



Winter 2018

The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

Another Successful CAFR Season!

We are pleased to present the 2017 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/2017-comprehensive-annual-financial-report>.

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 2nd. 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.

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!



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2017 Audit Resolution Report

The annual *Audit Resolution Report* was issued to the Legislature in December 2017.

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.

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Two New Shared Leave Pools Are Available

Two shared leave pools were added in the 2017 legislative session:

Veterans' In-State Service Shared Leave Pool

This shared leave pool was created by [ESSHB 1802](#). The veterans' in-state service shared leave pool (VISSLP) allows general government and higher education employees to voluntarily donate leave to be used by any eligible employee who meets the following criteria:

- The employee is a current member of the uniformed services or is a veteran as defined under RCW 41.04.005, and is attending medical appointments or treatments for a service-connected injury or disability; or
- The employee is a spouse of a current member of the uniformed services or a veteran as defined under RCW 41.04.005, who is attending medical appointments or treatments for a service-connected injury or disability and requires assistance while attending appointments or treatments.

The Department of Veterans' Affairs, in consultation with OFM, administers the VISSLP. Procedures can be found on OFM's [Payroll Resources](#) website. Refer to the shared leave section.

For further information about the pool, refer to [RCW 41.04.672](#), [WACs 357-31-750 through 830](#), and [SAAM 25.40.13](#).

Foster Parent Shared Leave Pool

This shared leave pool was created by [2ESSB 5890](#). The foster parent shared leave pool (FPSLP) allows employees as defined in RCW 41.04.655 to voluntarily donate leave to be used by any eligible employee who is a licensed foster parent pursuant to RCW 74.15.040 needing to care for or preparing to accept a foster child in their home.

The Department of Social and Health Services, in consultation with OFM, administers the FPSLP. Procedures can be found on OFM's [Payroll Resources](#) website. Refer to the shared leave section.

For further information about the pool, refer to [RCW 41.04.674](#), [WACs 357-31-750 through 830](#), and [SAAM 25.40.14](#).

Accounting transactions

Illustrative entries for shared leave transactions between state agencies and authorized shared leave pools have been added to the Statewide Administrative and Accounting Manual (SAAM). Refer to [SAAM 85.42.50.f and g](#).

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

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 2017, 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 8, 2017. Several resources are available:

- [Payroll reconciliations, including:](#)
 - Year-end information – ending 2017 and beginning 2018
 - 941 to W-2 reconciliation template (Excel)
 - Tax deposit reconciliation template (Excel)
- [HRMS year-end page](#)
- [Collecting Prior Year Overpayments](#)
- [November 8, 2017 PPA meeting minutes](#)

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

2017 Audit Resolution Report - continued from page 1

Some statistics about the audit resolution report:

Findings Reported:	2017	2016	2015	2014	2013
Federal	50	56	55	45	63
Fraud	2	4	3	1	2
Non-federal	9	20	13	6	7
Total	61	80	71	52	72
Number of agencies included	15	18	22	18	15

We thank agencies for their assistance in the compilation of this report. The 2017 Audit Resolution Report can be viewed at: <https://ofm.wa.gov/accounting/financial-audit-reports/audit-resolution-report/2017-audit-resolution-report>.

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

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. This means that you know what makes up the balance in each general ledger, you have a plan for any action that is needed, and you have processed needed entries in AFRS.

Reconciliations are also important to help avoid overspending appropriations, audit findings, and prior period adjustments.

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. Documentation should include:

- Beginning/ending balances
- Current period increases/decreases
- Transactions that make up the ending balance
- Supporting reports/queries
- Plan of action of outstanding transactions

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.

General Ledger reconciliation best practices - continued from page 4

6. There can be challenges

There can be a large volume of transactions. Knowing the data that normally flows through the GL you are reconciling is important. If reconciliations are not completed timely, the time it takes to catch up can be extended because you have to reconstruct the data and search for details to help you remember. Lack of understanding or not knowing where to start can lead to reconciliations not being completed.

We continue to offer trainings on reconciliations (see the training article on page 6). 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 <https://www.ofm.wa.gov/accounting/administrative-accounting-resources/general-ledger-reconciliation>.

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, internal audit, payroll, and other accounting policies.

Effective **January 1, 2018, OFM Directive 18A-01**, revised the following policies:

- In Chapter 10, Travel, we increased the mileage reimbursement rate for privately owned vehicles from \$0.535 to \$0.545. 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 22, Internal Audit, we clarified that an agency's Internal Auditor cannot be designated as the agency's Internal Control Officer.
- In Chapter 25, Payroll, we clarified the language for the holiday calculation for part-time employees; added a new subsection for the two new shared leave pools effective October 19, 2017; and added language to clarify the acceptable forms of employee written request for voluntary miscellaneous payroll deductions.
- In Chapter 75, Chart of Accounts, we added a new agency (Department of Children, Youth, and Families) and two new accounts.

For a complete list of key changes in the most recent SAAM updates, refer to the OFM Directives <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.

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.

Class Name	Dates	Times	Duration
Accounting for Payroll	January 8	8:30 – 4:00	7.5 hours
GL 5111 Reconciliation	January 17	8:00 – 11:30	3.5 hours
In-Process Report Training	January 17	1:00 – 4:30	3.5 hours
Compliance: Travel Policies	January 23	8:30 – 4:00	7.5 hours
Payroll Revolving Account Reconciliation	February 1	8:30 – 3:00	6.5 hours
General Ledger Review	February 13	8:00 – 12:00	4.0 hours
Health Insurance Reconciliation	February 13	1:15 – 4:45	3.5 hours
GL Reconciliation: Basics	March 1	1:15 – 4:45	3.5 hours
Introduction to GAAP in Washington State	March 7	8:30 – 4:00	7.5 hours
Internal Control: Payroll	March 14	8:00 – 12:00	4.0 hours
Accounting for Capital Assets	March 20	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.

Classes will be held in Capitol Court at 1110 Capitol Way South. 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.