

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 15, Number 4, was issued on April 26, 2005. The DCAR Newsletter is available on the OSF webpage at <http://www.osf.state.ok.us/comp-nl.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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Fiscal Year End Payroll Processing

Legacy Payroll System

The OPM Agency Payroll System will be closed at 5:00 pm Tuesday, June 28, 2005 for end of year processing. It will be available to users again at 12:00 noon, Friday, July 1, 2005.

OSF will process all payroll claims received by 1:00 pm on June 29th, 2005. Any claims received after 1:00 pm will be rejected back to the submitting agency. Claims rejected will require resubmission on or after July 1, 2005, with new claim numbers, starting with 1, or the first number assigned for the new year. Similarly, any Payroll Fund Transfer (PFT) received after 1:00 p.m. on Wednesday, June 29th, 2005, will be rejected back to the submitting agency. Rejected PFT's will require resubmission on or after July 1st, 2005 with PFT numbers, starting with 1, or the first number assigned for the new year.

OSF will resume processing payrolls at 1:00 pm on Friday, July 1, 2005. The new FAAC line for FY2006 will be 905-XXX-000600-00001 (XXX represents agency number).

Longevity payroll for June 2005 cannot be run until July 1, 2005, or later, due to the account number change.

As a reminder to Higher Education Institutions, Column 14-19 on the "C" record must be account number 000600 for any payroll received by OSF on or after July 1, 2005. Please ensure that you have made this change to your payroll claims so they will process without error.

Payrolls and PFT's submitted after June 29, 2005 for the prior year (FY2005) must have a notation on the form indication "prior year payroll." Also, please ensure proper notation of a prior period claim within the pay period code (e.g. B25P, B26P or M12P). Failure to include this code may cause a rejection of your payroll claim or the issuance of payroll warrants with an incorrect pay date.

Core Payroll System

The PeopleSoft (CORE) System will not be closed during this time. However, on Monday, July 11, 2005, the PeopleSoft (CORE) system will be down for a mass update change.

Change in Employer Contribution Rate for Justices and Judges Retirement System

The employer contribution rate for the Uniform Retirement System for Justices and Judges will increase from 2% to 3% effective July 1, 2005.

Change in Fees for Deferred Plans

The rate certified for administrative cost which will be calculated in payrolls submitted for the fiscal year ending June 30, 2006 has changed to \$1.78 per month for any qualified participant. The equivalent amount for a bi-weekly pay period is \$0.82 and for a semi-monthly pay period is \$0.89. This change will be reflected in any payrolls submitted with a pay period code of M01 or B01.

Change in State Share of Oklahoma Public Employees Retirement

The amount the State of Oklahoma pays for employee retirement will increase effective July 1, 2005. The percentage will be 11.5% beginning with any payrolls submitted with a pay period code of M01 or B01. The percentage last year was 10.0%.

Payroll Tidbits

State Owned Vehicles

Reporting Personal Use of a state-owned vehicle: The personal use of state-owned motor vehicles can cause income to be imputed to the employee. Title 47, O.S. Section 156.1, as amended, while forbidding the personal use of state-owned motor vehicles, permits the use of the vehicles for commuting when the employee is subject to emergency calls at home and the employee's status has been so designated with the Governor, the President Pro Tempore of the Senate, and the Speaker of the House of Representatives. See the OSF procedures manual, Chapter 300, or contact OSF for further information.

Direct Deposit and Death of an Employee

Upon notification of the death of an employee, agencies should inactivate an employee's direct deposit enrollment. Consequently, all payments after date of death will be made via warrant. Many banks will 'freeze' bank accounts upon notification of death and consequently return EFT transactions to the sender, resulting in funds being returned to the State and re-issuance of the net pay warrant by OSF. By issuing warrants and delivering these to family members, EFT returns will be avoided.

Additionally, agencies should no longer add "Estate of" to a deceased employee's name record in the payroll system, as this name change will be reflected on the W-2 at year end, resulting in a 'mismatch' when the W-2 is processed by the Social Security Administration (SSA), further resulting in a failure to credit the wages to the employee's account within the SSA system.

Payroll Claims

Please continue to denote payroll claims as 'main' or 'supplemental' (i.e., overtime, longevity, etc.), as these notations are used to monitor and ensure payrolls are timely processed. Notations should be written in the upper right-hand corner of the forms.

Verifying Correct Information

The Internal Revenue Service (IRS) and Social Security Administration (SSA) assess penalties for each information return (W-2, 1042, 1099, etc) issued with a name that does not match the name in their systems. Time and cost savings can be significant, if agencies are diligent in verifying the correct information.

Social Security Cards

As a reminder, all employees, whether full time, temporary, student, or nonresident aliens (foreign nationals), must provide his or her social security card to employers if it is available. Employers may, but are not required to, photocopy the card. No person should be added to a state payroll system unless he or she is able to provide a valid social security card. A foreign national may apply through IRS to receive a social security number and subsequently will be reported through the 1042S component of the payroll system. If the card is not available, agencies can contact the Social Security Administration for telephone verification. Agencies can verify up to five names and numbers by calling 1-800-772-6270.

W-2 Forms

Please be reminded that W-2 forms cannot be changed for 2004 except for social security and medicare wages and taxes. Taxable wages and income taxes withheld cannot be adjusted if the agency receives a payback of a prior year overpayment.

W-4 Forms

The IRS has issued temporary regulations virtually eliminating the requirement to submit copies of certain questionable Forms W-4, Employees Withholding Allowance Certificate, to the IRS. Effective April 14, 2005, employers are no longer required to submit a copy of any Form W-4 to the IRS on which an employee claims more than 10 withholding exemptions or claims complete exemption from withholding and earns more than \$200 a week. Agencies will no longer be required to send these copies to the Office of State Finance.

Instead, an employer must submit a copy of any currently effective Form W-4 only if directed to do so in a written notice to the employer from the IRS or under future published guidance. It is very important that all agencies continue to keep the original W-4 forms submitted by employees. These forms should become a part of the employee personnel files, and the state has a required retention policy.

Schedule of FY-2006 Pay Periods

Please distribute the following FY-2006 Pay Date schedules to Payroll and Human Resource Directors.

The following pay period codes should be used for agencies processing on the legacy payroll system. Once an agency begins processing payroll on PeopleSoft, these codes are no longer used. Instructions on the use of PeopleSoft pay calendars will be provided during PeopleSoft training courses. Questions on the below codes may be directed to James Youngblood at 405.522.6300 or james.youngblood@osf.ok.gov.

SCHEDULE OF FY 2006 MONTHLY PAY PERIODS

Pay Period Number	Begin Date	End Date	Pay Date
M01	07/01	07/31	7/29/2005
M02	08/01	08/31	8/31/2005
M03	09/01	09/30	9/30/2005
M04	10/01	10/31	10/31/2005
M05	11/01	11/30	11/30/2005
M06	12/01	12/31	12/30/2005
M07	01/01	01/31	1/31/2006
M08	02/01	02/28	2/28/2006
M09	03/01	03/31	3/31/2006
M10	04/01	04/30	4/28/2006
M11	05/01	05/31	5/31/2006
M12	06/01	06/30	6/30/2006

**SCHEDULE OF FY 2006 BIWEEKLY PAY PERIODS
NON-HIGHER EDUCATION**

<u>Pay Period Number</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Pay Date</u>
B01	6/26	07/09	7/22/2005
B02	07/10	07/23	8/5/2005
B03	07/24	08/06	8/19/2005
B04	08/07	08/20	9/2/2005
B05	08/21	09/03	9/16/2005
B06	09/04	09/17	9/30/2005
B07	09/18	10/01	10/14/2005
B08	10/02	10/15	10/28/2005
B09	10/16	10/29	11/10/2005
B10	10/30	11/12	11/23/2005
B11	11/13	11/26	12/9/2005
B12	11/27	12/10	12/23/2005
B13	12/11	12/24	1/6/2006
B14	12/25	01/07	1/20/2006
B15	01/08	01/21	2/3/2006
B16	01/22	02/04	2/17/2006
B17	02/05	02/18	3/3/2006
B18	02/19	03/04	3/17/2006
B19	03/05	03/18	3/31/2006
B20	03/19	04/01	4/14/2006
B21	04/02	04/15	4/28/2006
B22	04/16	04/29	5/12/2006
B23	04/30	05/13	5/26/2006
B24	05/14	05/27	6/9/2006
B25	05/28	06/10	6/23/2006
B26	06/11	06/24	7/7/2006

**SCHEDULE OF FY 2006 BIWEEKLY PAY PERIODS
HIGHER EDUCATION**

<u>Pay Period Number</u>	<u>Begin Date</u>	<u>End Date</u>	<u>Pay Date</u>
B01	06/19	07/02	7/15/2005
B02	07/03	07/16	7/29/2005
B03	07/17	07/30	8/12/2005
B04	07/31	08/13	8/26/2005
B05	08/14	08/27	9/9/2005
B06	08/28	09/10	9/23/2005
B07	09/11	09/24	10/7/2005
B08	09/25	10/08	10/21/2005
B09	10/09	10/22	11/4/2005
B10	10/23	11/5	11/18/2005
B11	11/6	11/19	12/2/2005
B12	11/20	12/3	12/16/2005
B13	12/4	12/17	12/30/2005
B14	12/18	12/31	1/13/2006
B15	01/01	01/14	1/27/2006
B16	01/15	01/28	2/10/2006
B17	01/29	02/11	2/24/2006
B18	02/12	02/25	3/10/2006
B19	02/26	03/11	3/24/2006
B20	03/12	03/25	4/7/2006
B21	03/26	04/08	4/21/2006
B22	04/09	04/22	5/5/2006
B23	04/23	05/06	5/19/2006
B24	05/07	05/20	6/2/2006
B25	05/21	06/03	6/16/2006
B26	06/04	06/17	6/30/2006

Fiscal Year End Miscellaneous Claim Vouchers and Orders Processing

Miscellaneous Claim Vouchers Processing

Voucher batches received by 1:00 pm on Wednesday, June 29, 2005 will be processed before the close of business on June 29. To accommodate this schedule, budget checking and matching will be run periodically during the morning of June 29 until noon. Vouchers not budget checked by Wednesday, June 29 will need to have the budget date changed before processing in the new fiscal year. Any FY 2005 vouchers received by OSF after 1:00 pm will be rejected back to the agency for processing as FY 2006 business. Should any vouchers be worked after the cutoff, including any that have not 'Posted' due to problems, agencies will be required to change the Budget Date (in Distribution Lines block) and Acctg Date (in Invoice block) to a FY 2006 date (7/1/2005 or actual date if processed after 7/1/05). New vouchers may be created beginning on Friday, July 1, 2005.

Manual Agency Claims

“Manual” agencies whose claims are entered into the system by OSF to create vouchers, must have their claims to OSF by 5:00 p.m., Tuesday, June 28, 2005. This is to allow OSF sufficient time to create the vouchers for processing on June 29.

340 Expenditures

Expenditure entries for 340 class funds for June 29, 2005 and prior days must be received by 9 a.m. on June 30, 2005 to be processed in FY 2005. Expenditure entries for 340 class funds for June 30, 2005 must be received by 3 p.m. on June 30, 2005 to be processed in FY 2005.

EDT Claim Vouchers Submissions

Agencies which upload claim data via ‘EDT’ transmissions should provide for sufficient internal lead time so that paper vouchers arrive at OSF by the 1:00 pm, Wednesday, June 29, 2005 deadline. Otherwise, any FY 2005 transmissions received after the deadline will be deleted and will require retransmission as FY 2006 business beginning on Friday, July 1, 2005.

Encumbrance Documents

Agencies are reminded that their FY 2005 funds should be fully encumbered by June 30, for purchases made during FY 2005. As usual, receipt of actual goods and payment after the fiscal year close are allowed until the funds lapse, normally November 15. Unless otherwise authorized, FY 2005 funds are not allowed for FY 2006 purchases. **NOTE:** Please remember OSF no longer accepts orders directly and encumbrances must be established through the state purchasing system.

WARNING! Payments Due (Effective) July 1, 2005

Because of the 'expenditure by fiscal year' accounting requirement, payments due or effective on July 1, 2005 and after may not be processed as FY 2005 business (i.e., pre-FY 2006). This may involve such payments as rental agreements, post office box services, contractual maintenance agreements, subscription renewals, etc. Agencies are advised to forewarn their vendors and contractors of this end-of-year processing dilemma, which could delay payment beyond the due date.

NOTICE: Improper Usage of Revenue Account “400000”

A number of agencies have used revenue account “400000 – Clearing Account TBD” for receipts in Class/Funds other than 799xx. This revenue account, 400000, is to be used only when depositing money into the Clearing Account when the correct revenue account is not known. When money is transferred from the Clearing Account to other Treasury funds (including 7xxxx Classes) or into ASA Accounts, the proper revenue code should be used. You should not have a balance for this revenue code for any Class/Fund other than 799xx. Please review your revenue account “400000” balances for all funds (including ASA’s and 700 funds) and make the necessary deposit corrections to classify revenues appropriately.

Vendor Information

The vendor database continues to play a critical role in the PeopleSoft system as state agencies come on-board with their payrolls. Voluntary Payroll Deductions and Garnishment Payments are two categories of vendors that cross over both Financials and HRMS.

Voluntary Payroll Deductions are vendors such as American Family Life Assurance Co (AFLAC) and must first be approved by the Office of Personnel Management before being set up as a vendor. OPM and CORE are working together to ensure that all the necessary database maintenance is done to get new vendors in PeopleSoft.

Garnishment vendors are submitted by the agency. It is important that you note on the form if the vendor is a Garnishment vendor. When we receive a Garnishment (and Payroll Deduction) vendor we change the classification from Supplier to HRMS. **Note:** If a vendor is classified as HRMS, it remains a valid supplier for Financials.

If you don't know if a vendor is in the database, please check the database before you send an OSF VEND form to the vendor. Here's the path:

Reporting Tools > Query > Query Viewer

In the empty box type OSF. Click Search

At Search Results, click on OSF Vendor Check link.

In ID Num: type in the SSN or FEI, with no dashes

In SetID: type 00000 for state agencies and HECLM for Higher Education users

Click OK.

To request this access, please submit a Security Access Form 301 for Run Queries to Linda Belinksi at the CORE Office.

The OSF VEND Form is found on both the OSF Comptroller's and CORE websites and should only be used for companies, businesses, or contractors. The OSF link is:

<http://www.osf.state.ok.us/comp-firm.html>. The agency must fill out the top portion and the company fills out the rest of the form. It is critical that you fill out the top portion in case we need to contact you regarding the vendor.

Procedures for adding employees to the vendor file for miscellaneous payments (such as travel reimbursement) is by use of a spreadsheet containing employee name, remitting address, and SSN.

We are entering vendors within 1 day of our receipt of the VEND forms. If you've sent in the form and after one or two days are unable to find the vendor by searching on the query above, please call the Help Desk. The Help Desk will ask for the vendor name and tax id.

Office of Foreign Assets Control

In the effort to fight terrorism and the funding of terrorist activities, the US Department of Treasury Office of Foreign Assets Control will prosecute or fine entities who have financial transactions with individuals and businesses identified on the Specially Designated Nationals and Blocked Persons (SDN) list. The fines can range from \$50,000 to a whopping \$10M, with potential imprisonment, etc. For further information, please visit their website at:
<http://www.treas.gov/offices/enforcement/ofac/index.shtml>

The Office of State Finance's CORE Vendor Maintenance staff is now searching the SDN list on new vendors. We have also performed a system wide search on the entire vendor list. No vendors have been found to be on the list. Although CORE will continue to do manual searches on new vendors and periodic system wide searches, colleges and universities should be performing their own data matches before the files are transmitted. The list is found at the same website and is titled SDN & Blocked Persons. There are instructions on the website on what to do if you have a match.

There's also a list of Sanctioned Programs and Countries at
<http://www.treas.gov/offices/enforcement/ofac/sanctions/>. There are 11 sanctioned countries, from the Balkans to Zimbabwe.

New Expenditure Account Code – ERP Services

Enrolled HB 1046 (2005) establishes a charge for system services for the State Enterprise Resources Planning System. The charge is determined based on defined transactions processed through the system. Agencies will be notified of the rate within two weeks. The code title and definition is as follows:

<u>Code</u>	<u>Title and Definition</u>
531230	ERP SYSTEM SERVICES

Payment of the State Enterprise Resources Planning system services for all defined transactions. HB 1046 (2005)

Note: This code shall be effective for FY06, July 1, 2005.

Post Audit Program

We have begun a program to increase our review of claim vouchers through post-auditing claims, and the following are a few reminders based on the most common errors found. As we find errors we will be notifying agencies with a 'Report of Audit Findings' notice. If you have any questions, please contact our Audit Manger, Laura Swingle.

Original Invoice Required With OSF Form 15A

As the office of record for claims paid, the Office of State Finance requires the original claim form and normally the original invoices for its files. However, with current technology, there is now the possibility of vendors providing only fax copies or other electronic methods of providing invoices. Therefore, the Office of State Finance will accept photocopies or faxes of invoices when an original is not available. See OSF Procedures Manual, Section 317 A. If the original invoice is not available, there should be a statement on the invoice indicating why the original is not available. See OSF Procedures Manual, Section 323 B.

Split Payment Should be Cross-Referenced

If a claim represents a split payment, said claim and the corresponding claim, or claims, must cross-reference one another whenever possible. See OSF Procedures Manual, Section 317 A.

Invoices Must Be Signed to Indicate Receipt of Goods or Services

The claim jacket form must be accompanied by the original vendor invoices or contract estimates for which payment is to be made and the invoices and estimates must be signed by an employee of the agency to indicate the goods or services have been received. Title 74 O.S., Sec. 86.1

Payments for Cancellation of Contract

In Revenue Ruling 2004-110, the IRS reversed its position on cancellation payments. The IRS has now concluded that the amounts paid to an employee as consideration for the cancellation of an employment contract and relinquishment of contract rights are wages subject to Social Security, Medicare, and income tax withholding and federal unemployment. Therefore, these payments should now be processed as payroll transactions.

The ruling was issued in response to a case where the employee was to perform services under a written contract for a set number of years. The parties cancelled the contract before the end of the agreed upon years and the employer paid the employee for relinquishing his rights for the remaining period of time.

The IRS held that the contract cancellation payment was wages subject to withholding and was part of the compensation paid by the employer as remuneration for employment, regardless of what the payment was called or whether the employee was still employed when the payment was made. The IRS reasoned that the payment was taxable ordinary income to the employee, not capital gains. This ruling is contrary to the previous rulings of 55-520 and 58-301 which stated the sum was income not subject to withholding.

The IRS will apply Revenue Ruling 2004-110 to employer payments made to former employees *after January 11, 2005*, if made under facts and circumstances substantially the same as in revenue ruling 55-520 or 58-301. For further information, you may access the IRS' website at irs.gov or contact Jennie Pratt of our office at 405.521.6160.

OFMA is Gearing Up

The Oklahoma Financial Managers Association was organized to provide a forum for agency financial officers and staff members to network and keep abreast of changes and important updates in state financial matters. The organization has been dormant for the last six years and is now being reactivated. The first meeting will be Wednesday, July 20 at 10:00 am in the Will Rogers/Sequoyah Buildings Concourse Theater. Please reserve that date on your calendar and look for more information in the near future.

FREE Training

OSF will host the following audio conference which offers something for all government financial professionals who follow OMB circulars and with an interest in internal control and the reduction of erroneous payments.

The site for the audio conference is the Will Rogers/Sequoyah Buildings Concourse Theater on Wednesday, July 20 at 1:00 pm. Since it is an audio conference it will begin promptly, so plan to arrive a few minutes early to get settled before the session begins. Don't miss out on this important discussion! If you have any questions, please call Riley Shaull at 405.521.4775.

An Afternoon with OMB

NASACT, in conjunction with the Association of Government Accountants and the National Association of Local Government Auditors, is pleased to announce the latest in its series of audio conferences addressing timely issues in government financial management.

The topic for this audio conference, *An Afternoon with OMB*, will cover a variety of timely and interesting financial management topics. From erroneous payments to internal controls, presenters from the Office of Management and Budget will highlight recent issues surrounding improper payments, grants management, internal control, and other financial management improvement priorities and policies of the Administration.

The speakers will provide an overview of the work being done at the federal level to implement improvements in financial management, but more importantly will highlight changes and initiatives that could impact state government.

Please join us for two hours of lively discussion about this timely topic. In addition to presentations from our speakers, there will be approximately 30 minutes for Q&A so that participants may ask questions and share their own experiences. To register for the OSF location: please email Becky.Wilson@osf.ok.gov

To see the agenda: Visit <http://www.nasact.org/conferences/events.cfm>

FY 2004 Comprehensive Annual Financial Report

The Comprehensive Annual Financial Report for June 30, 2004 has been issued. We would like to thank all of the State Agencies for their cooperation and hard work in this endeavor. We especially want to acknowledge the effort of our CAFR reporting unit. The CAFR is available online and can be viewed in its entirety at <http://www.osf.ok.gov/comp-fr.html>.

Personnel Changes

OSF regrets to announce that Barbara Low has accepted a position at another state agency and is no longer employed with the Office of State Finance. However, James Youngblood joined DCAR Accounting and will be working the payroll area. You can reach James at the same phone number, which is 405.522.6300. Also, a congratulations goes out to Deric Berousek, who assumed the duties of Financial Reporting Supervisor. Deric is replacing Steve Funck as supervisor, who has been promoted to Deputy State Comptroller.

Fiscal Year Funding Changes on PS Payroll

Each fiscal year, funding attached to individuals in the payroll systems has to be updated for the new year funding codes. This avoids voluminous manual changes. OPM will update the legacy system, and now OSF will process new effective dated rows in the PeopleSoft HRMS ACCT_CD table. This process will be run in July after the supplemental payrolls are processed. No new '06 funding lines will be created until this process has been run.

The changes are for Budget Reference from '05' to '06', and for the General Revenue Fund from 195 to 196. For example class-funding '19501' would be revised to be '19601'. However, class-funding 194xx and prior years will not be "rolled forward" to 195xx or 196xx, but a 194xx with bud ref '05' will be changed to 194xx with bud ref '06'. Additionally, any '04 and prior bud refs will not be updated and the HR account code containing those bud refs will be inactivated. In the case of capital projects, if your agency funds payroll from an '04 or prior bud ref, please contact Jennie Pratt now.

A report of changes made will be sent to agencies. The report will list all active account codes and a message of what happened, for example, bud ref changed to '06'. In the case of inactivated codes, a list will be provided of any employees who have job earnings distribution records attached to the inactivated HR account code so agencies can remove those old codes from the employee job earnings distribution and replace them with new codes as appropriate under an approved budget.