

OFFICE OF STATE FINANCE

DCAR NEWSLETTER

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ACCOUNTING

New Location - OSF-Agency Finance (Shared Services), Financial Reporting (CAFR) and Gaming Compliance

On Sept. 2, Agency Finance, Financial Reporting and Gaming Compliance consolidated offices on the second floor of the OJA building (opposite Core). The new physical address is:

3812 N. Santa Fe, Suite 290
Oklahoma City, OK 73118

This consolidation also affected the fax number for Financial Reporting and Gaming Compliance. The **new fax number** for these divisions is **(405) 522-8170**. All other phone numbers and email addresses will remain the same for each respective division.

Lapse Date (November 15) is Quickly Approaching

If you have appropriated funds from FY-2010 that will be carried over to FY-2011, please have your revisions entered into the CORE PeopleSoft budget system and allotment letters for the FY-2010 revision and the FY-2011 revision submitted to your OSF budget analyst by Friday, Nov. 5. This will give us ample time to review and approve both revisions. Please note that BOTH the prior year and current year revisions must be approved and processed by Nov. 15. If you have any questions, please contact your budget analyst.

P-Card Program

A study was conducted on the number of purchase orders (PO) processed by state agencies under \$5,000.00 in an effort to find methods to enhance efficiencies and reduce expenses. From July 1, 2009 through June 30, 2010, the study revealed 31,221 POs were processed for a total dollar amount of approximately \$36 M.

Surveys have shown traditional PO processes cost the State approximately \$93 in administrative costs while P-Card transactions cost the State approximately \$22 in administrative costs.* Based on 31,221 annual POs, this is an annual administrative cost savings of approximately \$2.2 million. The survey also revealed a reduction in procurement cycle time of approximately twelve (12) days* which would enable your agency to utilize administrative resources in other areas thereby reducing your agency's administrative costs.

The State of Oklahoma P-Card program was established in 2000. Processes, procedures and resources have been simplified and improved over the last ten years allowing the P-Card program to be one of the most streamlined, secure and transparent processes available. Although statute has allowed for the use of a P-Card for large dollar transactions for purchases from statewide contracts and regulated utilities, the original intent of the program was and still is for use in making small dollar transactions. Additional benefits of the P-Card program include no interest or fees paid to the bank as well as a yearly rebate paid to the state agencies based on the dollars spent through the program. In calendar year 2009,

the P-Card program returned 1.1% of the total spend to the agencies (approximately \$0.5 M). The potential rebate benefit to the State by utilizing the P-Card for all small dollar transactions could exceed \$2 million annually divided among each agency based on the dollars spent through the program. The benefits of using the P-Card do not end with the rebate. Other benefits include the reduction in time needed to process POs and vouchers, the potential to receive discounts for fast pay, avoiding late fees, expansion of vendors willing to doing business with the State, and not having to enter Vendors, Item IDs or POs in PeopleSoft.

The P-Card program is a secure program. State rules and procedures are in place to provide guidance and cardholders are required to reconcile all transactions monthly with each transaction requiring a second level of review and approval. The Department of Central Services (DCS) Audit Staff continually audits for compliance and all transactions are posted online on the OSF website under “Open Books.”

For more information in joining the P-Card program or expanding your current P-Card program, please contact Lisa Martin, State P-Card Administrator, Department of Central Services, Central Purchasing Division, at (405) 522-1654.

EFFECTIVE Oct. 1, 2010 - OMB Issues Guidance on Sub-Recipient Reporting

The following information was composed from the Sept. 10, 2010, newsletter from the Government Finance Officers Association (GFOA).

The Office of Management and Budget (OMB) issued guidance for monthly reporting of sub-recipient grant information under the Federal Funding Accountability and Transparency Act (FFATA). The act, which was signed into law in September 2006, requires that information on federal grants and contracts be made available to the public through an easy to use, single searchable website. The federal agencies have been submitting prime recipient grant information to USASpending.gov since Jan. 1, 2008, but the requirement for the reporting of sub-recipient grant information was never fully implemented or enforced.

Beginning Oct. 1, 2010, prime recipients are required to report monthly information on awards made to sub-recipients (other than those funded by the American Recover and Reinvestment Act). Prime recipients are required to register in the Central Contractor Registration System (CCR) and the FFATA Subaward Reporting System (FSRS). The information that must be made publicly available about federal awards to sub-recipients includes:

- Name of the entity receiving the award
- Amount of the award
- Award information such as transaction type, funding agency, the North American Industry Classification Code or the Federal Domestic Assistance number, program source (Treasury Accounts Symbol), and award title that describes purpose of the funding
- Location of the entity receiving the award and the primary location of performance under the award, including the city, state, congressional district, and country

- A unique identifier (DUNS number) of the entity receiving the award (and of the parent entity, when applicable)
- The names and total compensation of the five most highly compensated officers of the entity (under certain conditions)
- Other relevant information specified by the OMB in subsequent guidance or regulation

The OMB guidance and accompanying information can be found at:

http://www.whitehouse.gov/sites/default/files/omb/open/Executive_Compensation_Reporting_08272010.pdf (.pdf, 51 pp, 571 KB)

Review 1099 Reportable Transactions Report

It is time to review 1099 reportable transactions for the first three quarters of the calendar year 2010. All agencies should run and print the 1099 Transaction Report in the PeopleSoft system. The report path is:

Accounts Payable --> Reports --> Payments --> Misc. Tax Information Report
Specify your agency number and the date range as 01/01/2010 through 09/30/2010.

Please review this report and provide any changes or additional vendor information with documentation to the Office of State Finance on or before Friday, Oct. 22, 2010. The proper vendor name, TIN and 1099 address are our primary concerns along with the 1099 Flag. All vendors that need to receive a 1099 should have a 'Y' in the 1099 Flag column. If it shows an 'N' and the vendor needs a 1099 please mark the change in your corrections. If a 1099 Flag is 'N' there is no need to submit a change of address since the vendor will not receive a 1099.

The preferred way of submitting any corrections to our office is to print the report and write the corrections on the report. Please use a color of ink other than black and return the register by mail or interagency mail. If there are just a few corrections, they may be sent in via e-mail to beth.brox@osf.ok.gov or by fax to (405) 521-3902. Your timely review and response to these listings will allow us to update the vendor file in order to have the best information possible for the final report which will be sent out the first week of January 2011.

Questions or comments regarding this matter should be directed to Beth Brox at 522-1099 or beth.brox@osf.ok.gov.

New Banking Fees for Stop Payments and No Issue Records

O.S. Title 62, Section 89.6, directs the State Treasurer to charge and collect a fee for handling and processing rejected warrants (no issue records) and stop payment items. Effective June 1, 2010 the State Treasurer’s Office has increased the banking fees to the following:

<i>Old Charge for Service</i>	<i>New Charge for Service</i>	<i>Service Description</i>
\$0.42 per item	\$ 1.00 per item	Rejected Warrants/ No Issue Records
\$ 10.00 per item	\$15.00 per item	Stop Payments
\$250.00 daily max	\$325.00 daily max	Stop Payment – Daily Max

If the State Treasurer’s Office receives a warrant that does not match the information in the state agencies issue records, it is identified as an exception item. In order to avoid the exception fee of rejected warrant (no issue records) items, state agencies will need to ensure that issue files are submitted for every warrant that is issued to a payee. If you have any questions, or would like to inquire about how your agency can avoid the rejected warrant (no issue record) fees, please contact, Jessica Ramos, Accountant – State Treasurer’s Office or Katie Keller, Banking Operations Manager.

Deposit Posting Reports – Credit Card & EFT Deposits

The State Treasurer's Office has added two new Oracle functions that will provide a way for your agency to view your daily credit card transactions and your electronic funds transfer deposit transactions online. You will be able to view these reports by the process date or by the effective date of your transactions. Our goal is to replace the paper deposit reports that we send you through interagency mail. This service is available for your agency now and the mail-outs of this information will be discontinued on Oct. 29, 2010. Just fill out the Online User Access Form for enrollment for one or both of these functions and submit it to the Treasurer’s Office to the attention of Diedra O’Neil. Check the box next to the Deposit Posting Report – Credit Card and/or the Deposit Posting Report – EFT. You can find this form located on the State Treasurer’s website at <http://treasurer.ok.gov>, under Banking Services, Online Access and Banking Forms.

PAYROLL

U. S. Savings Bonds

The U.S. Department of Treasury has announced it will stop allowing the purchase of paper Savings Bonds. Due to the changes in Payroll Savings Bond Administration rules, the State will not offer voluntary savings bond deductions after 2010. If your agency has not notified employees of this change, it should do so now and start the process of ending the savings bond purchases.

The following information is applicable to agencies on the State's PeopleSoft HCM system:

The last purchase of Savings Bonds for:

- Monthly payrolls will be the pay period ending Oct. 31, 2010
- For Department of Human Services it will be the pay period ending Oct. 15, 2010
- For Bi-Weekly payrolls the last purchase of Savings Bonds will be on the pay period ending Oct. 23, 2010, paid on Nov. 5, 2010

All savings bond withholdings must have a deduction end date effective:

- Nov. 1, 2010 for Monthly payrolls
- Oct. 16, 2010 for Department of Human Services Monthly payroll
- Oct. 24, 2010 for Bi-Weekly payrolls

Use of these dates will allow any withholdings not used to purchase bonds to be automatically reimbursed to the employees through the next normal payroll processing cycles. By mid-December 2010, the only PeopleSoft page that will be accessible and viewable in read-only mode for historical purposes is the U.S. Savings Bond Activity (Payroll for North America > Employee Pay Data USA > Deductions > Review U.S. Savings Bonds).

Agencies should remind employees that they still have the opportunity to invest in savings bonds through TreasuryDirect at <http://www.treasurydirect>. Also, paper savings bonds remain available for purchase at financial institutions. Further information can be found at <http://www.frbervices.org/PayrollSavings/>.

The following is applicable to Higher Ed agencies on the Payroll Accounting System:

Institutions will need to ensure all savings bond activity is complete, including purchases, by Dec. 31, 2010. The Payroll Accounting System will no longer accept deductions for Savings Bonds beginning with payroll warrants issued after Dec. 31, 2010.

Terminated Employees and Benefit Deductions

This information is applicable to agencies on the State PeopleSoft HCM system:

Terminated employees that are paid on off-cycle payrolls will likely not have benefit deductions taken because the deduction end-dates are prior to the off-cycle pay period end-date. When this occurs, the employee receives the benefit allowance only. This creates several problems both with employee payments and the Employee Benefits Council (EBC). To prevent this from happening terminated employees must be paid on a "Supplemental" pay cycle.

When an employee terminates the HR administrator should:

- Enter a JOB row effective dating it as of the pay period begin date
- Action and Action/Reason is Data Change/Pay Group Change
- Change the Pay Group to the correct Supplemental Pay Group and Save the record
- Enter a JOB row and correct effective date for the termination transaction

For additional processing guidance, please contact the OSF Service Desk at (405) 521-2444 or helpdesk@osf.ok.gov.

Higher Education Biweekly Pay Calendar Change

HB 3052, effective Nov. 1, 2010, added a new state holiday to this calendar year. The Governor issued Amended Executive Order 2009-15 which includes Thursday, Dec. 23, 2010 as a state holiday. EFT items cannot be effective for that day; therefore, institutions of Higher Education that use the Higher Ed biweekly pay calendar are affected by this change. Pay Period Code 'B12' will now pay on Dec. 22, 2010 instead of the previously published date of Dec. 23, 2010.

2010 and 2011 Valid EFT Date Calendars

We have an additional holiday this year! Attached is the revised **2010-Valid EFT Date Calendar** that includes the new holiday. If your Agency sends EFT items effective for that day, Dec. 23, 2010, the Treasurer's Office will change the date to the next valid EFT date, Dec. 27, 2010.

- ***Additional Holiday – Dec. 23, 2010***

The **2011-Valid EFT Date Calendar** is also ready for your agency to utilize in the preparation of your EFT transactions. Please use the calendar to ensure that your EFT items process with the effective dates you intend. The letter "H" identifies the holidays in the calendar. The State's 2011 holidays correspond with the Federal Institution/Bank holidays with the exception of these three:

- ***Columbus Day – Oct. 10, 2011***
- ***Additional Thanksgiving Holiday – Nov. 25, 2011***
- ***Additional Holiday – Dec. 27, 2011***

If your agency sends EFT items, whether payroll or miscellaneous EFT payments effective for these dates, the Treasurer's Office will change the date to the next valid EFT date.

Should you have questions concerning the calendars, please contact:

Betty A. Pearson
 Treasury Services Manager
betty.pearson@treasurer.ok.gov
 (405) 521-6070

**2010 - REVISED VALID EFT DATE CALENDAR
 FOR THE LAST QUARTER**
Please plan for additional processing time during the holidays

SEPT	MON	TUE	WED	THU	FRI
			1	2	3
	H	7	8	9	10
	13	14	15	16	17
	20	21	22	23	24

OCT	MON	TUE	WED	THU	FRI
					1
	4	5	6	7	8
	11*	12	13	14	15
	18	19	20	21	22

NOV	MON	TUE	WED	THU	FRI
	1	2	3	4	5
	8	9	10	H	12
	15	16	17	18	19
	22	23	24	H	H**
	29	30			

DEC	MON	TUE	WED	THU	FRI
	6	7	8	9	10
	13	14	15	16	17
	20	21	22	H**	H
	27	28	29	30	H

EFT items cannot be effective on these days:

*** Oct. 11 - OK State government is OPEN; Federal Institutions/Banks are CLOSED**

**** Nov. 26 and Dec. 23 - OK State government is CLOSED; Federal Institutions/Banks are OPEN**

2011 - VALID EFT DATE CALENDAR
Please plan for additional processing time during the holidays

JAN	MON	TUE	WED	THU	FRI
	3	4	5	6	7
	10	11	12	13	14
	H	18	19	20	21
	24	25	26	27	28
	31				

FEB	MON	TUE	WED	THU	FRI
		1	2	3	4
	7	8	9	10	11
	14	15	16	17	18
	H	22	23	24	25
	28				

MAR	MON	TUE	WED	THU	FRI
		1	2	3	4
	7	8	9	10	11
	14	15	16	17	18
	21	22	23	24	25
	28	29	30	31	

APR	MON	TUE	WED	THU	FRI
					1
	4	5	6	7	8
	11	12	13	14	15
	18	19	20	21	22
	25	26	27	28	29

MAY	MON	TUE	WED	THU	FRI
	2	3	4	5	6
	9	10	11	12	13
	16	17	18	19	20
	23	24	25	26	27
	H	31			

JUNE	MON	TUE	WED	THU	FRI
			1	2	3
	6	7	8	9	10
	13	14	15	16	17
	20	21	22	23	24
	27	28	29	30	

JULY	MON	TUE	WED	THU	FRI
					1
	H	5	6	7	8
	11	12	13	14	15
	18	19	20	21	22
	25	26	27	28	29

AUG	MON	TUE	WED	THU	FRI
	1	2	3	4	5
	8	9	10	11	12
	15	16	17	18	19
	22	23	24	25	26
	29	30	31		

SEPT	MON	TUE	WED	THU	FRI
				1	2
	H	6	7	8	9
	12	13	14	15	16
	19	20	21	22	23
	26	27	28	29	30

OCT	MON	TUE	WED	THU	FRI
	3	4	5	6	7
	10*	11	12	13	14
	17	18	19	20	21
	24	25	26	27	28
	31				

NOV	MON	TUE	WED	THU	FRI
		1	2	3	4
	7	8	9	10	H
	14	15	16	17	18
	21	22	23	H	H**
	28	29	30		

DEC	MON	TUE	WED	THU	FRI
				1	2
	5	6	7	8	9
	12	13	14	15	16
	19	20	21	22	23
	H	H**	28	29	30

EFT items cannot be effective on these days:

*** Oct. 10 - OK State government is OPEN; Federal Institutions/Banks are CLOSED**

**** Nov. 25 and Dec. 27 - OK State government is CLOSED; Federal Institutions/Banks are OPEN**

Cell Phones Removed From Definition of Listed Property

The Small Business Jobs Act signed into law on Sept. 27, 2010, removes cell phones and similar telecommunications equipment from the definition of listed property. Employers can now utilize de minimus personal usage policies without requiring documentation of business versus personal use. This policy would be similar to policies for employer-provided desk phones, etc. If employees are authorized more than minimal usage, the value of the personal use would still be a benefit to the employee and taxable benefits must be included in income. The change is effective for this year and forward.

Employment Related Judgments and Settlements

It has become apparent that additional guidance is needed for agencies to use when employment related judgments or settlements occur. OSF is working on guidance and procedures to help agencies determine the income and employment tax consequences and appropriate reporting of the payments as they relate to employees and attorneys, as applicable. During the interim, if a judgment or settlement should occur, please contact Lisa Raihl at (405) 521-3258, lisa.raihl@osf.ok.gov for guidance.

Taxable Fringe Benefits

As we approach the end of the calendar year, be reminded that the payroll systems have 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 agency to ensure compliance. If the item is not run 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 the tax deposits can be made and the items posted to the employee's earnings record.

Under IRS rules, 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 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 * 6.2%)].

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).

Under IRS rules, 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. Also, please refer to OPM rules to determine whether these payments are a valid pay plan for a particular agency.

TRAINING

Upcoming Local Training/CPE

Due to the tight budgets this year, many agencies are looking for local training to reduce travel costs. Listed below are opportunities within the State:

October 12 – December 14, 2010 PayTrain Fundamentals

In cooperation with the American Payroll Association, Oklahoma City Community College presents the Paytrain College & University program for payroll professionals.

Paytrain Fundamentals teaches the fundamental payroll calculations and provides the basic knowledge and skills required to maintain payroll compliance. This is great for both experienced and entry-level payroll professionals.

For more information, please visit <http://www.occc.edu/corporatelearning/Payroll.html> or contact Francine Gissy at (405) 682-7856.

Oct. 20, 2010 - Was It Fraud or Just Poor Audit Quality?

AGA, in conjunction with the National Association of State Auditors, Comptrollers and Treasurers and the Association of Local Government Auditors, is pleased to a new audio conference that addresses whether the auditors in a specific case were accomplices in a financial statement fraud.

This session describes a state agency's quality review of a not-for-profit organization's A-133 audit. The case study describes the organization audited, its federally- and state-funded programs, and the CPA firm retained to do the audit. Various anomalies in the financial statements alerted state officials to potential problems, and a detailed quality review followed. Find out how the entity turned hundreds of

thousands of dollars in bank overdrafts into hundreds of thousands of dollars of cash on its balance sheet. Explore other “creative” ways to deal with fixed assets, accounts receivable and related-party transactions. Were the auditors just sloppy, ignorant or negligent? Or were they active participants in producing fraudulent financial statements? You be the judge. To share his practical experience in auditing and investigating fraud, waste and abuse is **David L. Cotton, CFE, CGFM, CPA, Chairman, Cotton & Company LLP.**

Date: Wednesday, Oct. 20, 2010

Time: 1-2:50 p.m.

Learning Objectives: To learn how auditors handle a case of fraud

Prerequisite: Some familiarity with internal controls and fraud

Advance Prep: None required

CPE: 2 credit hours

Field of Study: Auditing (Government)

Location: Oklahoma Office of Personnel Management, 5th Floor Conference Room 560, Jim Thorpe Building, 2101 N. Lincoln Blvd.

Cost: \$20.00 for members and \$40.00 for non-members

Register via e-mail to: AGAOKC@cox.net. Please include your name, phone number and purchase order number

Nov. 9, 2010 - Preparing for Year-End and 2011

Presented by the American Payroll Association
Tulsa, OK (Nov. 9, 2010)

Preparing for Year-End and 2011 brings you up to date on the latest changes in legislation and regulations that affect the close of 2010 and the beginning of 2011. Year-end processing tips, fringe benefit taxation and reporting, implementing new tax laws and regulations. Good for payroll, human resources, systems, accounting and finance professionals responsible for payroll operations and involved in year-end processing.

For more information, please visit www.americanpayroll.org
