Spring Edition 2012

The Connection

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

Open Checkbook

As we reported in the last issue of *The Connection*, the Open Checkbook went live the first week of January 2012, showing payments made on or after December 15, 2011. The response has been favorable, with about 2,200 hits to the site in January and about 1,600 in February. If you haven't seen Washington's transparency website yet, please visit www.fiscal.wa.gov.

We continue to make improvements to the checkbook. Since January, the Department of Transportation has increased the number of payments made through AFRS, and those additional payments are reflected in the checkbook.

One motivation for going live in January was to have the checkbook available for the annual evaluation of the transparency website by the U.S. Public Interest Research Group, a national rating organization. The "*Following the Money 2012*" report was published March 14th. We are pleased to announce that Washington improved from a grade "F" in 2011 to a grade "B" in 2012! The grade is based on the whole transparency website and not just the checkbook, but the addition of the checkbook is a big reason the grade improved. Many of you participated in the effort to make the checkbook available. Thanks for your assistance!

If you have comments about the transparency website itself (fiscal.wa.gov), choose the "Contact us" tab at the bottom of the home page. If you have questions about the checkbook data, contact Kim Thompson at 360-725-0224 or kim.thompson@ofm.wa.gov.

in this issue

25 Years of Excellence in Financial Reporting!

The state of Washington was awarded its 25th consecutive Certificate of Achievement for Excellence in Financial Reporting for its fiscal year 2011 *Comprehensive Annual Financial Report* (CAFR). 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.

The fiscal year 2011 award is particularly noteworthy because we were able to successfully implement the Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* – which was no small task – and publish the CAFR on November 22nd. Our success was directly due to the work effort of agency staff, as well as the Statewide Accounting staff, and the Accounting Portfolio team at the Department of Enterprise Services (DES).

We appreciate all the time and effort that the fiscal staff at each state agency devoted to closing the fiscal year earlier and providing financial data for the CAFR. A special shout out to the Offices of the State Auditor, State Actuary, State Treasurer, the Department of Retirement Systems, the State Investment Board, the University of Washington, and DES for their contributions to the production of the CAFR. Thank you all!

To view the 2011 CAFR online, please visit our website at: http://www.ofm.wa.gov/cafr/2011/default.asp.

If you have questions or comments on any information contained in The Connection, please contact Jayda Williams at jayda.williams@ofm.wa.gov.

Another Fiscal Year Coming to a Close

Now is the time to prepare for closing fiscal year 2012. Here are the important fiscal year-end dates to keep in mind:

Due Date	Reporting Items
June 29	Last day of the fiscal year; Cash cutoff (Refer to OST's closing schedule memo)
July 23	Interagency billings must be mailed
July 31	Phase 1 closes - Agency Accruals
Aug. 1	Disclosure Form application opens
Sept. 7	Phase 2 closes - Agency Adjustments completed, State and Federal Disclosure Forms are due
Sept. 21	State Financial Certification form is due
Dec. 7	Federal Assistance Certification form is due

It is critical that agencies comply with these cut-off dates. As you may recall, the financial community is seeking more timely financial information. In response to this, we launched our "faster CAFR" initiative last year. Thanks to fiscal staff across the state, we were able to meet our goal and issue the CAFR on November 22nd. Our goal this year is to issue the CAFR on November 15th.

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 immediately following the issuance of the U.S. Office of Management and Budget's Circular A-133 Compliance Supplement. For additional information, please contact your assigned OFM accounting consultant.

Grants Management: The Second Chapter

Our article in the last issue of *The Connection* generated a lot of interest in the State Grant Work Group. We now have participants from about eight different agencies. Thanks to those who volunteered!

We had our first meeting in January and have met several times since then. So far, the group has come up with a definition of state grants and is working on a Q&A document that will eventually be posted on OFM's website. Stay tuned for more information!

Fiscal Year-end Training

Classes on both state and federal year-end closing procedures will be held in June. For the veterans, we offer two short (1.5 hours) classes that focus on current year changes and other important items we want to emphasize. The state and federal fiscal year-end closing updates will also be presented at the Financial Management Advisory Council (FMAC) meeting on May 24th along with cut-off information presented by the Office of the State Treasurer. For a schedule of FMAC meetings, visit OFM's website at: http://www.ofm.wa.gov/accounting/fmac.asp.

We also offer two half-day (4 hours) workshops. One workshop focuses on expenditures and payables; the other workshop focuses on revenues, reconciliations, and Phase 2 adjustments. These workshops are hands-on with exercises and are intended for people who are new to the fiscal year-end process. 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	Times	CPE Hours
OFM-Fiscal Year-end Closing (CAFR) - Update	June 7 June 15 June 27	8:30-10:00	1.5 hours
OFM-Fiscal Year-end Closing (Federal) - Update	June 27 June 28	10:30-12:00 1:30-3:00	1.5 hours
OFM-Fiscal Year-end Revenues, Reconciliations, and Phase 2 Adjustmens Workshop	June 5 June 11 June 20	8:00-12:00	4.0 hours
OFM-Fiscal Year-end Expenditures and Payables Workshop	June 5 June 11 June 20	1:00-5:00	4.0 hours

To view class descriptions and register, go to the Learning Management System website at: http://elearn.dop.wa.gov. For assistance or additional information, please contact your assigned OFM accounting consultant.

IRS Compliance Training: Independent Contractor vs. Employee Coming on May 31

OFM is happy to announce that the IRS will offer the Independent Contractor vs. Employee class this spring. The class will be held on May 31 from 9:00 am to 3:00 pm in the Columbia Room of the Legislative Building on Capitol Campus.

Given that this class has not been held since 2010 and the important nature of the subject matter, we encourage you to sign up. The IRS needs a minimum of 50 people in order to conduct training.

Also watch for the following IRS classes in July and August:

- Taxable Fringe Benefits (July 12)
- Federal/State Reporting Procedures

To view class descriptions and register, go to the Learning Management System website at: http://elearn.dop.wa.gov. For assistance or additional information, please contact Steve Nielson at 360-725-0226 or steve.nielson@ofm.wa.gov.

Update on the Time, Leave, and Attendance Project

The next step in modernizing the state's financial systems is the implementation of an enterprise-wide solution for time, leave and attendance (TLA). The TLA project represents a partnership of state agencies under the leadership of the Office of Financial Management (OFM), and the implementation and operational support of the Department of Enterprise Services (DES).

The goal of the TLA project is to improve the efficiency, consistency and timeliness of time tracking by incorporating business rules in an automated solution. The reasons for a unified TLA system are extensive. Currently, agencies track time and attendance differently, often relying on paper-based processes that incorporate multiple hand-offs. This can result in not only administrative inefficiencies, but also a duplication of effort in maintaining multiple timekeeping systems. By migrating to an enterprise-wide automated solution that incorporates business rules for compliance with provisions of federal and state laws and policies as well as those of collective bargaining agreements, state time, leave and attendance processing will be more efficient and timely. Promoting efficiencies in the administrative process of time collection will allow state employees to focus on delivering vital state services.

The funding for this biennium is expected to provide for the acquisition of the software and implementation in two pilot agencies – the Department of Transportation and the Department of Ecology. Roll out to the rest of state government is expected in the next biennium.

The TLA project will meet many of the goals outlined in a multi-agency 2009 feasibility study. This includes:

- Facilitating time and leave capture, approval and reporting.
- Providing employee self service capability.
- Enabling management reporting.
- Integration with core financial and HR systems.

The TLA project will be delivered in three phases. The first phase – planning and analysis – includes the gathering and solicitation of business requirements, the request for and selection of a solution vendor, and the detailed planning of the pilot agencies' implementation. The second phase will consist of implementing the TLA solution for the pilot agencies, and building on "lessons learned" to scale the solution statewide. The final phase will include the implementation for all other agencies.

DES and OFM have initiated phase one by developing the project organizational and governance structure. The project has been kicked-off and the project charter and preliminary scope statement have been signed. Work is underway to develop a project plan, create a project team with well-defined roles, and begin requirements documentation. The project sponsors are Eva Santos, State Human Resources Director, and Wendy Jarrett, Statewide Accounting Manager – both from OFM.

Stay tuned for more details. In the meantime, if you have any questions or would like additional information, please contact Heidi Jones at 360-725-0200 or heidi.jones@ofm.wa.gov.

SUCCESS! Optional Subobjects on Payment Transaction Codes Eliminated

The change to eliminate optional subobjects on payment transaction codes (TCs), including interagency payment TCs, went into effect on February 1, 2012. As with most procedural changes, there were some questions from users and a few tweaks needed to the AFRS tables in the first couple weeks of implementation. Overall, the change went very smoothly and we credit agencies for that. Some agencies early-implemented the change and others were proactive in preparing staff for the change. We believe this change will improve IRS, OMWBE and open checkbook (transparency) reporting, so we thank and congratulate you all!

The number of TCs affected by this change was relatively small, so some of you may not have encountered a situation that required a change yet. We encourage you to read the "summary of changes to transaction codes" document on OFM's website (http://www.ofm.wa.gov/resources/eps.asp) that explains the changes and provides lists of the TCs that changed, new TCs that were added, and the related variable general ledger codes. Then, you'll be ready when you do come across a situation requiring a change.

As always, contact your assigned OFM accounting consultant with any questions you may have.

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.

Date	Topic
Apr. 18	Find Strengths in Numbers: Sampling Techniques to Improve Financial Audit, Control, and Program Performance
May 9	Carlo Ponzi or Bernard Madoff - Who Was the Bigger Villain?
May 23	Ethical Dilemmas - Recognizing, Analyzing and Resolving Situations Where There are Two Right Choices
June 6	Performance Management

All audio conferences are scheduled for 11:00 am to 12:50 pm (PST). 2 CPE credits are offered for each audio conference.

For audio conference locations and to register, visit the AGA-Olympia Chapter's website at: http://www.aga-olympia.org.

Federal & State Agreements

A new web page for federal and state agreements has been added to OFM's Statewide Accounting website. The page includes current and prior federally approved agreements for the Statewide Cost Allocation Plan (SWCAP) and the Treasury-State Agreement. To view these agreements, please visit: http://www.ofm.wa.gov/accounting/agreements.asp.

The SWCAP for fiscal year 2013 is in the final review process. We will post the agreement to our website as soon as it's approved. Instead of sending a copy of the approved agreement to agencies with federal expenditures, the approval memo will be sent via email and the current approved agreement will be available to view, download, or print from the website.

IT Cost Coding

OFM Statewide Accounting has recently been involved in examining the IT costs recorded in AFRS using project types X and Y. We would like to extend our thanks to everyone who has assisted us in improving its accuracy and consistency. This data is being used by decision makers in the Legislature , the Department of Enterprise Services and the Office of the Chief Information Officer.

What's next? Recently passed legislation (ESSB 3178) also requires *"OFM shall collect from agencies, reports, summaries, and budget detail in detail sufficient to allow review, analysis, and documentation of all current and proposed expenditures for information technology. This information shall be submitted as part of the OFM budget submittal required by RCW 43.88.030."*

Work groups are now engaged in determining how this will be accomplished and what an IT Budget will look like. The actual IT costs recorded in AFRS will almost certainly be a part of the process. As work progresses, we'll do our best to keep you informed.

EPS Project Update

Most of you are familiar with the Enterprise Payment Services (EPS) project that the Office of Financial Management and the Department of Enterprise Services have been working on for the last couple years. The initial purpose of the project was to modify the statewide Agency Financial Reporting System (AFRS) and related vendor payment applications to comply with proposed federal 3% withholding requirements and implement a self-service vendor portal solution to streamline back office business processes. However, in December 2011, the project changed due to the repeal of the federal 3% withholding requirement which eliminated the withholding component of the project.

And now the changing business environment is further impacting the project. As of October 1, 2011, Section 702 of Engrossed Substitute Senate Bill 5931 created the Office of the Chief Information Officer (OCIO) with a charge to standardize and consolidate information technology infrastructure across the state to support enterprise-based system development. To this end, the OCIO released an action plan in February 2012. Action item 10 "Make it easier for Washingtonians to interact with state government" proposes a single entry point for businesses to interact with agencies without having to go to each agency website individually. Additionally, Engrossed Substitute Senate Bill 6356 introduced in the 2012 legislative session proposes a single portal for Washington businesses. Given the high level of interest in an enterprise business portal, the decision was made to pause the EPS payee portal activity for an undetermined duration.

While some of the EPS portal activities are technology-related and occur behind-the-scenes, there are also activities that will have a more direct affect on agency users. These activities are also on hold and include (a) the conversion of the statewide vendor file, state employee records on the agency vendor file, and the ProviderOne file into a single payee database; and (b) inbound and outbound interfaces to the payee database.

While portal-related work is suspended, the following EPS activities continue:

- Implement a 1099-MISC reporting solution.
- Test and implement the 950 key record changes.
- Clean up and standardize the statewide vendor data.

(continue on next page)

(continued from previous page)

Even with the changes in requirements and the impacts of external forces, the EPS project boasts a number of accomplishments, including:

1. Improved the process for ACH returns.
2. Decreased the nightly AFRS processing time by 50%.
3. Increased the number of ACH and IAP payments.
4. Streamlined agency business processes and eliminated duplicate vendor records by consolidating the agency vendor file and many external agency vendor files into the statewide vendor file.
5. Performed IRS-TIN checks on all vendors in the statewide vendor file.
6. Provided for one-time single warrants to the same payee within a batch.
7. Streamlined the process for requesting regular warrants.
8. Provided vendor payment lookup templates in Enterprise Reporting Web Intelligence.
9. Took steps toward standardizing data definitions for vendors and payments.
10. Migrated processing of the Department of Transportation vendor payments to AFRS.
11. Took another step toward positioning the state for an ERP.

While the decision to pause work on the portal activity was a difficult one, to continue it in light of the changing landscape would not have been a good use of state resources. The pause will afford time to react to the environmental change and shift accordingly to make sure that our next steps are in the state's best interest using the right technologies, maximizing integration, and seeking an enterprise-wide return on investment.

EPS project sponsors, steering committee and team members would like to thank you for your participation in the EPS Project to date and for your continued participation in concluding activities.

"Pseudo" Vendor Numbers Will Be Discontinued: Use Exception Code Instead

As reported in the last issue of *The Connection*, we are moving away from the use of "pseudo" vendor numbers (V0D0 and V0D1). By the end of summer, pseudo vendor numbers will no longer be allowed, and agencies will be required to use a valid exception code to make payments to payees without a payee (vendor) record. The specific date of this change will be communicated via ListServ and on the AFRS message screen.

Even though they are not yet required, exception codes have been available in AFRS since December 2011. Some agencies have begun the transition away from pseudo vendor numbers and started using exception codes. We encourage all agencies to begin the transition. Doing so now will allow time to resolve any problems before pseudo vendor numbers are no longer allowed.

Statewide Accounting tracked the use of exception codes for a five-week period starting in mid-February. During that time, payment transactions that included an exception code averaged over 275 per day. However, during the same period, there was an average of 1,150 transactions per day with a pseudo vendor number.

For agencies who want to monitor their own usage, the exception code field is available in Enterprise Reporting Web Intelligence (WebI) in the 'Payment Class' section.

(continue on next page)

(continued from page 7)

As a reminder, the following exception codes are available and can be viewed on the AFRS screen TM.1.4 – Payment Exception Code Table:

Exception codes	**Examples**	**Limited to:**
01 - Refunds/Reissues	Payments for over-collected revenue or deposit refund.	Certain general ledger (GL) codes
02 - Emergency Payroll & Related 3rd Party Payments	Emergency payroll, reissued payroll and payroll-related third party payments.	Account 035, GLs 1324 or 51xx
03 - Non-Employee Reimbursement	Non-employee travel reimbursement or prescription reimbursement to a retiree.	Certain subobjects
04 - One-Time Direct Grant Payments to Individuals	Payments to victims of a natural disaster.	Subobjects NA and NZ
05 - Other Payees with no TINs	Payments to foreign vendors not required to have a TIN and payments requiring backup withholding (vendors who are required to supply a TIN but do not).	Certain objects

Remember you do not need to use an exception code if the payment transaction includes a vendor number. Also, non-payment transactions do not require an exception code.

If you do not see an exception code that fits the type of payment you are making, or if there are any obstacles that would prevent your agency from switching to exception code use, please contact your assigned OFM accounting consultant. For technical assistance, please contact the AFRS helpdesk at 360-407-8182 or afrshelpdesk@ofm.wa.gov.