

**OFFICE OF STATE FINANCE
DCAR NEWSLETTER**

Brenda Bolander, State Comptroller
Steve Funck, Deputy State Comptroller

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The last issue of the DCAR Newsletter, Volume 18, Number 3, was issued on December 18, 2007. The DCAR Newsletter is available on the OSF webpage at http://www.ok.gov/OSF/Comptroller/DCAR_Newsletters.html. Questions or comments about information contained in this publication should be addressed to those noted in the article or the following Division of Central Accounting and Reporting (DCAR) staff members:

OSF HelpDesk (PeopleSoft questions)	405.521.2444	helpdesk@osf.ok.gov
Transaction Processing: Steve Wilson	405.521.4679	steve.wilson@osf.ok.gov
Payroll Processing: Elsa Kunnel	405.521.6178	elsa.kunnel@osf.ok.gov
AP Manager: Patricia Garcia	405.522.6855	patricia.garcia@osf.ok.gov
Accounting: Jennie Pratt	405.521.6160	jennie.pratt@osf.ok.gov
Financial Reporting Unit: Deric Berousek	405.521.3298	deric.berousek@osf.ok.gov

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OSF Announces Open Books Website

In late December, the Office of State Finance announced a searchable website as a result of Oklahoma's Taxpayer Transparency Act signed by the Governor on June 4, 2007. This act and the website resulted from increased accountability expectations at the Federal level and will improve government transparency and openness in Oklahoma state government. OSF will continue to improve the information that is available on the website. If you have a suggestions please send them to the OSF Helpdesk. Please view the new website at: www.openbooks.ok.gov.

Pilot on the Federal Funding and Accountability Act Underway

This excerpt from the October 2007, NASACT News explains the creation of a national database of federal grants:

The Federal Funding and Accountability and Transparency Act (FFATA) was signed by President Bush in September 2006. The act requires the U.S. Office of Management and Budget to develop a searchable Web site with information on federal funding. The Web site is to contain the following information: name of entity receiving a federal award; amount of the award; transaction type; funding agency; CFDA (Catalog of Federal Domestic Assistance) number; program source; descriptive award title; location of the entity; unique identifier of entity and parent entity; and other information that OMB may deem relevant. The data is to be made available within 30 days of the award. The act further requires that the reporting system be available to the public via the Internet by January 2008 to capture and report on prime grant information and by January 2009 for sub-award information. Sub-awards of \$25,000 or greater must be reported unless the sub-award is made to an individual.

To further assess the impact of gathering sub-award information, a federal interagency work group is conducting a pilot to determine the challenges and barriers to collecting information from sub-awardees. As was reported in the August *NASACT News*, the work group is seeking a representative sample of recipients who receive federal financial assistance where they make further sub-awards. The pilot will address issues such as the best way to collect data as well as the frequency and timing of collections needed to meet the requirements of the law. The initial planning is already underway and the pilot is expected to last from three to six months with feedback being provided by the participants. Agencies in Texas and Maryland are participating. When the act was being debated on Capitol Hill, NASACT commented that collecting information on sub-recipients would be costly and difficult.

The Congressional Budget Office estimates that the cost of implementation will be \$4 million in 2007 and \$15 million between 2007 and 2011. Any cost to state and local governments will be part of the condition of the award and can be charged as an allowable cost.

NASACT News is a publication of the National Association of State Auditors, Comptrollers and Treasurers.

Annualized Pay as Nonqualified Deferred Compensation (NQDC)

Final regulations have been issued by the IRS regarding payments to employees over a longer period than the period during which they work (such as teachers working 10 months and being paid over 12 months). The IRS considers this to be deferred compensation under U.S. Code 26 Section 409A. If the agency uses a deferred compensation arrangement, certain rules must be followed or the compensation could be subject to certain additional taxes, including a 20% additional income tax by the employees. Please refer to US Code 26 Section 409A, IRS News Release 2007-142, and 72 FR 19234 for additional information.

More detailed information is being provided to the payroll contacts at higher education facilities and other agencies hosting school environments. If you believe your agency has any deferred compensation arrangements, contact Lisa Raihl for the additional details at lisa.raihl@osf.ok.gov.

Taxability of Gift Cards, Certificates, and Coupons

Gift cards, certificates, and coupons given to employees are to be included in the employee's taxable income. They are considered by the Internal Revenue Service to be cash or a cash equivalent and do not meet the requirements to be excludable as a de minimis fringe benefit. Even when an employer provides gift cards, certificates, or coupons to purchase a turkey, ham, or other nominal value property, these are considered wages and are subject to income and employment taxes (even when the card restricts the items purchased, the time to use the coupon, and any unused portion is forfeited) because cash equivalents do not meet the de minimis fringe benefit requirements.

PeopleSoft Agencies: Process the gift card amount using the TRC Code of "GIFT", which will show as earnings code "GFT". The amount will be included as taxable income and will be taxed on the paycheck.

PACS (Legacy System) Agencies: Process the gift card amount as an additional amount subject to FICA using Trailer Code "105". The amount will be included as taxable income and will be taxed on the paycheck as other additional FICA amounts are taxed.

However, giving such gifts to employees is restricted and should only be given as part of a formal employee recognition program. See Oklahoma Statutes, Title 74, Sections 4121 and 4122.

Deposit Entry – The "T" Status

In PeopleSoft version 8.9 the status of "T" may be more prevalent when saving a deposit entry. This is a temporary status. After saving the deposit, you will receive a message telling you the entry is saved with an Incomplete status. This is working as designed. The status allows an entry to be saved even if it is not complete. To finish the entry add the revenue lines and click the edit button. The status after processing the entry should change to "V", valid, for both the Journal Status and the Budget Status. Entries not edited to a valid status will not post in the batch processes.

Deposit Entries not Edited

Users are required to process/edit deposit or transfer entries to a valid status so they can be picked up in the batch posting jobs. In the past, some entries have been left in a 'not edited' status. OSF has been monitoring these entries and contacting the user if necessary to complete the posting of the entry. Effective January 31, 2008, entries which are not edited to the proper status of "V" will be deleted after 3 business days.

Deposit Entry Tips

Once a deposit or transfer entry has been processed/edited, one cash line is created to correspond with each revenue line. For instance, if you have entered seven revenue lines, the system will create seven cash lines. You should always check to see that the proper number of lines exists. If the entry has the correct number of lines and is in a valid status, do not save the entry again if you are viewing it, this can cause extraneous cash lines and the entry will be rejected by the Treasurer's office.

Voucher Imaging Program

Many of you are aware that OSF implemented a voucher imaging program over a year ago. The program is a process for accepting scanned images of vouchers and linking them to the vouchers in the PeopleSoft system. This enables authorized users to instantly view documents related to the information stored in the system. Besides the benefit of the information being stored in the PeopleSoft system, it also allows the agencies to stop folding and submitting hard copy voucher forms to OSF.

OSF has been moving slowly with this to ensure satisfactory results. We are finalizing the information on the various options and costs, and we need to obtain current information on who is interested in participating in the imaging program at this time. This information will be used to update our records and we will soon start contacting the interested agencies. Please answer the following questions and submit your answers to Steve Wilson at 'steve.wilson@osf.ok.gov' or mail to OSF Transaction Processing.

1. Would your agency be interested in the Voucher Imaging Program?
2. Do you have a scanning function now? Name of vendor?
 - a. If yes, are you scanning vouchers now?
 - b. If yes, are you scanning other documents?

We will also offer the ability to scan other documents for participants. There is no cost for the scanned voucher records stored in the system, however, there is cost associated with storing other documents (e.g., personnel records, purchasing files, etc.). At this time we are not accepting records from alternate claims agencies.

If you have any questions concerning the voucher imaging program, please contact Steve Wilson at 405/521-4679.

Quantities Paid on PO Vouchers

Many vouchers have paid with incorrect quantities, causing PO lines to match before the encumbrance is fully expended. Since matched PO lines do not copy to the voucher, this delays payments to the vendors and purchasing is unable to reduce the amount of the PO lines when quantities are matched. There are several correct ways to avoid these errors. Best practices include on-line receiving. When on-line receipts are used, only the quantities received are copied into the vouchers to be paid. Also the accounts payable system is designed to match quantities when paying against a PO. The quantities copying from the PO to the voucher represents the quantities left to match. Payers have the responsibility to change the quantity on the voucher to the invoiced quantity and to ensure that the invoiced unit price does not exceed the PO unit price.

A less desirable method is “amount-only” orders since it is more prone to errors. PO lines can be set up with a sum of 1 if the payments for the goods or services vary from payment to payment. CPOs must set these PO lines to match by amount only. If the PO line is not set to match by amount only and the quantity of 1 is used, it matches the quantity before the encumbrance is fully expended. Payers can help reduce the number of these occurrences by confirming that the *Amount Only* checkbox displays on each voucher line when the *UOM* is Sum, the *Quantity* is 1, and the *Extended Amount* copying from the PO to the voucher is more than the invoice amount. (See example on page 36 in the P112 Purchase Order Vouchers Manual.) If the *Amount Only* checkbox is not checked, consult with the CPO to change the status **before** the voucher is created.

An invalid method has surfaced in which vouchers lines are also created with zero quantities. This occurs either because the payer is overriding the quantity copying into the voucher or the quantity on the PO has been matched on a prior voucher. This practice should be discontinued as it is causing more PO lines to match and not copy to the vouchers, again delaying payments and not allowing the CPOs to reduce the PO line amount.

As we begin to look for efficiencies in the processing procedures, it is becoming more critical for CPOs to set up quantities correctly and for payers to enter the correct quantity on every voucher line. Please work together to ensure that purchasing and accounts payable utilize the system as it is designed.

Vouchers with Scheduled Due Date Greater than 90 Days

OSF is receiving many vouchers with a Scheduled Due date greater than 90 days. The Scheduled Due field on the Payments page of the voucher calculates based on the invoice date and the pay terms. If this date is not within the last 90 days from the date the voucher is processed for payment, the pay cycle does not select it for payment. Transaction Processing will begin rejecting these vouchers back to the agencies for correction.

To populate the Scheduled Due date with the current date, delete the date in the Schedule Due field and save the voucher. This should be the last change made to the voucher. If the voucher is subsequently saved, it will recalculate the Schedule Due field and populate it with the original date.

Receiving Required

When a PO line is created or a change order is made to an existing PO line, *Required* defaults as the receiving option. If there is no intention to receive the item, CPOs should change the receiving option to *Optional* or *Not Required*.

OSF has experienced failure with the nightly matching batch process since the upgrade, and has determined that vouchers without a receiver against PO lines requiring receiving are a problem. Payers can help reduce the number of these occurrences by copying the PO to the voucher using the Worksheet Copy Option and checking the *Receiving Required* checkbox located on the PO line(s) that will be selected. (See page 27 in the P112 Purchase Order Vouchers Manual.) If the *Receiving Required* checkbox is checked and the voucher will not be associated with a receiver, consult with the CPO to change the status on the PO **before** the voucher is created.

The OSF technical staff will query for vouchers against PO lines requiring receiving but not associated with receivers after 5:00 p.m. daily. The receiving status of these PO lines will be changed to *Optional* to prevent matching from failing, until further action can be taken.

Accuracy of Invoice Information on Claim Voucher

The OSF audit process includes checking the accuracy of the invoice number and date entered on the OSF Form 15A, Claim Jacket Voucher Form. PeopleSoft includes a duplicate invoice number check that will prevent a duplicate payment in the event that an invoice is entered into the system twice. Audit results indicate evidence of arbitrary overrides of this control feature by entering a string of characters after the invoice number. In order for the duplicate invoice number check to work, the invoice information must be entered exactly as it appears on the invoice. If the agency wants to put additional information on a voucher, they can enter it in the comments section.

In the event that an invoice number is not provided on the invoice number has too many characters for the field or other strange occurrence, the agency needs to develop a standard format to enter in the invoice number field. Examples include using a combination of the vendor number, invoice date and last five digits of purchase order number, use of the account number or billing ID followed by the date of the invoice, e.g. 12345Jan08. Whatever the format adopted, it needs to be consistently used throughout the agency. In the case of split payments, place a letter after the number. This will assist in finding the associated voucher after the claim has been created.

Contact Information on Forms

Some agencies are failing to put the (agency) contact information on the forms requiring it. The main form we are seeing this with is the OSF VEND form for adding/revising vendors and the vendor spreadsheet for adding employees. It appears some agencies may be having the vendors submit the VEND forms directly to OSF. All vendor forms should be reviewed by the agencies first to confirm that the data is legible and to have the agency contact information should OSF need to verify something on the form.

OSF Vendor Form Updated & Reminders

One addition and some minor changes have been made to the OSF VEND Form. One change is the addition of "10-Crop Insurance Proceeds" in the list of 1099 categories for our friends at the Oklahoma Wheat Commission. In the case of updating an address, we have added a line to show what address number to be updated. This will cut down on the addition of erroneous address/locations, when an existing address can be updated instead.

OSF will soon be utilizing our scanning technology to scan the OSF VEND Forms. We're reminding agencies again to please fill out the top part of the OSF VEND Form so you will be on record as requesting the addition or change.

Final reminders are to:

- use a spreadsheet format when setting up vendor numbers for State Employees.
- use the OSF Garnishment form when setting up a new Garnishment vendor or when making changes to an existing Garn Vendor.
- make sure the supplier has signed the OSF VEND Form, not State Agency personnel.
- please add the 4 digit zip – this will save Vendor Data Entry the time looking it up, making us more efficient for everyone.

Please call the OSF Help Desk with any problems with vendor issues.

New Vendor Features in Version 8.9

One new feature in the Vendor screens is found under the path Vendors > Vendor Information > Add/Update > Review Vendors. When this screen is selected you can choose to search for a vendor by different criteria. For example, you can select Address > Contains and only add part of the address such as the PO Box or Street #. Another search could be for all vendors in a specific city. All locations for each vendor number will appear.

This page is also the place where you can search for vendors registered with Central Purchasing Registered Vendor program (or the other multiple types of vendors, such as Suspended, Minority etc.) Use the criteria Comp08 for those vendors which have completed a registration for 2008.

Another common search may be for Classification, HCM. This will produce all vendors currently setup for Garnishments or General Deductions. This is handy since all Garnishment locations must have a unique vendor number. If the vendor is 1099 reportable, another search is by Withholding Tax ID. Again, this is just for 1099 vendors. The OSF_VENDOR_CHECK query is still the method to search for all vendors by tax ID. If you encounter any problems with the Vendor information, please contact the Help Desk at 405-521-2444.

1099 M Reminder

As you find 1099s that need to be corrected, please issue a new 1099 to the vendor. Then send a copy of the incorrect form and the corrected form with any documentation to support the change to our office. These corrections must be returned by February 15, 2008 for us to submit them as we file with the IRS. All other corrections still need to be submitted to the IRS through our office as needed. Please contact Beth Brox, 405-522-1099, with any questions.

Using Internal Controls to Improve Operations – FREE TRAINING

OSF is pleased to sponsor a 3 hour CPE training session on the benefits of good internal controls. Good internal controls can be used for far more than just making sure we have the right numbers in the financial statements. Good controls can improve accountability, prevent problems and most importantly, improve the delivery of services to the public.

What: **Using Internal Controls to Improve Operations**
Audio conference presented by AGA / NASACT

and

The Impact of Sarbanes-Oxley Controls
Presentation by Gary Huneryager, CPA
Vice President, Internal Audits, OGE

Date: Wednesday, February 6, 2008
Time: 1:00 to 4:00 pm (sign-in begins at 12:30 PM)
Where: Concourse Theater, State Capitol Complex, Oklahoma City
Who: All agency Finance Directors, Finance Officers and staff

Audio Conference – 2 CPE credits

In this audio conference, find out how one State is using controls to improve its grant management process to provide better oversight and accountability for grants all the way down to the sub-recipient level.

Also, hear how one Federal agency is integrating its internal control program with its enterprise risk management program and business modernization activity. In addition, there will be a discussion to help understand the COSO framework and a unique approach to applying human behavior concepts to internal control applications.

Follow-up Presentation – 1 CPE credit

Following the audio conference, Gary Huneryager, CPA, Vice President, Internal Audits for OGE Energy Corp. will present in person along with a regional partner of a national consulting firm. These experts will provide hands on and practical experience from the private sector which has already made significant changes in their internal controls as a result of Sarbanes-Oxley.

Cost: Free for persons attending at the Concourse Theater
RSVP: **Please provide names, agency, agency number, phone numbers, and email addresses for all attendees.**

Respond by email to Lisa Halstied at lisa.halstied@osf.ok.gov
