

OFFICE OF STATE FINANCE

DCAR NEWSLETTER

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Proper Voucher Submission – Rejection Warning

As previously instructed, when submitting vouchers, please be sure to properly fold them and be sure they are in ascending voucher number order. The vouchers should be tri-folded inwards with the voucher amount, business unit number, voucher number, and warrant number spaces on top. Improperly folded voucher forms can result in “fold-ins” occurring and can cause delays when OSF must handle them, including being forced to refold them properly to avoid such fold-ins during subsequent handling.

When mis-folded vouchers are found they are put aside in order to process batches of vouchers which are properly folded and are in proper voucher number sequence. Therefore, to avoid such delays, please make sure the vouchers are correctly folded and are in proper voucher number sequence (i.e., 00000001, 00000002, 00000003, etc.). Also, please avoid stapling your batches of vouchers and batch slip together. The individual voucher and invoices should be stapled, but please rubber band or paper clip each batch together.

NOTE: Transaction Processing plans to start rejecting improperly submitted vouchers from agencies who continually ignore this proper submission requirement.

Revised OSF Form 90 – Proper Signature Required

The revised Form 90 (DEC and IBM System Access Authorization Request) released in the July 21, 2006, DCAR Newsletter, must be requested by and signed by an ‘Agency Approving Officer’ having a signature card on file at the Office of State Finance. Forms not properly signed will be returned.

Federal Per Diem/Lodging Revisions

There were no across the board changes to the federal meals and incidentals (Oklahoma’s per diem) rate, including lodging. However, there are changes for several locations by splitting out some and combing some cities/counties. The Standard CONUS Rate did not change nor did the six tiers rates that are currently being used for the per diem. The Standard Rate is still \$39 for per diem and \$60 for lodging (appropriate taxes can also be claimed in addition). These changes are effective for October 1, 2006 (the Federal FY2007) and can be viewed or downloaded at www.gsa.gov/perdiem.

OSF Form 13

Many agencies are experiencing staff changes. Please remember that prior to signing any claim forms, an individual must be designated as an agency approving officer. This authority is not incumbent with the position. A signature card, OSF Form 13, for each individual authorized to sign claims shall be completed by the agency and filed with OSF. See OSF Procedures Manual, Chapter 300, Section 305, paragraph 4.

New Expenditure Account Code 553200

The following has been added to the account code for use on expenditures meeting this description.

<u>Code</u>	<u>Title and Definition</u>
553200	REFUNDS -- TAXES

Payment of refunds for overpayments (or exemptions) received for taxes collected by a controlling agency, board or commission. This will be 1099G reportable.

Memberships, Licenses, and Certificates

Attorney General Opinion 06-019 authorizes the payment of annual membership bar dues for assistant district attorneys and other attorneys on the DA's staff. OSF has asked its Attorney General Representative to review the OSF procedures which restrict the payment of memberships and other licenses and certificates. OSF is asking for guidance concerning any revisions that may need to be made to the OSF Procedures Manual, Chapter 300, Section 319, subsections M. and P., based on the authorization granted by the opinion.

Agencies should continue to follow the current procedures, whereby, no individual membership dues, licenses, or certificates are paid without specific statutory authority such as granted above. If after the review is completed and it is determined that changes to the procedures are necessary, a revision to Section 319 of the manual will be made. Said revised procedures would be effective upon release.

Post Audit Program

As the post-auditing program continues, there are a few items that should be highlighted:

Excise Tax on Telecom Services

There has been an increase in the number of agencies paying federal excise tax on telecommunications services. Federal excise tax on telecommunications services is imposed under US Code, Title 26, Subtitle D, Chapter 33, Subchapter B, Section 4251. However, Section 4253(i) of the same law provides an exemption to the excise tax imposed under section 4251 to the government of any State.

Agencies need to review all bills for telecommunications services to ensure that they are not being charge federal excise tax or state taxes. If an agency is being charged for either of these taxes, notify the vendor of the agency's tax exempt status. The vendor should provide a certification statement for the agency to complete and verify the excise tax exemption.

Reports of Audit Finding

The Report of Audit Findings are sent out around the 20th of each month, for the previous month's findings. If there are no findings for an agency, no report is sent. Responses are due back to OSF within two weeks. Responses should address whether or not the agency agrees with the finding, the reason, and the corrective action taken. Responses can be mailed, faxed or emailed.

Please contact Laura Swingle at 405-522-6285 or laura.swingle@osf.ok.gov if you have any questions concerning the Post Audit Program.

Clearing Account and Agency Special Account Reconciliation

Agency Clearing Accounts (ACA) and Agency Special Accounts (ASA) data has been loaded for FY06. The data loaded consists of vouchers written on the accounts as reported on the Forms 11 and Forms 11A, account reconciliations.

The June 30, 2006 cash balance in the CORE system should agree with the reconciliation forms the agencies submitted. If it does not agree, review the transactions affecting the cash balance and compare them to the reconciliation form. The transactions will have journal numbers that begin with ASA followed by the month and year, for example, ASADDEC05, for the December 2005 transactions. The transactions loaded reflect items presented on the reconciliation form, Section A, as Vouchers. Deposits and Transfers on the reconciliation form should already be in the CORE system and are not included in these entries.

If corrections need to be made to the reconciliation forms, submit revised forms to OSF Accounting with a request to correct the entries that have been loaded into CORE.

The ICS system will no longer be used to submit reconciliation forms 11 and 11A. The forms are available on the OSF web site as either PDF or Excel files. Agencies will be starting to enter journal entries for vouchers into the system for FY07. Before this begins, agencies need to make sure that the June 30, 2006 balances are correct. Instructions for CORE system entry will be published in the near future. The new fax number for submitting OSF Forms 11 and Forms 11A is 405-522-2186.

Changing PO and Requisition Funding

If you are having any issues with changing the funding on POs or requisitions at this time, there are some helpful hints on the Official Core Website. If these hints do not relieve the issue and you are still experiencing difficulty there may be other issues that need addressing, and you need to contact the OSF Helpdesk immediately. These types of issues can usually be addressed the same day the case is filed.

Oklahoma Financial Management Association

The Oklahoma Financial Management Association (OFMA) is an association of Oklahoma state agency employees serving financial and business functions in state agencies. The OFMA is a professional forum to disseminate information and build relationships to improve the quality of service to taxpayers of Oklahoma. Members include state agency finance officers and their employees. Over the past several years this organization's attendance and participation has grown, but more agency participation is encouraged.

“No Cost” Training on I.C. Reporting Changes Affecting State Agencies

When: December 7, 2006
Time: 1:30 – 4:00 p.m.
Where: MetroTech Auditorium -- Springlake Campus
1900 Springlake Drive, Oklahoma City, OK 73111

At the next OFMA meeting, new officers will be recognized, and a “Subcommittee on Statewide Policy and Procedures” will be appointed. This subcommittee's objective is to improve the financial operating procedures of the State, specifically efficient transactions processes, accountability, safeguarding assets against unauthorized use or abuse, and greater transparency in financial reporting.

Then, a training session on “AICPA SAS 112 on Internal Controls – Implications and Impacts on State Agencies” will be presented by a national expert. SAS 112 will increase the level of work by your auditors, and this training session will help agencies understand what it means and how they should prepare for its changes.

This training will qualify for two hours of CPE at **no cost** to state agency personnel. In November, you will be asked to register for the meeting on the OFMA website: www.okfma.org

Employee's Bank Routing/Transit Number Verification

Agencies are reminded that employee's bank deposit slips should **NOT** be used to get the bank's routing/transit number for setting up direct deposit information. A voided check from the employee is the preferred method. If the employee does not have a voided check or wants to deposit into another type of account, have the employee call the bank directly to get the routing/transit number. A bank routing/transit number should never start with the digit “5”. This indicates a branch of the bank and will cause the direct deposit to be returned to the State.

Errors in processing bank routing/transit numbers can cause significant delays in the employee's receipt of his or her paycheck. Many banks do not reject bad routing/transit numbers until after the pay day. This means the deposit for the rejected check can be returned to the State 5 to 10 days after the pay date. The check cannot be reissued until the money is returned to the State. Reissued checks are processed each Wednesday for payment on Thursday.

Higher Education Agencies Special Pay Dates

Agency payroll contacts have been notified that special pay dates may be needed due to the upcoming holidays and fall break. Submit your requested pay dates no later than October 23, 2006. The programmers will need time to set up the dates in the system. If you have not been contacted regarding special pay dates or have any questions, please contact Lisa Raihl at 521-3258 or lisa.raihl@osf.ok.gov.

Lapsed Funds – PO and Requisition Lines

Lapsed Funds Report Appropriated Funds - The report that identifies which appropriated funds are about to lapse November 15 should be run prior to the lapse date.

On October 14th lapsing processes were ran which closed out the balances on purchase order (PO) and requisition lines that contained expired budget dates as of June 30, 2006. However, you may notice a few lines that are still remaining on your reports. We are aware of these exceptions and will be working to resolve them in the next couple of weeks.

At this point, we believe that the system is operating at a sufficient level to permit the statutory lapsing for FY'05 monies, and that no extensions will be necessary. Therefore, you should run the lapse funds reports from the system, and adjust the funding lines as needed prior to November 15, 2006.

Navigation for reports:

General Ledger > General Reports > Lapse Fund Adv Notice – Approp

General Ledger > General Reports > Lapse Fund Adv Notice – Cont

These reports shows all appropriated funding lines which will lapse within the next 60 days. If lines have negative Encumbrances or Pre-Encumbrances on this report, these amounts need to be resolved. To determine the cause of the negative encumbrance/pre-encumbrance, run the outstanding encumbrances reports. If you are unable to resolve the differences, contact the OSF Helpdesk and request a case. Be sure to specify the particular funding lines with negative balances.

Taxable Fringe Benefits

As the end of the calendar year approaches, be reminded that the payroll system has been structured to accommodate the reporting of non-cash, taxable fringe benefits. Of specific concern to state employees, the following benefits should be reviewed to determine if W-2 wage adjustments are necessary:

- * Group Term Life Insurance
- * Employee Use of State Vehicles
- * Maintenance, Car and Housing Allowances
- * Additional non-cash benefits

Reporting of these benefits is required by state and federal law, and it is the responsibility of the individual agencies to ensure compliance. If the item was not ran through the payroll system, the employer can deduct on a following paycheck, as a miscellaneous deduction, the taxes associated with the wage item. The State is responsible for timely depositing the taxes. Any taxes associated with items not run through the payroll system will need to be sent to OSF in a timely manner so that the tax deposits may be made and record the items to be posted to the employee's earnings record.

An employer can choose to pay the employee's share of taxes on group term life, auto fringe, and other non-cash benefits. If the employer pays these taxes without deducting them from the individual, those taxes must be included as wages for federal, state, social security and medicare wages (boxes 1, 3, 5, and 16). This increase in the employee's wages for your agency's payment of the social security and medicare taxes is also subject to employee social security and medicare taxes. This again increases the amount of additional taxes the employer must pay.

Example: Tom received a non-cash benefit valued at \$100.00. The agency decides to pay the employee's taxes on all non-cash benefits. The employee's taxes would be \$7.65 $[(100 * 6.2\%) + (100 * 1.45\%)]$. This amount that the employer is paying for the employee is another benefit to the employee and must be taxed $[(7.65 * 6.2\%) + (7.65 * 1.45\%)] = \0.58 . This additional \$0.58 is again taxable to the employee $[(0.58 * 6.2\%) + (0.58 * 1.45\%)] = \0.05 . Total taxes to the employee are \$8.28, for total wages of \$108.28.

An easier way to calculate, is to "gross up" the benefit. The benefit amount is divided by 92.35% $(100 - 6.2 - 1.45)$ and the outcome is the gross wages to report. From this amount, the social security and medicare taxes are calculated. $100.00/92.35\% = 108.28$ (the taxable wage amount). $[(108.28 * 6.2) + (108.28 * 1.45\%)] = \8.28 (taxes).

An employer can also choose to pay the retiree's share of taxes on group term life insurance or collect them from the retiree. If the agency pays these taxes without deducting them from the individual, those taxes must be included as wages for federal, state, social security, and medicare wages (boxes 1, 3, 5, and 16). The calculation is the same as the above example.

If federal and state withholdings are required, this must also be taken into consideration for the calculations. Please refer to the W-2 instructions and Publication 15A, Employer's Supplemental Tax Guide for additional information if needed.

Employees Benefits Council (EBC) Refunds

Any refund for EBC benefits improperly withheld from an employee's pay will be processed through the Core (PeopleSoft) payroll system. This process will ensure the employee's payroll record is accurate for federal and state tax reporting purposes.

The following procedures have been established by OSF and EBC.

1. The agency must contact the EBC office to request authorization for any benefit refunds.
 - a. Refund requests will be submitted by the agency coordinator to EBC on the Employee Premium Refund Request form.
 - b. This form can be found on the OSF website.
2. EBC will send the form back to the agency after making its determination.
 - a. If disapproved, no refund will be processed by the agency. EBC will provide written notification to the agency stating the reason for disapproval.
 - b. If approved, the agency will process the refund through the Core payroll system.
3. The agency must contact the Core office to obtain the proper procedures for processing the refund.
 - a. The refund will be processed on the next regularly scheduled pay run for the agency.
 - b. Core will not create new pay runs to process refunds. (EBC refunds take up to six weeks to process and completing on the next regularly scheduled pay run will be within their policy.)
 - c. Core procedures will ensure the refund is correctly input and amounts properly post to either the employee or to the agency.
 - d. Any amount due to the employee will be taxed appropriately, and the employee will receive the net amount.
4. OSF will monitor the processed refunds for compliance with these procedures. Any agency issuing refunds without prior approval will be at risk of having issued an improper refund for which the agency must reimburse EBC through a miscellaneous voucher. Also, the agency would be liable to OSF for any additional taxes on the amount paid to the employee.

For any questions regarding these policies or procedures, please contact Lisa Raihl 405-521-3258 or Dan Thomason at 405-522-6300.

Withholding on Wages of Nonresident Alien Employees

In the December 2005 DCAR newsletter, a notice was published about new withholding requirements on nonresident alien employees. The rules have not changed, but rules relating to relief for noncompliance have been issued.

Beginning with wages paid after December 31, 2006, there will be no transitional relief from the failure to apply the new withholding procedures. The IRS may assert employer liability for underpayments of income tax withholding and related interest and penalty resulting from the failure to apply the new withholding procedures.

IRS notice 2005-76, Part III details the new rules for withholding income tax on nonresident alien (NRA) employees which became effective January 1, 2006. It also provides new rules for use by nonresident alien employees in completing Form W-4, Employee's Withholding Allowance Certificate.

When completing the Form W-4, the NRA employee is no longer required to request an additional withholding amount. They may, like all other employees, request additional withholding. The NRA employee still claims single status and generally no more than one withholding allowance. The employee also is required to write "nonresident alien" or "NRA" above the dotted line on line 6 of the Form W-4. Exempt status cannot be claimed.

Under the new rules, employers will add an amount to the wages of the NRA employee solely for the purposes of calculating the income tax withholding for each pay period. The additional amount to add depends on the payroll period. The added amount is not income or wages to the employee and does not affect income, FICA or state unemployment tax liabilities for the employee or employer. The amounts are added purely for purposes of calculating the amount of income tax withholding on the wages of NRA employees.

This notice has no effect on NRA individuals who have no wages subject to federal income tax withholding. For example, this would not affect those NRA employees eligible for a tax treaty exemption and having a valid Form 8233 in effect.

Higher Education agencies need to ensure their software programs are correctly applying the new withholding procedures.

CORE-Payroll system agencies need to contact Lisa Raihl at 405-521-3258 for more instructions for handling a non-resident alien employee.

Oklahoma withholding is required at eight percent (8%) with respect to Oklahoma taxable income of nonresident aliens.

Notice of Unemployment Claims

All agencies should have received a notice from the Oklahoma Employment Security Commission (OESC) outlining the procedures for responding to unemployment claims as stated in Oklahoma Statute Title 40, section 2-503(E). This is a summary reminder of those procedures.

Within 10 days after the date of the notice or date of the postmark, whichever is later, an employer may file written objections to the claim setting forth specific facts pertaining to the situation. The key here is *specific facts* that make the claimant ineligible, disqualify the claimant or relieve the employer from being charged. This includes detailed information for the reason of separation.

The OESC has seen an increase in written objections with no specific facts included. It will accept your information but it will be inadequate to make the agency an interested party. As such, the agency will not receive a copy of the determination and have no appeal rights.

1099 MISC Reporting

A new PeopleSoft report listing vendors and 1099M reportable transactions is in the final stages of development and will be available by the end of October or early November. Agencies will need to run the report themselves, compare the report with their own agency records, and return any corrections to OSF. Agency Finance Officers will receive an email or notice by mail when the 1099M reports from PeopleSoft will be available. More detailed instructions for submitting corrections will be given at that time.
