



The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

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 2016, 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 9, 2016. Several resources are available:

- [Payroll reconciliations](#), including:
 - Year-end information – ending 2016 and beginning 2017
 - 941 to W-2 reconciliation template (Excel)
 - Tax deposit reconciliation template (Excel)
- [HRMS year-end page](#)
- [Collecting Prior Year Overpayments](#)
- [November 9, 2016, PPA meeting minutes](#)

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



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Reminder: IRS Form 1099-MISC Filing and Training

As reported in the spring and summer 2016 editions of *The Connection*, the due date for filing Form 1099-MISC with the IRS has been moved up from March 31. For nonemployee compensation reported in Box 7, the deadline to file is now January 31. This requires a change to the current process. The timeline for 2016 1099-Misc Form filing is as follows:

January 6	Agencies must have all data imported into Account Ability
January 7-11	DES will print and mail 1099-Misc forms – Account Ability will be unavailable to agencies during this time.
January 12-15	WaTech will begin TIN matching process
January 16-26	Agencies can make corrections to 1099-Misc forms prior to IRS submission
January 27	Agencies must have all corrections finalized in Account Ability
January 28-30	WaTech will prepare and submit forms to IRS – Account Ability will be unavailable to agencies during this time.

In addition to the annual 1099 training offered by WaTech, OFM has put together a 1099-MISC Data Analysis training class. The final class for 2016 was December 21. The class will be offered again sometime this coming spring. The focus of the class is:

- The purpose of form 1099-MISC
- What vendor payments are reportable
- Researching payments
- Key AFRS tables
- Backup withholding requirements
- Analyzing and preparing data for upload into Account Ability

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

2017 AFRS/CAFR Calendar – Time Marches On!

While the 2016 CAFR season may still be fresh in many of our minds, we're almost half way through another fiscal year! The 2017 AFRS/CAFR Calendar is finalized and available online at http://www.ofm.wa.gov/resources/yearend/17_AFRS_Closing_Schedule.pdf. This calendar includes the AFRS fiscal month close dates; the CAFR phase 1, 1B, and 2 cutoff dates; and the due dates for state and federal certification forms.

The 2017 CAFR cutoff dates mirror the 2016 CAFR season so, if your agency had no problems meeting those deadlines, continue with your current processes. However, if your agency struggled to get everything done by the deadlines, take some time now to analyze the problem areas and work on solutions. Do you need to improve and/or streamline some processes? Do you need to start earlier on certain activities? Are there areas that should be given attention throughout the year to lighten the year end workload?

Remember that we're all in this together! We rely on YOU for accurate financial data and timely information to complete a quality CAFR. That said, if there are areas in which you need guidance, please contact your assigned OFM Accounting Consultant.

Another Successful CAFR Season!

We are pleased to present the 2016 *Comprehensive Annual Financial Report* (CAFR). We invite you to view the CAFR online at:

<http://ofm.wa.gov/cafr/2016/default.asp>.

Because of your diligence in meeting the CAFR calendar deadlines and the conscientious work of the State Auditor's Office, we received our audit opinion on November 1st. 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.

The state's CAFR audit opinion relies on the audit opinions of external auditors for a number of agencies and the timeliness of these audit opinions are key. We'd like to acknowledge the agencies and share the dates of their audit opinions:

- State Investment Board – October 21
- State Treasurer's Local Government Investment Pool – October 27
- Department of Retirement Systems – October 17
- University of Washington – October 24

We would also like to acknowledge the October 21 opinion date for the Department of Labor and Industries financial statements. Thanks to all of these agencies for their very timely audited financial statements.

While it takes considerable effort, we can all be proud of the timeliness of financial reporting by the state of Washington. Thank you for your part!

Reminder: IRS Form 1099-MISC Filing and Training

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In an effort to analyze current processes and assist agencies with reconciliation and filing, OFM and WaTech continue to work on the following:

- Modify the baseline Web Intelligence query used for 1099 reporting and reconciliation. The goal is to improve reconciliation capabilities for agencies.
- Allow agencies to make corrections to forms directly within the Account Ability software.
- Explore the possibility of using Account Ability to file electronic corrections with the IRS.
- Analyze the AFRS IRS Box in the IRS Type Maintenance table (D78) for appropriateness, and make changes if necessary.

For more information, refer to the following resources:

[1099-MISC Reporting and FAQs](#)
[IRS Form 1099 General Instructions](#)

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

2016 Audit Resolution Report

The annual Audit Resolution Report was issued to the Legislature in December 2016.

Washington State laws (RCW43.09.310 and RCW 43.09.340) require post audits of every state agency by the State Auditor's Office. As part of the audit process, exceptions to specific expenditures or financial transactions become a matter of public record. State law (RCW 43.88.160) requires OFM to ensure agencies take corrective actions to address exceptions and annually report on the status of these audit resolutions to the appropriate committees of the Legislature, the state auditor, and the attorney general.

Agencies are required to submit corrective action plans to OFM within thirty days of issuance of the audit reports in which exceptions are taken. The Audit Resolution Report summarizes the status of corrective actions taken by state agencies to resolve exceptions reported in conjunction with regularly scheduled agency post audits, the statewide single audit, as well as other special reports by the State Auditor's Office.

Some statistics about the audit resolution report:

Findings Reported:	2016	2015	2014	2013
Federal	56	55	45	63
Fraud	4	3	1	2
Non-federal	20	13	6	7
Total	80	71	52	72
Number of agencies included	18	22	18	15

We thank agencies for their assistance in the compilation of this report. The 2016 Audit Resolution Report can be viewed at:
<http://ofm.wa.gov/auditresolution/2016/default.asp>.

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

CMIA Update

The Office of Financial Management recently filed the 2016 Annual Cash Management Improvement Act (CMIA) report with the U.S. Treasury Department. The CMIA report summarizes federal and state compliance with the Treasury-State Agreement (TSA) which establishes requirements for transfer of funds associated with federal assistance programs between the federal government and state agencies. As submitted, the federal government owes the state \$3,600. The federal government will review the report, and payment should be received in March. These numbers show that state agencies that manage federal grants are doing a great job of operating within the requirements of CMIA.

In early 2017, we will begin preparing for the 2018 TSA. We have scheduled a training called Cash Management Improvement Act for March 14, 2016, from 9:00 -10:30. Please register on the [Learning Management System](#) if you will be responsible for preparing the agency response for this process. There have been no changes to CMIA over the past year so the class is for people new to the process or those who are looking for a refresher. If you have questions or would like more information, please contact Don Charlton at don.charlton@ofm.wa.gov or (360) 725-0200.

General Ledger Reconciliation Best Practices

We've been talking a lot about general ledger reconciliations in the last few years and with good reason – reconciled general ledger balances are the foundation of quality financial reporting. Keeping general ledger reconciliations current is much more efficient than waiting until year end to catch up an entire year's worth of reconciliations. Current reconciliations are also much more effective from an internal control standpoint.

What is a reconciliation? The process of correlating one set of records with another set of records and/or a physical inventory count that involves identifying, explaining, and correcting differences.

Here are some reconciliation tips:

- 1. Prioritize your general ledger (GL) accounts**
Use a "risk-based approach" to identify the GLs that inherently have the greatest risk of error. Spend more time on the important, high-risk GLs. Consider both quantitative and qualitative factors when designating each GL as a high, medium or low risk. The risk rating of the GL influences how often it is reconciled (e.g., monthly, quarterly) as well who is assigned.
- 2. Standardize reconciliations**
Standardized "best practices" should be identified and incorporated in reconciliation policies, processes, and templates across your agency. It is a best practice for the process to include a review of the reconciliation.
- 3. Monitor the process**
Designate a monitoring lead. The main duties of the monitoring lead include tracking the completion status of all GL reconciliations, making sure they are completed timely, and following up on incomplete or late reconciliations. This role is often a good way for a staff person to learn and grow within an agency.
- 4. Continuous improvement**
Common metrics should be reviewed on a regular basis, for example, overdue reconciliations and material reconciling items. Based on these metrics, adjustments can be made to the process if needed (e.g., reallocate reconciliations among team members, provide training on resolution of reconciling items, etc.).
- 5. Use technology**
Use technology to facilitate the reconciliation process where you can. It can save time by eliminating the need to re-key data, automatically generating user notifications, and building dashboards.

We continue to offer trainings on reconciliations (see the training article on page 9). Because of the critical nature of reconciliations, Statewide Accounting developed tools and identified resources for reconciliations. We have a lot of helpful information on our GL reconciliation website at <http://www.ofm.wa.gov/resources/GLreconciliations.asp>.

We'd like to hear from you if your agency has reconciliation "best practices" to share. Contact Steve Nielson at 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, E-commerce, purchase cards, and other accounting policies.

Issued on September 27, 2016, **effective October 1, 2016, OFM Directive 16A-03** revised the following policies in Chapter 10, Travel:

- Updated reimbursement rates for lodging and meals to reflect changes adopted by the U.S. General Services Administration,
- Added clarifying language to better define daily commute,
- Requires an internal policy if an agency determines they have a need for employees to stay at a lodging facility marketed and paid for through AirBnB or similar marketplace,
- Requires proper documentation that breaks down the cost to each employee, when multiple employees stay in one facility, and
- Removed IAP as the preferred method of payment for Good To Go payments.

OFM Directive 16A-03 revised several subsections in Chapter 40, E-Commerce. With this update, specific sections of the purchasing card policy which were more appropriately categorized as e-commerce were moved to chapter 40. Minor restrictions were also lifted for gift cards and *Good To Go* payments.

OFM Directive 16A-03 also eliminated Chapter 45, Purchase Cards policy. The Purchase Cards policy was considered duplicative since purchase card transactions are a form of payment and all purchases must comply with Department of Enterprise Services procurement rules and SAAM chapter 20 Internal Control policies.

In Chapter 75, Chart of Accounts, **effective October 1, 2016**, we added one new account, abolished two accounts, and changed the fund type and rollup fund for one account. We removed one general ledger (GL) code, and clarified explanations for Expenditure Authority Type Code 6 and Statewide program code 850. And, finally, we added one revenue source code.

Issued on September 28, 2016, **effective June 1, 2016, OFM Directive 16A-04** updated SAAM Chapter 95, Federal Assistance Reporting Policies and Procedures. These changes reflect the modifications to federal audit clusters included in the June 2016 OMB *Compliance Supplement* which, although issued in September, is effective for fiscal year 2016 reporting.

Effective **January 1, 2017, OFM Directive 17A-01**, revised the following policies:

- In Chapter 10, Travel, we decreased the mileage reimbursement rate for privately owned vehicles from \$0.54 to \$0.535. This decrease 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: <http://www.ofm.wa.gov/resources/travel.asp>.
- In Chapter 25, Payroll, we clarified that all compensation due to a deceased employee, no matter when earned, is to be held in General Ledger Code 5145, "Due to Deceased Employee's Estates," until the surviving spouse, domestic partner registered in the state of Washington, or estate has met certain legal requirements.
- In Chapter 75, Chart of Accounts, we added three new accounts: 20G, 20W and 21A.

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FY 2017 SWCAP Agreement – Approval Delayed

The fiscal year 2017 Statewide Cost Allocation Plan (SWCAP) is expected to be approved by the U.S. Department of Health and Human Services (HHS) by the end of January 2017. This delay was due to the implementation of the new GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*, which affected the approval from HHS nationwide.

Once HHS approves the SWCAP, 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>.

The agreement lists each agency's share of the allowable statewide central service costs not recovered through direct central service fee or allocation to state agencies and institutions. These costs may be recoverable from each agency's federal grants via indirect cost recovery.

Questions about the SWCAP should be directed to Julie Chiapetta at (360) 725-00191 or julie.chiapetta@ofm.wa.gov.

AVAILABLE SOON: A New Process for Updating AFRS Tables

Other than the biennial AFRS table roll (see related article on page 7), the process for adding, changing, and deleting agency AFRS table records is a manual process. Each record is hand-entered online in AFRS. For many small to medium sized agencies, this process works fine as there are not that many changes throughout a biennium. However, for agencies with a high-volume of table additions and changes, manual entry can be very time-consuming. With these agencies in mind, Statewide Accounting has been working with WaTech to develop a process to upload certain AFRS tables using Web Intelligence templates and Excel spreadsheets.

Based on input from a group of your peers, the first tables that will be available to use this process will be the Program Index and related descriptor tables, followed by certain Cost Allocation System tables and the Project Control and related descriptor tables.

While we believe this will be a big time saver for large agencies, it is not intended for all agencies and there will be some prerequisites. The most important of these is that users need to understand the AFRS hierarchical table structure and the relationship between descriptor tables and index tables.

As the first phase of this new process gets closer to roll-out this winter, we will work with WaTech to provide detailed user documentation and workshops to help agencies get started. Watch for AFRS ListServ messages from WaTech to keep informed. In the meantime, if you have any questions, please contact Cheryl Hainje at cheryl.hainje@ofm.wa.gov or (360) 725-0193.

AFRS Table Roll is Coming – Take Action Now!

The AFRS table roll is the process by which current biennium (2017) AFRS program index, appropriation index, organization index, and descriptor tables are duplicated for the new biennium (2019), 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 2017 and the final phase, expenditure authority related tables, occurring after the Governor signs the 2017-2019 budgets.

There are no major changes to the AFRS table roll process this biennium, although there are some minor improvements to the phased approach that debuted in 2015. Statewide Accounting will send a communication in March providing the details, instructions, and planned schedule. Information will also be posted, as it becomes available, on our Administrative and Accounting Resources webpage under [AFRS Table Roll](#).

In the meantime, there are a couple things for agencies to do. One task is to consider your current coding structure and 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.

The second task that can be worked on now is to clean up your current (BI 17) 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). These tables have 5,229 (OI), 5,389 (PI), and 14,817 (D36) records that have not been used in BI 17. If nothing is done, these tables will roll to the new biennium. Refer to the webpage above for instructions on identifying unused OI and PI records for your agency, and check out the article about the new process for updating AFRS tables in this newsletter.

If you have any questions, please contact Cheryl Hainje at cheryl.hainje@ofm.wa.gov or (360) 725-0193.

SAAM Updates - *continued from page 5*

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

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

Creating a new Statewide Chart of Accounts (COA), One Step at a Time

One of the six One Washington planning and readiness activities for the current biennium is the Chart of Accounts (COA) Improvements project. The COA team has taken on two tasks for this biennium:

1. Standardizing the AFRS sub-subobject (SSO) coding element across all agencies, with plans to implement the new statewide SSOs in July 2017 for biennium 2017-19 activity.
2. Developing a formal data governance structure that will be used to manage change requests for the SSO table now and for other centralized coding elements in the future.

Since last summer, OFM has been working with 10 pilot agencies (DES, CTS, DSHS, DNR, DOC, DOT, OSPI, MIL, DOH, DVA) that are heavy users of SSOs and/or have unique business needs. We reviewed, analyzed, and compared their SSO tables; facilitated many meetings and discussions with agencies as well as OFM Budget and LEAP staff; and worked diligently on the process of eliminating unneeded SSOs and combining like SSOs into a single, statewide SSO table.

To make a July 2017 implementation feasible, one of the tenets we had to adopt is that we would take into consideration existing agency-unique accounting system requirements and not force agencies to make changes to their systems at this time. We also had to allow for certain reporting requirements from outside the state. These strategies prevented some streamlining, yet we were able to make huge reductions in SSO counts across these 10 agencies.

We hope that these 10 agencies are a good representation of all agency needs; however, we realize that some agencies will require additional SSOs. To that end, we plan to send a draft statewide SSO table along with definitions to all state agencies by the end of January. In addition, we will send the form and procedure to request additional SSOs.

After preliminary review by your agency's assigned OFM Accounting Consultant, these requests will go to the Data Governance committee for consideration. The Data Governance committee, staffed by agency representatives, will meet monthly to review requests and make recommendations.

OFM has also been working with WaTech to reprogram AFRS so that, starting with Biennium 2017-19 activity, the SSO table will be a statewide table only. This means, when we start the new fiscal year (FY18), a new standard SSO table maintained by OFM will be in place.

A presentation will be done this month at FMAC to introduce the governance process and the new SSO request form. If you have any questions, please contact Brian Tinney at brian.tinney@ofm.wa.gov.

Winter 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
In-Process Report Training	January 18 February 21 March 21	1:00 – 4:30	3.5 hours
Compliance: Travel Policies	January 24 February 28 March 28	8:30 – 4:00	7.5 hours
Accounting for Payroll	January 31	8:30 – 4:00	7.5 hours
Payroll Revolving Account Reconciliation	February 8	8:30 – 3:00	6.5 hours
GL Reconciliation: Basics	February 13	8:30 – noon	3.5 hours
Health Insurance Reconciliation	March 13	8:30 – noon	3.5 hours
Cash Management Improvement Act	March 14	9:00 – 10:30	1.5 hours
Internal Control: Payroll	March 22	8:00 – noon	4 hours

To view class descriptions and register, go to the [Learning Management System](#) website. When you receive your confirmation email, be sure to open it and accept the attached meeting notice. The meeting notice includes the location of the class. Classes will be held in Capitol Court at 1110 Capitol Way South or the 1500 Jefferson building at 1500 Jefferson St SE. Parking is limited, so we recommend carpooling, public transit, or walking if possible.

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.

If there is a class you would like to take that is not currently offered, please visit the [Get Training webpage](#) for an email link and additional information. We will add you to a waiting list. The webpage includes other helpful information as well. Check it out!

Additionally, the Association of Government Accountants (AGA) and Financial Management Advisory Council (FMAC) sponsor 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.