or [sara.rupe@ofm.wa.gov](mailto:sara.rupe@ofm.wa.gov).



## Winter Quarter Training Offered on a Variety of Subjects

We are pleased to announce that the training classes listed below will be offered this quarter. Statewide Accounting staff will teach all classes. In addition, there are a number of federal trainings being offered this quarter. Please refer to the “Federal Grants Community of Practice” article on page 6.

Class Name	Dates	Times	Duration
Accounting for Payroll	January 17	8:30 – 4:00	7.5 hours
In-Process Report Training	February 19	1:00 – 4:30	3.5 hours
Payroll Revolving Account Reconciliation	February 28	8:30 – 3:00	6.5 hours
Introduction to GAAP in Washington State	March 10	8:30 – 4:00	7.5 hours
Health Insurance Reconciliation	March 16	1:15 – 4:45	3.5 hours
Compliance: Travel Policies	March 18	8:30 – 5:00	8.5 hours
GL Reconciliation: Basics	March 24	8:15 – 11:45	3.5 hours
Internal Control: Basics	March 31	8:15 – 11:45	3.5 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 appropriate classes. If you register but cannot attend, please cancel your registration in LMS to make room for someone on the wait list.

All of our classes are held at the Helen Sommers building. 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.