



Winter 2022

# The Connection

A QUARTERLY NEWSLETTER REPORTING NEWS & INFORMATION FROM STATEWIDE ACCOUNTING

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## NEW THIS ADDITION!

In an effort to provide more resources and support to state agencies, the Washington State Auditor's Office will have an article featured in The Connection each quarter. You can find the first article on page 2

## Another Successful ACFR Season!

We are pleased to present the 2021 Annual Comprehensive Financial Report (ACFR). We invite you to view the ACFR online at: <https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report/2021-annual-comprehensive-financial-report>

Each year provides its own challenges in the ACFR preparation, and fiscal year 2021 was another year highlighted by questions about federal spending due to COVID relief funding. We would like to thank all agency fiscal staff who worked so hard helping OFM reconcile CARES Act, American Rescue Plan, and FEMA funding. It was truly a team effort again this year to get to "Done."

We received our audit opinion on December 21, 2021, which is again later than we hoped but seems to be the new normal in this pandemic environment. 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 ACFR. We realize it takes considerable effort and, even with the delay, we can all be proud of the work accomplished this year. 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).

# The Office of the State Auditor wants to hear from you

One of the strategic goals of the State Auditor's Office is to help state agencies and local governments be fiscally accountable and high-performing organizations. To make sure we are creating helpful resources state agencies can use, we want to know what topics interest you the most. This survey is designed to help us better understand the needs of state agencies. Will you share your thoughts with us?

The link to our survey is below:

<https://www.surveymonkey.com/r/BC2N7WR>

The survey will close on February 15, 2022.

Thank you in advance for your participation. We look forward to reviewing your responses and finding new ways to support your agency.

If you have any questions or want to share any ideas separate from the survey, please contact Sadie Armijo, Director of State Audit and Special Investigations, at (564) 999-0808 or email [sadie.armijo@sao.wa.gov](mailto:sadie.armijo@sao.wa.gov).

## 2021 Audit Resolution Report

The Office of Financial Management (OFM) published and distributed the annual Audit Resolution Report to the Legislature in December 2021.

The report included findings issued by the Office of the Washington State Auditor (SAO) from November 1, 2020, to October 31, 2021. Below are the summary statistics from the 2017 to 2021 Audit Resolution Reports:

Findings Reported	2021	2020	2019	2018	2017
Federal	65	70	61	52	50
Non-federal	5	9	17	20	9
Fraud	5	6	3	5	2
Total	75	85	81	77	61
Number of agencies included	16	16	24	16	15

The [2021 Audit Resolution Report](#) can be viewed on the OFM website. If you are interested in reading details of the findings, please refer to the audit reports published on the SAO [website](#).

### OFM Corrective Action Plan Requests

SAO issues findings for accountability audits, financial audits, frauds, and for programs included in the statewide single audit. State agencies may receive different types of findings at different times, and below is some reminder information about the general timeframe when OFM will request a corrective action plan (CAP).

#### Accountability/Financial/Fraud Audits

SAO performs these audits throughout the year. When a finding is issued, OFM requests agencies to provide corrective action information within 30 days of the finding issue date in accordance with [SAAM 55.10](#). It should be noted that RCW 43.09.312 states that agencies have the legal obligation to comply with the 30-day timeframe to submit CAPs for audit findings of noncompliance with state laws. State accountability audits fall into this category. OFM is responsible for ensuring compliance with the statutory requirement of distributing agency CAPs to external stakeholders within 60 days of the finding release date.

The *Audit Resolution Report* published at the end of each calendar year summarizes the status of corrective actions taken by state agencies to resolve exceptions reported in audit findings issued by SAO during the year. In November each year, OFM compiles the list of CAPs to be included in the report. If there are action items that have passed their estimated completion dates, agencies will receive requests from OFM to provide status updates. For actions that are still being implemented, OFM will also provide an opportunity for agencies to submit any updates as needed.

## 2021 Audit Resolution Report - continued from page 2

### **Federal Audits**

For single audit findings, specific federal requirements exist for reporting of audit remediation and resolution efforts. As the auditee of the state's single audit, OFM is responsible for coordinating and facilitating the process to ensure compliance and to meet reporting deadlines. OFM requests CAPs or updates of previously submitted CAPs from agencies several times during a single audit cycle.

### **Prior findings**

*The Summary Schedule of Prior Audit Findings* is a required component of the Single Audit Report in which the auditee reports the status of all outstanding audit issues reported in prior audit periods. In July, based on the list of unresolved audit findings provided by SAO, OFM sends CAP update requests to agencies for the audit period that has just concluded in June.

OFM submits the *Summary Schedule of Prior Audit Findings* to SAO in August. The auditors normally perform finding follow-up work concurrently with the current year audit and will provide OFM the list of all unresolved audit findings upon the conclusion of field work.

### **Current findings**

Repeat findings may be issued for unresolved audit issues during finding follow-up. New findings will also be issued for exceptions that have not previously been reported. In all cases, OFM will request agencies to submit a corrective action plan upon issuance of a federal finding. Typically, these CAP requests are sent to agencies from September to February of the following year.

### **Updates for Audit Resolution Report**

Since the filing date of the Single Audit Report is considered the official issue date of federal findings, these findings will be included in the Audit Resolution Report for that calendar year. In November, if there are action items that have passed their estimated completion dates, OFM will request agencies to provide the status for inclusion in the Audit Resolution Report.

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)

## Coming Soon: Subscription- Based IT Arrangements (GASB 96)

Effective for fiscal year 2023, [GASB Statement No. 96, Subscription-Based Information Technology Arrangements](#) provides new guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) such as Software as a Service (SaaS) agreements.

The standards for SBITAs are based on the standards for right-to-use lease agreements in GASB Statement No. 87, Leases. The lessee will record a right-to-use subscription asset and a corresponding subscription liability based on the present value of the future subscription payments. As such, agencies will use the Facilities Portfolio Management Tool (FPMT) to track these arrangements.

We will provide additional details on the implementation of this Statement later this year. If you have questions, please contact your assigned OFM Accounting Consultant.

# Accounting for Right-to-Use Lease Agreements (GASB 87) Reminders

By April 30, 2022, all right-to-use lease agreements (GASB Statement No. 87, *Leases*) with a lease start date prior to April 1, 2022, and a remaining total lease value that meets the state’s capitalization policy, need to be recorded in FPMT. After April, agencies will update FPMT as right-to-use lease agreements are commenced, renewed, amended, or terminated.

The matrix below shows the required accounting and FPMT entries for right-to-use lease agreements.

	Required Accounting Entries		Required FPMT Entries	
	Lessees	Lessors	Facilities	Land & Other Assets
<b>Leases Between Agencies</b>	Expense	Revenue	Facility Data	None
<b>Short-Term Leases</b> ( <i>max. lease term of 12 months or less</i> )	Expense	Revenue	Facility Data	None
<b>Above Capitalization Threshold</b> ( <i>\$500,000 in total lease payments</i> )	Lease Asset & Right-to-use Lease Liability	Lease Receivable & Deferred Inflow	Facility & Accounting Data	Accounting Data
<b>Below Capitalization Threshold</b>	Expense	Revenue	Facility Data (Accounting Data is optional)	None

*Note: Lease-to-own agreements have the same requirements as capital leases did previously. They do not need to be tracked in FPMT. If it meets the capitalization requirements, the asset must be tracked in CAMS or your agency’s approved capital asset management system. See SAAM 30.20.40 for additional information.*

**Options for recording the right-to-use lease accounting entries** for leases that exceed the capitalization threshold include:

1. **FPMT Creates Transactions** based on lease contract amortization schedule and various triggers. For more details on this see the [Lease Accounting Transactions Job Aid](#).
2. **Manually record the accounting entries** in AFRS (or in your agency’s own accounting system) using reports from FPMT. There are worksheets on [Leases \(GASB 87\) Accounting Resources](#) page with the illustrative entries and reports to use.

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## Accounting for Right-to-Use Lease Agreements (GASB 87) Reminders - continued from page 4

**New chart of accounts coding** has been added to properly account and report the right-to-use lease agreements in compliance with GASB Statement No. 87, Leases.

- **For Lessees:**
  - New general ledger accounts for the Right-to-Use Lease Liability (5174, 5274), Lease Assets (2610, 2630, 2650), and the related Allowance for Amortization on the lease assets (2620, 2640, 2660)
  - New sub-subobjects under ED-Rentals and Leases - Land and Buildings and EH-Rentals and Leases – Furnishings and Equipment to record the Lease Principal (D200, H200), Lease Interest (D201, H201), Variable Lease Payments (D202, H202) and Other Lease Payments (D203, H203)
  
- **For Lessors:**
  - New general ledger accounts: Lease Receivable (1321, 1621) and related Allowance for Uncollectible Lease Receivable (1345, 1645) and Deferred Inflow of Resources on Right-to-Use Leases (5295)
  - New revenue sources to record the principal (0435 – Income from Leased Property), interest (0436 – Leased Property Interest Income), and variable payments (0437 – Leased Property Variable Income)

If you have any questions, please visit the OFM [FPMT IT Systems](#) and [Leases \(GASB 87\) Accounting Resources](#) pages, or contact Anna Quichocho at [anna.quichocho@ofm.wa.gov](mailto:anna.quichocho@ofm.wa.gov).

## One Washington Update: Monthly FDM Support Sessions

A Foundational Data Model (FDM) monthly meeting series will kick off beginning in early February. As we work towards implementation, the Finance Team wants to dedicate time monthly to focus on FDM and accounting procedures, with time to demonstrate business processes used in Workday and more.

The standing agenda will include the following:

- FDM Review/Update
- Conversion Crosswalk Review/Update
- Accounting Procedure Showcase
- Questions/Answers

Calendar invites will originate from [OneWa@ofm.wa.gov](mailto:OneWa@ofm.wa.gov) and will be sent to AST Leads and Finance Leads.

If you have any questions, please contact [OneWA@ofm.wa.gov](mailto:OneWA@ofm.wa.gov).