

OFFICE OF STATE FINANCE
DCAR NEWSLETTER

Brenda Bolander, State Comptroller
Steve Funck, Deputy State Comptroller

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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
Vendor Maintenance: Julie Dvorak	405.522.1749	julie.dvorak@osf.ok.gov
Accounting: Jennie Pratt	405.521.6160	jennie.pratt@osf.ok.gov
General Ledger: Dan Thomason	405.522.4992	dan.thomason@osf.ok.gov
Payroll: Lisa Raihl	405.521.3258	lisa.raihl@osf.ok.gov
Financial Reporting Unit: Deric Berousek	405.521.3298	deric.berousek@osf.ok.gov
ARRA: Steve Funck	405.521.3231	steve.funck@osf.ok.gov

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2009 Corrected Reporting Forms

All 2009 corrections should have been submitted to OSF by February 26, 2010. If you have corrections that have not yet been submitted, please do so immediately. The files are being prepared for submission. This includes W-2, 1099-R, 1042-S, and 1099-MISC forms.

For assistance contact Lisa Raihl at 521-3258, lisa.raihl@osf.ok.gov or Jean Hayes at 522-6300, jean.hayes@osf.ok.gov. For assistance with 1099-MISC corrections, contact Beth Brox at 405-522-1099 or Beth.Brox@osf.ok.gov.

Drill Down for Deposit Entries

Since Deposits, Transfers and Deposit Corrections are a part of the Accounts Receivable Module, they are generated daily to the General Ledger as a summarized entry. Agency users can drill down to the detail deposits through either Ledger Inquiry or Journal Inquiry. Security access to the Accounts Receivable system is necessary for the drill down. Users that do not have deposit or transfer access may use AR DTC - View Only Access to utilize the General Ledger drill down capabilities. The security form 301ARDEP is available on the CORE website.

Reminder for New Deposit Screens

When entering deposits into the system, remember that each deposit entry should be a separate deposit at the bank. You should not group multiple deposits in the same entry. The separation is required for reconciliation purposes.

Taxes on State Purchases

OSF procedures have been that state agencies (not employees) are exempt from state sales tax per Title 68, § 1356, however, state agencies were not exempt from municipal taxes (city taxes, hotel taxes, etc.). We have been presented with an A.G. Opinion (Citation: 02-035, 8/14/2002) that is changing the procedures previously issued. OSF has normally addressed this tax exemption on the legal exemption from state sales tax according to statute. However, it actually goes beyond tax exemption to tax immunity, i.e., the federal government has immunity from taxes imposed by states and municipalities and the State has immunity from taxes imposed by municipalities. For the federal government this is based on the Supremacy Clause in the U.S. Constitution and for the State it arises from state sovereignty.

Therefore, state agencies should not be paying taxes to Oklahoma municipalities, including sales tax, hotel occupancy tax, entertainment tax, etc. However, state agencies situated in the corporate limits of a municipality may not deduct, say, franchise taxes from their monthly electric bills because the tax is on the electrical public utility and not the rate payer (including state agencies). The difference is that the utility is passing on a cost, not actually charging a tax.

This immunity does not apply to other states and their municipalities. Also, employees are still required to pay taxes on “state expenses” and seek reimbursement as appropriate.

Inventory Threshold

Effective immediately, the Department of Central Services (DCS) is increasing the reporting threshold of all agencies to \$2,500.00 per item for purposes of tangible asset inventory reports submitted annually by agencies to DCS in accordance with Title 74, Oklahoma Statutes, § 110.1 and Oklahoma Administrative Code (OAC) 580:70-1-3.

Tangible assets mean machinery, implements, tools, furniture, livestock, vehicles and other items that an agency may use repeatedly without impairment of its physical condition and have a calculable period of service and an original acquisition cost exceeding the designated reporting threshold amount.

The new tangible asset threshold does not apply to telecommunications and electronic information technology applications specified in Title 62, § 34.12. Subsection 6, which requires maintaining “a directory for the following which have a value of Five Hundred Dollars (\$500.00) or more.

A separate email will be sent to all the agency inventory contacts regarding the policy change.

Internal Controls: Incompatible CORE Security Roles

Good internal controls are essential to assuring the accomplishment of agency goals and objectives on many different fronts. They provide the basis for reliable financial reporting information for management decision-making. Internal controls are also designed to protect a government unit from the possible loss or misuse of its assets. Additionally, internal controls ensure transactions have been properly authorized and encourage adherence to an agency’s policies and procedures, as well as applicable statutes and regulations.

Internal controls should be proactive, value-added, and cost-effective. To establish good internal controls, an agency should:

- Identify the agency’s goals for operations as they relate to its overall mission;
- Identify the agency’s goals for finance and administration (e.g., budgets and human resources management);
- Identify the agency’s compliance goals applicable to statutes and regulations;
- Identify and evaluate potential risks and conflicts to the accomplishment of the above goals;
- Establish written policies and procedures that reduce material risks and conflicts to a minimum acceptable level;
- Incorporate key internal control activities designed to achieve or encourage compliance with policies and procedures;
- Provide significant policies and procedures, as well as appropriate training, to staff; and

- Monitor the effectiveness of internal control activities and policies and procedures on an ongoing basis.

A key element of good internal controls is a **proper segregation of duties (SOD)**. Conceptually, SOD requires that more than one person complete different aspects of a transaction, thereby implementing a level of checks and balances on an organization's activities and employees so that one person does not possess the ability to control the transaction. The aspects in question can be categorized into four types of functions – authorization, custody, record keeping, and reconciliation. Theoretically, no one person should control more than one type of function.

Incompatible User Roles: OSF staff have been meeting with the State Auditor and Inspector's (SAI) staff to identify incompatible user security roles associated with the CORE application modules. In the next few months, when agencies request identified incompatible security roles be assigned to the same employee, an OSF audit finding letter will be generated alerting the agency of the potential incompatible assignment and that additional mitigating controls are required in order to compensate for the assignment. Agencies needing assistance in designing proper controls or additional procedures should contact J.I. Johnson, Internal Control Manager, OSF 405- 522-6285.

Invoice Descriptions

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

Account Code Clarifications

For postal type expenses the following account codes should be used.

- Postage –531120 - Postage expense only
- Rent of Equipment – 532140 - Rental of postage equipment
- Other Rents – 532190 – Post Office box rental
- Business Service Center (i.e., postal and mailing service) – 515610 - Such services as Pre-sort First Class mail and DCS-interagency mail
- Reimbursement Other – 554230 - When reimbursing other departments for postage
- Freight Expense – 531110 - Such as UPS and FedEx freight

NOTE: Payment for purchase of postage stamps (531120) and post office box rental (532190) must be made only to the U.S. Post Office (74 O.S., § 90.2). Additionally, postage meter refills paid to other suppliers (e.g., Pitney Bowes, Neopost, etc.) can be coded under the postage code-531120.

Inter Governmental Payments – 531380 - Use this code only when there is not a specific account code for the expense.

Account 531380 is for payments to the US government, other states and inter-state agencies (e.g., state compacts, etc). It should not be used for payments between state agencies unless a specific account for the expense does not exist.

Agency Voucher Imaging

OSF audits have identified numerous images that are unreadable. These are being reported through finding reports. The bad document must be deleted by contacting the OSF Help Desk. Please remember that these images serve as the “official state record” for the voucher documents and are subject to serve as records used in legal actions. Therefore, good quality images are essential. Agencies are required to perform an image quality review before releasing the files to OSF. Please ensure this is happening in your daily processes.

Documents Imaged by OSF

OSF stores images of various forms submitted for processing such as, the OSF Form 20R – Warrant Replacements and OSF Form VEND – Vendor Request form. Agencies should be monitoring these documents for good quality/legible copies. Avoid covering up pertinent data on the forms with notary stamps or highlighting in any color as it can cause it to be non-legible when scanned. Also, please avoid using colored ink (e.g., blue and red) since it tends to not be picked up well when scanned.

Any non-legible forms will be returned to the agency.

New GASB Pronouncements for Fiscal Year 2010

Between 2007 and 2009 the Governmental Accounting Standards Board (GASB) issued several new standards the State will be required to implement this year. The following is a summary of each pronouncement and its effect on the State’s financial reporting requirements for Fiscal 2010.

GASB Statement 51- Accounting and Financial Reporting for Intangible Assets addresses capitalization issues for certain types of intangible assets such as easements, water rights, timber rights, patents, trademarks and computer software. This statement changes the way certain capital items are accounted for, and OSF anticipates that the primary change for GAAP reporting will be in the area of capitalizing internally generated computer software. While current State policy already addresses internally generated software, GASB 51 outlines and updates when these costs should be capitalized and what costs should be included. Please read your updated GAAP Conversion Package H – Capital Assets instructions carefully when they arrive to ensure you are capitalizing items properly.

GASB Statement 53 – Accounting and Financial Reporting for Derivative Instruments addresses the recognition, measurement and disclosure of derivative instruments entered into by state government. Derivatives are complex financial arrangements occasionally used to manage

specific risks or to act as investments. OSF does not expect this statement to affect many agencies, but please contact your Financial Reporting Analyst if you are unsure about any unusual investments held by your agency.

GASB Statement 55 – *Hierarchy of GAAP for State & Local Governments* establishes a recognized hierarchy of Generally Accepted Accounting Principles (GAAP) into GASB's authoritative literature. This statement establishes a framework for selecting accounting principles when pursuing conformity with GAAP. This statement should not affect state agencies.

GASB Statement 56 – *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statement on Auditing Standards* incorporates into the GASB authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This statement essentially makes several accounting principles previously included in auditing guidance now part of GAAP. This statement should not affect state agencies.

GASB Statement 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies* does not affect states so there is no impact from this statement.

Please contact your Financial Reporting Analyst if you have any questions.

Training Opportunities

The Oklahoma State Comptroller and Oklahoma State Auditor and Inspector are hosting the 2010 National State Auditors Association and the National Association of State Comptrollers fifth annual Joint Middle Management Conference. The conference features tracks tailored to address the training needs of middle management staff in the offices of state auditors, state comptrollers, and agency staff specializing in the areas of audit and finance. The following link will provide additional information:

http://www.nasact.org/conferences_training/JointMiddleManagement/2010JointMiddleManagement/2010MiddleManagement.cfm

Oklahoma agency personnel are invited to attend this great CPE opportunity that is being held locally.
Middle Management Conference
April 19 - 21, 2010
Skirvin Oklahoma City Hotel
One Park Avenue
Oklahoma City, OK 73102

Grant Writing Workshop

Mid-America Christian University and Grant Writing USA will present a two-day grants workshop in Oklahoma City, March 29-30, 2010. In this class you'll learn how to find grants and write winning grant proposals. This training is applicable to grant seekers across all disciplines. More information including

learning objectives, class location, graduate testimonials and online registration is available at <http://grantwritingusa.com/events/write/ocok0310.html>