



Summer 2017

The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

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One Washington

One Washington will soon be publishing a newsletter to share more information about the One Washington Program Blueprint kick-off event to be offered in three repeating sessions on July 24th- 25th in OB2 Auditorium.

Stop, CAFR Time

It is that time of the year again, the sun is out, the flowers are blooming, summer vacations, and yes fiscal year close. Yes it does seem like just yesterday we finished last year's CAFR.

First off we would like to give a big "Thank You" to everyone for all the hard work you do throughout the year and during year-end that helps us be successful each year hitting our CAFR date.

This year we have set a goal of October 27, and once again, everyone must do their part in a timely fashion. While close is a busy time, there are things you can do to manage the stress level. Don't wait until year end. If you haven't already, start **now** –

- Reconciling your general ledger balances and posting appropriate adjusting entries.
- Reviewing your closing activities for opportunities to Lean processes.
- Reviewing areas that caused you problems last year and developing solutions.
- Taking year-end training as appropriate. Setting internal due dates and assigning tasks.
- Communicating deadlines both internally (those who supply needed information) and externally (vendors, contractors).
- Preparing to issue your interagency billing by the July 21 due date. Timeliness is critical.
- Tackling those interagency balances early on as interagency receivables and payables must be in balance by August 18. Verifying that needed CFDA numbers are available in AFRS for federal reporting.
- Performing administering agency duties.

We appreciate your efforts to meet the CAFR deadlines and look forward to another successful close. For additional information, please contact your assigned OFM Accounting Consultant.

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

Go Team, Go!

We rely on you for a successful, timely fiscal year close. As we look ahead to the next few months, your adherence to the following year-end deadlines is critical.

Due Date	Reporting Items
July 14	Disclosure Form application opens
July 21	Interagency billings must be mailed
July 31	Phase 1 closes – Agency Accruals
August 18	Phase 1B <ul style="list-style-type: none"> • Certain state disclosure forms are due • Interagency receivable/payable balancing due • Pollution remediation site status report due
September 1	Phase 2 closes <ul style="list-style-type: none"> • Agency adjustments in AFRS must be completed • Remaining State and all Federal disclosure forms are due, disclosure form application closes
September 13	State Financial Disclosure Certification form is due
January 31, 2018	Federal Assistance Certification form is due

A couple of important reminders to help the fiscal year close a little easier:

- Reconcile, reconcile, reconcile - including:
 - In-process (GL 71XX) and clearing (GL 9920) balances
 - General ledger balances to subsidiary records, for example capital asset GL codes 2XXX to CAMS (or your approved internal capital asset system)
 - General ledger balances in Account 01P Suspense and Account 035 State Payroll Revolving Account, clearing as necessary. Remember interagency and interfund receivables and payables are not allowed in these accounts at fiscal year-end.
 - Accruals (receivables and payables)

Don't forget that the reconciliation isn't complete until any needed journal entries are posted in AFRS, and someone follows up to make sure that the cleanup journal entries posted correctly.

- Send out interagency billings promptly. Prioritize interagency receivable/payable reconciliations because many agencies have early internal close dates.
- Review general ledger balances unchanged from last year.
- Review balances in Unearned Revenue GL codes 5190/5290 and Unavailable Revenue GL codes 5192/5292 for appropriateness.
- Complete your disclosure forms early if possible, and ensure that any related AFRS entries are posted.

The Disclosure Form application for state and federal disclosure forms opens on July 14. Check your access security early.

If your agency is unable to meet one of the due dates listed above contact your assigned OFM accounting consultant as soon as possible.

If you have any questions, please call your assigned OFM Accounting Consultant. If we have questions, we'll call you!

Information Technology Accounting

Accounting for IT costs has been evolving over the past few years. This has resulted in some changes to how agencies are or will record, track, and analyze IT expenditures.

To recognize changes to the definition of IT assets in RCW 43.105.020, SAAM Chapter 75.65 has been updated effective July 1, 2017. The chapter definition of what is IT equipment as well as what is included in information technology (IT) has been updated in accordance with the RCW. The most significant change to the definition of IT is radio technologies are now included. In addition, the original OFM guidance on IT cost definitions by object code has been rescinded.

IT coding has also been addressed during the Chart of Accounts project. OFM has worked with WaTech Technology Business Management (TBM) to identify which sub-subobjects (SSOs) are required to include X/Y coding when they are used. The listing can be found at http://ofm.wa.gov/resources/chart_of_accounts/List_of_Sub_Objects_and_Sub_Sub-objects_that_require_X_&_Y.pdf. This list doesn't limit the agency to only these SSOs for IT coding or X/Y coding. Because the field of IT is constantly changing, professional judgment is required in the determination of what is included or excluded from coding as IT. Likewise, professional judgment may also be required in the determination of what is coded acquisition/new development or maintenance and operations (X or Y).

Please contact Don Charlton at (360) 725-0200, don.charlton@ofm.wa.gov or Brian Tinney at (360) 725-0171, brian.tinney@ofm.wa.gov with questions.

Federal Update

New bill addressing state audit findings of noncompliance with state law

Current state law requires the State Auditor's Office to conduct post-audits of state agencies and send reports of audit finding to the Governor, OFM, the state agency audited, the Joint Legislative Audit and Review Committee, legislative fiscal committees, the Secretary of the Senate, Chief Clerk of the House and the Attorney General.

SB 5372 was passed in April 2017, which added a new section to chapter 43.09 RCW. The new law states that state agency must submit a corrective action plan to OFM within 30 days of receiving an audit finding that it has not complied with state law. OFM must then submit the final response and corrective action plan to the Governor, State Auditor, JLARC, and relevant House and Senate fiscal and policy committees within 60 days of the initial audit findings. If, at the next succeeding audit, the Auditor determines that the audited agency has not made substantial progress in remediating its noncompliance, the Auditor must notify the foregoing entities, including OFM. The Senate Committee on Facilities and Operations and the Executive Rules Committee of the House of Representatives are authorized to refer the finding of noncompliance to the Attorney General for legal action.

Although the new law did not significantly change our current audit resolution process, several steps are now mandated if the State Auditor finds, in an audit, that an agency has not complied with state law.

How does the new law impact state agencies?

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Internal Control Policy Update

Working with stakeholder groups, Statewide Accounting has published revisions to the internal control policies in SAAM Chapter 20. The revision was prompted by activity in the internal control arena by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), the U.S. Government Accountability Office (GAO) and revisions to RCW 43.88.160 relating to internal audits.

The change you will notice right away is that SAAM Chapter 20 is dedicated to setting policy for internal controls and requirements for internal control officers (ICO). Policy guidance for internal audit activities has been removed from SAAM Chapter 20. SAAM Chapter 22 has been added and is written specifically to set policy for agencies with an office of internal audits. The revisions are effective July 1, 2017, so will affect the fiscal year ending June 30, 2018, for financial reporting purposes.

SAAM Chapter 20 Internal Control Policies, like both the Green Book and COSO, includes the five internal control framework components (control environment, risk assessment, control activities, information and communication, and monitoring) and the 17 principles that further elaborate on the respective component. The Accounting Division did not feel that either COSO or the Green Book was always an exact fit for the state given the diverse nature of state agencies in size, organizational structure, and line of business. Consequently, the policies are general in nature to allow each agency to tailor its internal control approach to address its operating environment.

In addition to describing internal control policies, SAAM Chapter 20 requires that all state agencies, regardless of size, must appoint an ICO. The Chapter also specifies the responsibilities of the ICO including establishment, maintenance, and oversight of internal controls, providing written assurances to the Agency Director to support the certifications for CAFR, and requirements for the Agency Director to certify the agencies internal controls for financial reporting purposes. The agency will be asked, for the June 30, 2017, CAFR Disclosure form process, to identify the agency ICO by name, including contact information.

There is no internal control checklist (and never will be one) that you can run through once a year and call it good. Therefore, our next efforts will be to collect items for our resource site and develop training to assist agencies in applying these general policies. We expect the resource site and training to be finalized by the end of this calendar year.

SAAM Chapter 22 provides guidance to agency heads, managers, internal auditors, and all other employees at agencies required or electing to establish and operate an office of internal audits. Under [RCW 43.88.160 \(4\)\(a\)](#), the Director of OFM is required to designate which state agencies must establish and maintain an office of internal audits that follow professional standards. It also makes it clear that an Agency Director has the authority to elect to establish an office of internal audits, but if elected, they must also follow standards. A listing of the agencies required to establish and maintain an office of internal audits can be found on the OFM Accounting Division resource site. If the agency is not required or electing an office of internal audits this chapter does not apply.

Please contact Don Charlton at (360) 725-0200, don.charlton@ofm.wa.gov or Kennesy Cavanah at (360)725-0229, kennesy.cavanah@ofm.wa.gov with questions or comments.

30 Years of Excellence in Financial Reporting!

The state of Washington was awarded its 30th consecutive Certificate of Achievement for Excellence in Financial Reporting for its fiscal year 2016 *Comprehensive Annual Financial Report* (CAFR). This is an amazing achievement that everyone should be proud of. The Certificate of Achievement is the highest form of recognition in the area of governmental accounting and financial reporting. It represents a significant accomplishment by the state.

This fiscal year the CAFR was published on November 1 and maintained the excellence required for the award. This accomplishment is the direct result of all the time and effort that the fiscal staff at each state agency devoted to closing the fiscal year earlier and providing quality financial data for the CAFR. Without all of you, the award would not be possible.

Thank you one and all!

To view the 2016 CAFR online, please visit our website at: <http://www.ofm.wa.gov/cafr/2016/default.asp>.

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Agencies need to be aware that they have the legal obligation to comply with the 30-day time frame to submit their corrective action plan to OFM to address audit finding and recommendations. In turn, OFM is legally required to finalize the corrective action plan with the agency within 30 days and submit it to the designated entities.

The new law will be effective on July 23, 2017. OFM will enhance its tracking and monitoring protocol to ensure communication is adequate with agencies who receive findings to comply with the new requirements.

Status of Prior Findings

Agencies who received federal findings in the 2016 Statewide Single Audit are required to provide updates to corrective action plans. Just a reminder, the information included in the status of prior findings and corrective action plans must be as of June 30, 2017. The Auditor's Office will soon begin follow-up procedures on prior audit findings.

Disclosure Forms

As we are gearing up for the year-end closing process, we want to let you know that there is no major change to the Federal Disclosure Forms this year.

For more information, please contact:

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

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

Summer Quarter Training Offered on a Variety of Subjects

We are pleased to announce that the following training classes will be offered this quarter. All classes will be taught by Statewide Accounting staff.

Class Name	Dates	Times	Duration
Payroll Revolving Account Reconciliation	July 26	8:30 – 3:00	6.5 hours
State Disclosure Forms	July 31	8:30 – 12:00	3.5 hours
Health Insurance Reconciliation	August 1	1:15 – 4:45	3.5 hours
General Ledger Review	August 8	1:00 – 5:00	4.0 hours
GL Reconciliation: Basics	August 10	1:15 – 4:45	3.5 hours
1099-Miscellaneous Form Data Analysis	August 30	1:00 – 4:30	3.5 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 at our Capitol Court building, so be sure to check the class location. Parking is limited so we recommend taking the mass transit or walking if possible.

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