

OFFICE OF STATE FINANCE

DCAR NEWSLETTER

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Tax Reporting Information for 2009

At the end of each tax year, OSF prints IRS tax forms for agencies and submits this information to the IRS. Regulations generally require the agencies to distribute the tax forms to recipients by January 31 of the subsequent year. So within a narrowly defined time period, OSF and agencies must coordinate the transmission of data and distribution of the printed forms.

In early December 2009, colleges and universities were provided a specialized packet of information regarding IRS Reporting for Higher Education institutions. The following information applies to all state agencies as well as colleges and universities. *The issues that were addressed in the specialized packet of information remain applicable and are not included in the list below.*

W-2 and 1099 Pick-up Instructions

OSF will have W-2s and 1099s ready for release on January 19, 2010. Agencies may pick up the forms from OSF, Room 122, at the State Capitol Building beginning at 10:00 am. If an express mail service or courier is to be used, please notify OSF with the necessary information. If the forms are not picked up by 3:00 pm, January 21, 2010, OSF will mail them through the normal process.

Parking and Security Issues

Please note - all personal property is subject to search and metal detectors have been installed at all entrances of the Capitol. Those who have dollies or carts should contact Capitol maintenance at 405-521-2101 to verify which entrances are available to enter the building. Parking is limited to visitor parking on the south side of the Capitol or in the visitor lot on the east side of Lincoln Boulevard (access to the Capitol through the tunnel under Lincoln Boulevard). Expect to walk a distance from either location.

Envelopes

The format for the W-2 forms will be the same as that used last year. Envelopes that fit the 2008 W-2 forms should fit the 2009 W-2 forms.

The format for the 1099 MISC forms is the same as last year. The forms will have three sections with the top 1/3 and the middle 1/3 of the page containing the two copies of the form. The bottom 1/3 of the page will include instructions and a mailing address. To view the 1099 forms and envelope information, go to: http://www.1099express.com/laser_forms.asp. Click on View for 1099 Misc on blank letter size paper. This is an example of the 1099 form and can be printed directly from there for measuring your envelopes. The vendor also specifies that either the standard no. 9 or 10 envelopes will work.

Sample printed forms of the PeopleSoft W-2, Legacy W-2 and 1099 MISC can be provided if requested.

2009 – 1099 Report

A 1099 Report is available for agencies to run in the PeopleSoft system any time. This report will reflect the 1099 data from PeopleSoft vouchers. A final report should be processed by agencies by January 4, 2010. The report can be run prior to December 31 if the agency will not be making any more 1099 reportable payments. This report should be reviewed and corrections submitted to Beth Brox at OSF as soon as possible or **no later than January 7, 2010**. Please note that any address changes submitted for a vendor with a 1099 flat of 'N' will not be made since these vendors usually have multiple addresses and will not be receiving a 1099.

The 1099-MISC forms require an agency phone number to be printed on the form. The program will search our agency database and insert the phone number for the finance officer of the agency. If any phone number changes need to be made, please notify Beth Brox by phone at 405-522-1099 or by e-mail at beth.brox@osf.ok.gov.

1099-MISC Reporting for ASA Accounts and P-Cards

Agencies are required to submit data for compliance with 1099 reporting on Agency Special Accounts (ASA). The Office of State Finance is working with JP Morgan Chase Bank to accumulate all purchase card transactions (p-card). Any payment which would have been recognized in treasury funds as an expenditure subject to 1099 reporting should be included in the submitted file.

1099 File Format – Outside Agencies

The format of the file was changed to Excel spreadsheet in 2006. The format remains the same for 2009. Due to the sensitive nature of the data, please hand-deliver a diskette or thumb drive to OSF in the new file format. Agencies can submit a test file at anytime. Final information is due January 7, 2010.

For the instructions and file format information, please refer to the OSF Web site (www.ok.gov/OSF) under OSF Forms, DCAR Forms, 1099 Instructions or 1099 Detail File Format.

OSF Contact Information

Listed below is contact information for OSF personnel working on the IRS reporting project for tax year 2009. The fax number is 405-521-3902.

- Lisa Raihl, Accounting and Reporting Analyst – 405-521-3258; lisa.raihl@osf.ok.gov
- Jean Hayes, Payroll Compliance Officer – 405-522-6300; jean.hayes@osf.ok.gov
- Beth Brox, Accounting Technician – 405-522-1099; beth.brox@osf.ok.gov
- Jennie Pratt, Accounting and Reporting Supervisor – 405-521-6160; jennie.pratt@osf.ok.gov

Payroll – End of Calendar Year 2009

December 18, 2009 – Last day refund of taxes due to overpayments can be returned to agencies. (See article below)

December 29, 2009 – Last day OSF will process payrolls for calendar year 2009. The Legacy payroll system will close at 2:00 pm for the transfer of payroll. All payrolls for both systems must be delivered to OSF by 2:00 pm on this date.

Any Legacy system payrolls received but not processed will be voided out of the system and must be resubmitted on or after January 4, 2010 with the new claim numbers and new rates.

December 30, 2009 – Backup withholding payments from agencies must be received by OSF. (See article below)

January 4, 2010 – On January 4, 2010, at 12:00 noon, OSF will begin processing payroll.

January 7, 2010 – Payroll warrant cancellations, OSF Form 94s, and Earning adjustments for calendar year 2009 must be received at OSF by 3:00 pm on January 7, 2010 for both PeopleSoft and Legacy. Any 2009 payroll information received after January 7, 2010 will require a corrected W-2.

February 1, 2010 – Deadline for delivering W-2 forms to employees.

February 26, 2010 – Last date to submit corrected W-2 forms. (See article below)

Payroll – Calendar Year 2010

Listed below is information necessary for payroll processing in calendar year 2010.

December 31, 2009 – Form W-5 expires (See article below)

January 4, 2010 – OSF will begin processing Legacy payroll at 12:00 noon for 2010 warrant pay dates.

January 11, 2010 – Payroll cancellations with 2010 pay dates can be processed (See article below)

Withholding Fund – Payrolls processed will continue to post withholdings to the 994 class (fund number), which is the same as in 2009.

February 16, 2010 – Form W-4 with exemptions expires. (See article below)

Agency Address Verification

Please verify the correct agency address is being used on the payroll system. The agency address can be found on the Employee's Earnings Statement. If the address is not correct for the agency, this will need corrected before year end processing of tax forms. For PeopleSoft agencies, please contact the OSF HelpDesk at 405-521-2444 to have the agency's address updated in the payroll system. For those agencies not on PeopleSoft (Higher Education), please contact Lisa Raihl at 405-521-3258.

Refunds of Taxes for Overpayments to Employees (Form 94(P))

Agencies need to review all outstanding employee overpayments and collect required amounts from employees. After collection, please submit OSF Form 94 or Form 94P (as applicable). Agencies will be entitled to receive refunds for all forms submitted by Friday, December 18, 2009. After this day, refunds cannot be returned to the agencies; however, agencies are still required to submit the form after this date for employee wage corrections. Corrections due to overpayments will still be posted to the employee's W-2 information for requests submitted through January 7, 2010.

Backup Withholding

Agencies that have collected backup withholding on miscellaneous claims need to submit payment to be received by OSF prior to December 30, 2009. Make checks payable to the State Contribution Fund (Vendor 0000000467, ADDR # 002, LOC # 0002)

Correcting W-2s

Corrected W-2 forms must be delivered to OSF by February 26, 2010. Please send the original W-2, a copy of the corrected form, and a letter explaining why the correction is needed. If the correction is due to a statutory canceled warrant which is not to be replaced, please also send a letter asking that the warrant not be replaced. Note: Because a warrant has been canceled by statute is not a reason for such a W-2 correction. If it was a valid payroll payment, the employee is still entitled to a replacement warrant, therefore, the W-2 reporting is proper.

2010 Payroll Warrant Cancellations

Even though OSF will not be able to process 2009 payroll cancellations in the Legacy system before January 11, 2010, agencies should submit the paperwork on direct deposits as soon as the request is known. This will allow the Treasurer's office to begin the process of collecting the money.

2010 Rates & Maximums

(Year 2009 rates are provided for comparison purposes)

	<u>2010</u>	<u>2009</u>
FICA (Social Security) Withholding Rate	6.2%	6.2%
FICA (Social Security) Gross Maximum	\$106,800.00	\$106,800.00
FICA Annual Maximum Withholding	\$6,621.60	\$6,621.60
MQFE (Medicare) Withholding Rate	1.45%	1.45%
MQFE (Medicare) Gross Maximum	No \$ Max	No \$ Max
MQFE Annual Maximum Withholding	No \$ Max	No \$ Max
Unemployment Rate	1.0%	1.0%
Unemployment Gross Maximum	\$14,900.00	\$14,200.00
Unemployment Annual Maximum	\$149.00	\$142.00

PeopleSoft MailDrop for Year End W-2 Processing

PeopleSoft employee W-2s are processed and printed in MailDrop order. Please ensure this field is properly used for employees.

Employee's Withholding Allowance Certificate (W-4)

An employee who certified to his or her employer on Form W-4 (Employee's Withholding Allowance Certificate) that the employee had no income tax liability for 2008 and anticipated no income tax liability for 2009 was entitled to an exemption from withholding for 2009. This exemption expires on February 16, 2010, and must be renewed at that time if conditions remain the same. If you receive an exempt W-4 after February 16, 2010, do not submit tax refund requests to OSF; they will not be processed. The W-4 will take affect on the next payroll; it is not retroactive to the beginning of the year.

If you have received correspondence from the IRS specifying the maximum number of withholding allowances permitted (commonly referred to as a "lock-in-letter") and the employee submits a new W-4 claiming more allowances than the maximum allowed, you must disregard this new W-4 until the IRS notifies you to withhold tax based on the new W-4. However, the employee may furnish a new W-4 that claims fewer allowance than the maximum allowed and the employer must withhold tax based on that Form W-4.

In addition, the loss of an exemption that affects withholding at the beginning of the next taxable year, such as a divorce or the loss of a dependent should be reflected by an amended certificate on or before December 1. If the change occurs in December, the new certificate must be furnished within 10 days of the day on which the change occurs.

Earned Income Credit Advance Payment Certificate (W-5)

The Form W-5 expires December 31, 2009. If an employee is eligible, a new W-5 must be submitted for 2010. If you receive a Form W-5 later during the year, do not submit tax refund requests of OSF; they will not be processed. The W-5 will take effect on the next payroll; it is not retroactive to the beginning of the year. The maximum amount of advanced earned income credit for 2010 is \$1,830.00.

Reduction of Annual Leave Hours for Overpayments

When an employee chooses to pay back an overpayment using annual leave, the amount of annual leave reduced should equal the gross amount of overpayment. In the past, there have been instances where agencies have incorrectly reduced the annual leave by the net amount of the overpayment.

If an employee pays back an overpayment using terminal leave, an OSF Form 94 must be submitted to correct the retirement amounts reported on the check which included the overpayment. Terminal leave is not included in retirement wage calculations; therefore, a payroll earnings adjustment is required.

Federal Income Tax Withholding

IRS Publication 15 Circular E, Employer's Tax Guide, states that any federal income tax withholding must be based on marital status and withholding allowances. Withholding cannot be based solely on a fixed dollar amount or percentage. In addition to the amount calculated on marital status and withholding allowances, an employee may specify a dollar amount to be withheld. The employee submits a valid Form W-4 stating his or her marital status, number of allowances, and any additional withholding requested.

Exemption from federal income tax withholding is generally claimed when an employee had no income tax liability in the prior year and expects non for the current year. Exempt W-4s are valid for one calendar year and a new W-4 must be submitted by February 16 to continue exempt status. IF a new W-4 is not received, withholding is based on single status with zero allowances or the last valid W-4 the agency has for the employee. To claim exempt, the employee completes only boxes 1, 2, 3, 4, and 7 and signs the form. If an exempt W-4 has a number on line 5 (allowances) or an amount on line 6 (additional amount), you may treat the form as invalid and ask for another one. If a new W-4 is not received, withholding is based on single with zero allowances or the last valid W-4 the agency has for the employee.

Faxing Payroll Warrant Direct Deposits Cancellation Requests

To initiate the cancellation procedures for a direct deposit payroll warrant, complete the revised PWC form and FAX it to OSF. DO NOT FAX to the Treasurer's Office or to JP Morgan Chase ACH Services.

Forms that are faxed to the wrong office may not get properly processed and cancelled from the employee's payroll record. Please follow all instructions when utilizing this form. The fax number for OSF is located on the top of the form in the Area for Oklahoma Payroll:

Area for Oklahoma Payroll – FAX form to 405-521-3902 and mail original form to OSF.

Mileage Reimbursement Rate Decreases for 2010

The Internal Revenue Service has announced a decrease in the mileage reimbursement rate, effective January 1, 2010, to \$0.50 per mile. This is a decrease from the \$0.55 rate for 2009. (See IR-2009-111, Dec. 3, 2009, Internal Revenue Procedure 2009-54). The new rate is for travel incurred on and after January 1, 2010, not your 2009 travel reimbursement claims submitted after January 1st.

Internal Controls Corner – General Reminders

Through our internal control post-audit functions, we continue to see areas where agencies need to pay special attention. Some examples of such findings include the following:

ODOT Map Mileage

Per Oklahoma Statutes, Title 74, Section 500.4, the ODOT Commission map (road map or table) should be used when determining map mileage on travel vouchers. The law also requires that vicinity mileage must be listed separately on the travel voucher.

Agency Approving Officer Signature Cards

Per Oklahoma Statutes, Title 62, Section 34.68, agencies are limited to a maximum of five “agency approving officers” for approving expenditures. An OSF Form 13, Signature Card, must be submitted when establishing a new agency approving officer. Also, please remember to submit a notice to OSF-Transaction Processing, attention Jeannette Pascher, deleting people who have signature cards on file with OSF and are no longer in that position or no longer employed with your agency. If you need to confirm the cards we show as active for your agency, please contact Jeannette Pascher at 405-521-6187.

Invoice Descriptions

When creating vouchers, please verify the invoice description of the goods or services provided is detailed at a level that can be determined by an outside review that the proper expenditure account code(s) have been used for the expense. If not, please document on the invoice what the purchase is for.

Amount Changed

When vendor invoices are altered, there must be proper justification and approval documented on the invoice. Normally, if a change is made which alters the amount of the invoice, the vendor should approve and sign for the alteration. However, in some situations it may not be feasible to hold up a payment to obtain the vendor’s signature. In such case the agency should contact the vendor to confirm the change and then proper agency personnel should sign/initial the change per the vendor’s request. There may also be an adjustment based on non-acceptance or non-receipt of items listed on an invoice, whereby, the agency may opt to correct the invoice instead of requesting a new one. As with other alterations, please give the reason for the change and proper agency personnel should sign/initial the change. See OSF Procedures Manual, Chapter 300, Section 323.A.6.

Invoice Amount Must Agree To Voucher

The voucher payment amount must match the original vendor invoice or contract estimate amount as billed, or the documents annotated to reflect any adjustments (e.g., cost over-runs, split payments, credits, etc.). See OSF Procedures Manual, Chapter 300, Section 323.A.6. If a voucher represents a split payment, said voucher and the corresponding voucher(s), must cross-reference one another whenever possible. See OSF Procedures Manual, Chapter 300, Section 317 A.

Voucher Scanning

Agencies operating under the voucher imaging program should be monitoring their voucher scans to confirm that all voucher document images are legible. Since these voucher document scanned images will serve as the "official state record" in lieu of the actual paper document records, consistent good quality scans are important. For example, when reviewing your original invoice documents, please avoid placing stamps or any highlighting, etc. over the data that could cause the information to not be legible when scanned. If we find poor quality scans while performing our post audits, agencies will be instructed to rescan said documents.

Voucher Batch Slips/Pay Groups

Please remember the following rules for processing vouchers:

1. Only vouchers ready for processing should be listed on the voucher register batch slip notices. If you have vouchers that you do not intend to submit now, you should remove the pay group before running the batch slip.
2. Once you have submitted a voucher on a particular pay group batch slip, do not go in and change the pay group on the voucher. This can cause the voucher not to pay since we process vouchers based on the pay group of the batch submitted.
3. Once you have submitted vouchers on the batch slip for a particular pay group, do not create additional vouchers for the same pay group until after the batch has processed. When this is done it results in all the additional vouchers on that pay group to be selected for the pay cycle, however, we must delete them all from processing since they would not be listed on the batch slip and we have not received the voucher documents.

Various Forms Scanned by OSF

OSF Form 20R – Warrant Replacements and OSF Form VEND – Vendor Request form are now being scanned. Please monitor these documents for good quality/legible copies. Avoid covering up pertinent data on the forms with notary stamps or highlighting as it can cause it to be non-legible when scanned. Also, please avoid using blue ink.

Any non-legible forms may be returned to the agency and better quality forms would be requested.

Payroll Faxes

We have been allowing agencies to fax the payroll forms and follow-up with the originals, however, we are “going Green” and halting the fax copy step. We originally started accepting the faxes to ensure that the payrolls were processed timely. It has now been enough time that agencies should know the timing for processing payrolls, whereby, the payroll forms are submitted and received in OSF no later than five days prior to the pay date (unless an emergency or as otherwise approved).

We track the receipt of forms for the main payrolls and if we determine that the hard copy form has not been received, we will notify the agency and possibly accept a fax if there is not enough time to receive the original payroll form (agency must still follow-up with the original form).

Training Opportunities

Revised COR121 Deposit/Transfer Entry Course

The Go-Live date for the COR121 Deposit/Transfer Entry will be Tuesday, January 19, 2010. Training will be held in both Oklahoma City and Tulsa locations from December 7, 2009 through January 14, 2010. This is a one day course and all current users that enter deposits or enter transfers must attend the course to maintain their security access. This training applies to all the current Higher Education users that enter deposits or transfers as well.

To enroll or for more information, agency users should contact their Agency Nominating Official. Higher Education users should contact Lyndsey Rowden at 405-522-1700 or lyndsey.rowden@osf.ok.gov or Jeanie Robards at 405-522-1780 or jeanie.robards@osf.ok.gov.

"Latest Trends in Occupational Fraud"

Date: Wednesday, December 16, 2009

Time: 1:00 – 2:50 p.m. – 2 Hours CPE

Location: Office of Personnel Management, 560 Conference Room; Jim Thorpe Building, 2101 N. Lincoln Boulevard, Oklahoma City, OK

Cost: \$20 for AGA -- Oklahoma City Chapter members; \$40 for non-members

Learning Objectives To learn how financial management accountability professionals can gain a better understanding of the challenges facing our organizations regarding the impact of fraud and corruption

Visit <http://www.agaokc.org/Training/Fraud%20Registration.pdf> for more information and how to register.

"The Myths of Performance Measures in Government"

Carol McFarland, Oklahoma Health Care Authority

AGA Oklahoma City Chapter

Luncheon Meeting January 13, 2010

Register: <http://www.agaokc.org/Meeting%20Schedule.htm>

NASACT Middle Management Conference

The National Assoc. of State Auditors and National Assoc. of State Comptrollers, Middle Management Conference will be held at the Skirvin Hotel in Oklahoma City, Oklahoma, on April 19-21, 2010. Make plans now to attend this local event. More information coming later.