

OFFICE OF STATE FINANCE

DCAR NEWSLETTER

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http://www.ok.gov/OSF/Comptroller/DCAR_Newsletters.html.

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PAYROLL

Deadlines for November Payrolls

OSF policy requires that all payroll transactions and paperwork are filed with OSF FIVE (5) DAYS prior to the actual pay date to ensure adequate time for audit and processing. In planning your work for November, it is important to remember that Veterans Day is Friday, Nov. 11. Thanksgiving is recognized on Thursday, Nov. 24 and Friday, Nov. 25 is also a state holiday. November monthly payrolls will be due and paid on the last working day of the month, Wednesday, Nov. 30.

With those dates in mind agency staff should plan their work accordingly for the deadlines:

SUPPLEMENTAL: PeopleSoft supplemental payrolls will be set to pay on Thursday, Nov. 10. Agencies should have these payrolls processed and paperwork forwarded to OSF by Friday, Nov. 4, but no later than 3 p.m. on Tuesday, Nov. 8. However, earlier processing would be appreciated!

BIWEEKLY: Higher Ed biweekly payrolls are scheduled to pay on Thursday, Nov. 10. Agencies should have these payrolls processed and paperwork forwarded to OSF by Friday, Nov. 4, but no later than 3 p.m. Tuesday, Nov. 8. Again, earlier processing would be appreciated. The next biweekly for Higher Ed will be the week of Thanksgiving and will require early processing based on the actual pay date.

MONTHLY: All monthly payrolls will be set to pay on Wednesday, Nov. 30. Agencies should have these payrolls processed and paperwork forwarded to OSF by Tuesday, Nov. 22, but no later than 1 p.m. Monday, Nov. 28. Earlier processing is welcome and always greatly appreciated!

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 the taxes associated with the wage item on a following paycheck, as a miscellaneous deduction. 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 \$5.65 $[(100 * 4.2\%) + (100 * 1.45\%)]$. This amount that the employer is paying for the employee is another benefit to the employee and must be taxed $[(5.65 * 4.2\%) + (5.65 * 1.45\%)] = \0.32 . This additional \$0.33 is again taxable to the employee $[(0.33 * 4.2\%) + (0.33 * 1.45\%)] = \0.02 . Total taxes to the employee are \$5.99, for total wages of \$105.99. An easier way to calculate, is to "gross up" the benefit. The benefit amount is divided by 94.35% (100 - 4.2 - 1.45) and the outcome is the gross wages to report. From this amount, the social security and medicare taxes are calculated. $100.00/94.35\% = 105.99$ (the taxable wage amount). $[(105.99 * 4.2) + (105.99 * 1.45\%)] = \5.99 (taxes). The employer share of taxes is calculated using 6.2% for social security which is different than the 4.2% employee share.

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.

Faxing Payroll Warrant Direct Deposits Cancellation Requests

To initiate the cancellation procedures for a payroll warrant, complete the revised PWC form found at http://www.ok.gov/OSF/Comptroller/DCAR_Forms.html. **FAX it to OSF at (405) 521-3902.**

The fax number for OSF is also located on the top of the form in the Area for Oklahoma Payroll. Forms that are faxed to the wrong offices (Treasurer's Office or to JPMorgan Chase ACH Services) may not get processed properly and cancelled from the employee's payroll record. The paper form must then be mailed to OSF. Please follow all instructions when utilizing this form.

Employee Overpayments Collected After Year End

Employee overpayments that are collected in the next calendar year are to be repaid at the gross overpayment amount in accordance with Internal Revenue Service regulations. If an employee owes the agency, please be certain to let the employee know if the amount is not paid in full by Dec. 31, 2011, the amount they owe will increase to the gross amount.

Once the overpayment is identified, the agency must send a notice to the employee within 10 days of the finding. The employee then has 30 days to respond to this notification.

In accordance with O. S. Title 74 Section 840-2.19, the agency must send a notice to the employee within 10 days of identifying an overpayment. The employee then has 30 days to respond to this notification. Employees have several options for repaying overpaid payroll amounts:

- reduction of annual leave (for the gross overpaid),
- reduction of current gross salary (for the gross overpaid) in a lump sum or installments over a term not to exceed the term in which the overpayment(s) occurred,
- lump-sum cash repayment,
- miscellaneous payroll deduction (for the net overpaid) in a lump sum or installments over a term not to exceed the term in which the overpayment(s) occurred,
- any combination of the above options.

With the calendar year end so close, the collection of any outstanding overpayments is especially important and must be conveyed to employees who owe any monies back to the agency. When an overpayment is paid back in a subsequent year, IRS rules state that the employee must pay back at the gross amount because they had use of the funds in the prior year and as such, they are taxable to that year. Additionally, federal and state wages and taxes cannot be reduced for prior years when repayments are done after the end of that calendar year.

For example, John Deere was overpaid in September by \$1,000 regular wages. This was discovered in October and the agency calculated what the correct payroll should have been. The net check difference is \$743.50, this is the amount the employee owes the agency if paying back by personal check or miscellaneous deduction in the current year. If the employee does not pay this net amount back by Dec. 31, 2011, the employee owes the agency the full \$1,000 gross overpayment.

The applicable W-2, Corrected W-2, or W-2C will only reflect a change in the Social Security and Medicare wages and taxes. Since the employee received and had use of the funds during the year of overpayment, the amount is still taxable for federal and state purposes. The W-2 form will not correct Federal or State taxable wages or income taxes. The employee may be entitled to either a deduction or credit on their current year Form 1040, please advise the employee to speak to their tax accountant.

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(P) 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.

ACCOUNTING

Grant Charges for Paid Leave

OSF has been asked to remind state agencies that it is improper to charge grant programs for unused leave costs when an employee retires or terminates employment.

OMB Circular A-87 Attachment B, paragraph 11.d(3) states:

When a governmental unit uses the cash basis of accounting, the cost of leave is recognized in the period that the leave is taken and paid for. Payments for unused leave when an employee retires or terminates employment are allowable in the year of payment provided they are allocated as a general administrative expense to all activities of the governmental unit or component.

Therefore, this guidance prohibits the practice of charging a federal program directly for all of the unused leave costs, regardless of whether it is for annual leave paid to an employee or it is for sick leave paid to a retirement system, when an employee has transferred into the federal program or has not worked in the federal program his or her entire career. Unused leave is still an allowable cost, but in these cases it must be spread over all activities. If your agency has received funds from the VOBO Reimbursement Fund, that amount should be deducted from the allowable cost claimed.

Internal Controls Corner

Internal Control Self-Assessment Questionnaires

Thank you to all of the agencies that recently submitted their internal control questionnaires. If your agency was selected to complete the questionnaire for the fiscal quarter ending June 30th and has not done so, please make it a priority to return the report. OSF has been authorized to assist state agencies in establishing standards, policies and procedures that ensure a strong and effective system of internal controls and regular monitoring of them. A key component in accomplishing this objective is the completion of an annual internal control questionnaire. Your cooperation in assisting us achieve this goal is greatly appreciated. If you have any questions regarding the questionnaire, please contact Nykkia Harris at nykkia.harris@osf.ok.gov or (405) 521-4952.

Control Environment

The control environment of a state agency sets the tone of the organization. It is the foundation for all other components of internal control. Management's positive view of control environment factors such as integrity, ethical values, and competence influences the effectiveness of internal controls throughout the agency. In a strong and effective control environment, all level of employees view internal controls as a vital component in carrying out their duties. Ways that management can show its commitment to a favorable control environment include communicating the code of conduct to all employees and taking appropriate action when it is violated; facilitating discussions on internal controls at staff meetings; providing employees with the necessary training and resources needed to effectively perform their job; and ensuring proper segregation of duties exists between incompatible functions – authorization, record keeping, custody, and reconciliation.

This information is based on Internal Control—Integrated Framework, COSO, AICPA (1992).

OSF Form Z-2 Reminder- To Finance Officers and Grants Administrators

If your agency has not already done so, please remember to submit your OSF Form Z-2 (Federal Funds Summary) for all Federal funds that your agency has received. These forms were due to the Office of State Finance on Sept. 30, 2011 and are separate from the Z Package that was due on September 8, 2011. If you have any questions on completing or submitting the OSF Form Z-2, please feel free to contact Rochelle Quillman at (405) 521-4947 or rochelle.quillman@osf.ok.gov.

FFATA Reporting Requirements Reminder

The Federal Funding Accountability and Transparency Act (FFATA) requires additional information disclosure concerning entities receiving Federal financial assistance through Federal awards such as Federal contracts, sub-contracts, grants, and sub grants. FFATA reporting requirements include the following: (1) a requirement for prime awardees to report 1st tier sub awards associated with new Federal contracts and grants as of Oct. 1, 2010; (2) a requirement for prime awardees to report executive compensation for new Federal contracts and grants as of Oct. 1, 2010, and (3) a requirement for prime awardees of Federal grants to register in the Central Contractor Registration system.

FFATA requires that the following information be submitted:

- name of the entity receiving the award;
- amount of the award;
- information on the award including transaction type, funding agency, the North American Industry Classification System code or Catalog of Federal Domestic Assistance number, program source, award title descriptive of the purpose of each funding action;
- location of the entity receiving the award and primary location of performance under the award, including city, State, congressional district, and country;
- unique identifier of the entity receiving the award and the parent entity of the recipient, should the entity be owned by another entity; and
- names and total compensation of the five most highly compensated officers of the entity if the entity in the preceding fiscal year received 80 percent or more of its annual gross revenues in Federal awards; and \$25,000,000 or more in annual gross revenues from Federal awards; and the public does not have access to this information about the compensation of the senior executives of the entity through periodic reports filed under section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. §§ 78m(a), 78o(d)) or section 6104 of the Internal Revenue Code of 1986. See FFATA § 2(b)(1).

All agencies receiving Federal assistance who are subject to FFATA reporting requirements must comply with these requirements and ensure that the information is accurate and reported in a timely manner. For additional information on FFATA reporting requirements and OMB guidance related to FFATA reporting, please refer to the following website: <https://www.fsr.gov> . In addition to providing FFATA related information, this website is used by recipients to report FFATA related data.

If you have questions related to the FFATA reporting requirements, please contact Rochelle Quillman at (405) 521-4947 or rochelle.quillman@osf.ok.gov or Steve Funck at (405) 521-3231 or steve.funck@osf.ok.gov.

HB 1035 – Revised Use of DCS 'Trip Optimizer System' and Revised OSF Form 19- Travel Voucher

Enrolled HB 1035, effective Nov. 1, 2011, revises Title 74, § 85.451, requiring the use of the 'Trip Optimizer System' of the Department of Central Services (DCS Fleet Management Calculator) that limits in-state and out-of-state mileage reimbursement to the lesser of private vehicle (mileage) -VS- motor pool vehicle -VS- contract rental car. **Note:** For out-of-state mileage reimbursement the allowable amount is the lesser of the trip optimizer results and the coach airfare quote obtained through an authorized contract travel agent. The coach airfare comparison must be documented and included with the travel voucher (Title 74, § 500.11).

Changes under the law to the use of the trip optimizer system include the following:

- Applies only to travel which will exceed one hundred (100) miles per day.
- Employee is not driving a state-owned or state- (monthly) leased dedicated vehicle. We will consider a dedicated vehicle to mean a vehicle that has been assigned to the employee or otherwise leased by the agency.
- A non-appropriated state agency that employs persons who use personal vehicles as part of their regular duties and who are reimbursed for travel expenses by the agency shall not be required to utilize the Trip Optimizer system with regard to the travel expenses of such employees. As used here, "non-appropriated state agency" means an entity within the executive branch of government that does not receive any of its funding through the annual legislative appropriations process.
- When filing travel vouchers with mileage, all claims submitted for reimbursement shall include the results of the Trip Optimizer system indicating the lowest cost option for travel by the state employee (printout of trip optimizer results page).

The maximum authorized amount of travel reimbursement related to vehicle usage shall be the lowest cost option as determined by the Trip Optimizer system.

Reserving a Vehicle:

- When rental car vehicle is flagged as the lowest cost option, it is traveler/agency's responsibility to immediately contact Enterprise Rent A Car to confirm availability of a vehicle and to reserve said vehicle if planning to use such rental vehicle in lieu of driving personal vehicle. If a vehicle is not available on the date(s) required, there must be an e-mail or notice from Enterprise requested stating this is the case and it must be attached with the optimizer results to the travel voucher. In such case, the next lowest mode of travel will be considered the lowest cost.
- When motor pool vehicle is identified through the Trip Optimizer, confirmation of availability is part of standard response. The optimizer has direct access to Fleet Management's available motor pool vehicles. If the data input by the employee when processing a Trip Optimizer query results with no option for Fleet Management State Motor Pool, then no vehicles are available that match the defined criteria. If motor pool vehicle is the lowest cost, it is traveler/agency's responsibility to immediately contact Fleet Management to reserve said vehicle if planning to use

such rental vehicle. However, Fleet Management will soon provide the ability through the Trip Optimizer to actually reserve a motor pool vehicle.

IMPORTANT: Employees are advised that when driving private vehicles and involved in accidents, the State covers only the liability damage to the other vehicle, and not the physical damage (comprehensive & collision) coverage for the employee's car, even if it is in use for state business. In such cases the employee should contact their private insurance to report such damage.

Revised OSF Form 19 – ‘Travel Voucher’

The form has been revised to for document compliance with HB 1035. The revised form will be located on the OSF website under Forms and Division of Central Accounting and Reporting Forms. There are still the two boxes where one must be checked as appropriate for having ‘used the trip optimizer’ or that the ‘travel is exempt’ from using the trip optimizer. We also added a notation that the trip optimizer results page must be attached to the Form 19 if the travel was not exempt. The trip optimizer calculation (and confirmation of vehicle availability) must be performed prior to the travel since availability of rental vehicles can change by the day, thus affecting the results. OSF will be monitoring this when auditing the travel vouchers.

The following are circumstances when the “Exempt from Trip Optimizer” would be flagged on the voucher form:

- Agency is not organized within the executive department of state government.
- Travel is less than one hundred (100) miles per day.
- A non-appropriated state agency that employs persons who use personal vehicles as part of their regular duties.
- Personal physical condition that requires a person to operate vehicles equipped to accommodate his/her specific needs, and such an appropriate vehicle through Fleet Management or Rental Car is not available. (Must be documented on the form.)

Also, when selecting the class of vehicle on the trip optimizer the “passenger-compact” or “passenger-midsize” should be used unless there is proper justification for other vehicle use (i.e. group of people riding together, hauling larger items, etc.). OSF will be monitoring this when auditing the travel vouchers.

The law is effective Nov. 1, 2011, and the revised form should be used for all travel as of that date, particularly for those vouchers that include mileage reimbursement.

NOTE: This requirement does not apply to higher education institutions, judicial agencies, and the legislature since the law limits its use to only agencies under the "executive department of state government.”

Travel Changes – HB 1086 - UPDATE

We have obtained additional guidance on the HB 1086 changes to the State Travel Reimbursement Act, which became effective Aug. 24, 2011.

The law restricts the use of Frequent Travel Miles earned through official state business travel and limits their use to offset future travel claims against the state. When used here, “Frequent Travel Miles” will be

considered to cover transportation related rewards, such as frequent flyer miles provided directly from the airline companies and any similar rewards offered through bus and train transportation companies.

The OSF Form 19-Travel Voucher has been revised for this law change and for the trip optimizer law. The form is revised in the claimant signature certification section with the statement “No frequent travel miles earned from any official state transportation have been used for personal transportation purposes”.

We will consider the phrase in the law “I have not benefited” to mean the travel miles earned on official state travel have not been used for personal transportation. Just earning the miles is not a benefit and the law refers to any earned miles to be used for future official state business travel.

Federal Per Diem (Meals and Lodging) Rate Changes - REVISION

The previous newsletter on the GSA per diem rates stated that the Oklahoma City rate stayed the same at \$66 for meals and \$81 for lodging, however, this was actually a \$1 drop in the lodging amount.

This rate change was effective for travel occurring Oct. 1, 2011 and thereafter, which is the start of the federal fiscal year 2012. These changes can be viewed or downloaded at the GSA website: <http://www.gsa.gov/perdiem>.

TRAINING

Upcoming Local Training/CPE

Preparing for Year-End and 2012

Nov. 8, 2011

Presented by the American Payroll Association
Tulsa, OK

Preparing for Year-End and 2012 brings you up to date on the latest changes in legislation and regulations that affect the close of 2011 and the beginning of 2012. 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

PayTrain Mastery

Jan. 10 – April 03, 2012

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

Paytrain Mastery provides students with a solid understanding of advance payroll topics necessary for payroll managers and supervisors. This is ideal for experienced payroll professionals seeking compliance training, professional development, or Certified Payroll Professional (CPP) certification. For more information, please visit <http://www.occc.edu/corporatelearning/pdf/PTCU.pdf> or contact Francine Gissy at (405) 682-7856 or fgissy@occc.edu.

Next OFMA Meeting Dec. 8, 2011

The Oklahoma Financial Managers Association is planning its next quarterly meeting. Seminars are provided free of charge. To ensure an adequate number of training materials and refreshments are available, please register at: www.okfma.com

DATE: Thursday, Dec. 8, 2011
TIME: 1:30 to 4 p.m.
Business Conference Center Auditorium
MetroTech Springlake Campus
1900 Springlake Drive, Oklahoma City, OK
SPEAKERS: Dr. Marla Sanchez
Topic: "Learning to Manage Fear....So It Doesn't Manage You"
Mr. William A. Maus, MAXIMUS Consulting
Topic: "How to Get the Most out of your SWCAP\$\$"

AGA Oklahoma City Chapter Fall Training Conference

The AGA Oklahoma City Chapter will be holding its Fall Training Conference.

DATE: Wednesday, Nov. 9, 2011
TIME: 8 a.m. to 5 p.m.
PLACE: Tom Steed Center Auditorium, Rose State College
(Hudiburg Drive & I-40, Midwest City, OK)
SPEAKERS: Marilyn Hughes – Executive Director of the Oklahoma Ethics Commission - Ethics (1 hour); Elaine Dodd, Vice President of Fraud Training for the Oklahoma Banker’s Association – Fraud Issues (1 hour); Insurance Commissioner John Doak, Senator Randy Brogdon – Deputy Commissioner and Rick Wagnon, Chief Investigator/Director – Anti-Fraud Unit – Fraud Issues (1 hour); Buffy Heater, Oklahoma Healthcare Authority - Health Care Reform (1 hour); Steven Phelan CPA – Top Technologies of the AICPA (2 hours); and Steve Emmons, CLEET Assistant Director – Ethical Drift (2 hours).
COST: \$130 for non-members and \$100 for members (includes lunch) (no fee for substitution)
REGISTRATION: Registration deadline is Nov. 2.
Contact: Vonna Anderson, AGA (405) 204-3209 or AGAOKC@cox.net
