

OFFICE OF STATE FINANCE
DCAR NEWSLETTER

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Volume 16, Number 4

FY-2006

February 9, 2006

The last issue of the DCAR Newsletter, Volume 16, Number 3, was issued on December 9, 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:

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Employee's Portion of Taxes Paid by the Employer

All payments to employees except reimbursements or other specific payments exempt from employment taxes should be processed through the payroll system and appropriate taxes should be withheld. However, should you find that you have made W2 reportable payments to employees outside of the payroll system, without withholding applicable taxes, you must report the grossed up wages and remit the taxes to OSF. The due date for paying the taxes to the IRS could be as early as the next day. Therefore, it is important that you remit the applicable taxes and information to OSF as soon as the omission is discovered.

If the employer is paying the employee's taxes without deducting them from the employee's pay, the taxable wages must be grossed up to include in the employee's share of taxes in the wages for federal income tax withholding, social security, and medicare taxes. This increase in the employee's wage payment for your payment of the social security and medicare taxes is also subject to employee social security and medicare taxes. This again increases the amount of additional taxes the employer must pay. This rule applies if an employer chooses to pay the employee's share of taxes on wages, group term life, auto fringe, and other non-cash benefits. An example follows:

Peter Pan is hired by Hook Industries, Inc and is paid \$300 for one week of work. Hook agrees to pay Peter's part of the Social Security and Medicare taxes. To figure reportable wages, he divides \$300 by .9235 (1.0 - .062 - .0145). The result, \$324.85, is the amount that is reported in boxes 1, 3, and 5 of Form W-2. Social Security tax is calculated by taking the 324.85 and multiplying by .062. Medicare tax is calculated by taking the 324.85 and multiplying by .0145. Both these amounts are reported on Peter's W-2 in boxes 4 and 6. Although these amounts were not actually withheld from Peter, Hook must report these amounts as taxes withheld and is responsible for matching the amounts with the employer share of these taxes.

If the employer chooses to deduct the taxes on non-cash benefits and the benefit is not run through the payroll system, the employer can deduct the employee's share of taxes on a subsequent paycheck as a miscellaneous deduction. The employer 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 (within 1 or 2 days) so that we can make the tax deposits and record the items to be posted to the employee's earnings record. Agencies will be responsible for any late payment penalties and interest if not remitted timely.

Deleting Signature Cards

When an agency has employees who have 'approving officer' signature cards on file with OSF and they no longer work for that agency, please send us a letter requesting the removal of that person's name. We occasionally find people who still have signature cards on file that do not work at that particular agency any longer. These requests should be done when there are changes at the agencies and new signature cards should be submitted.

Payroll Claim Submission Deadline

OSF continues to receive payroll claims “at the last minute” of the direct deposit cutoff date, which is 3:30 PM, three business days prior to the effective pay date.

It is imperative that agencies do not wait until this last minute or even the last day to submit the required documents. Submitting last minute claims allows no room for faulty or missing paperwork, failed budget checking or possible system delays due to unusually heavy workload. Further, OSF must have sufficient time to audit and process the payrolls as required by statutes. Therefore, it has long been recommended that agencies submit payroll claims and documents **five days** prior to the pay date.

However, if you find yourself submitting your agency’s payroll on the third day before pay date, please notify Elsa Kunnel at 405-521-6178, or Becky Parr at 405-521-6197, to ensure that your paperwork is received and in good order. OSF makes every effort to process payrolls as they are received, but we cannot guarantee timely payment and/or direct deposits for any payrolls received after the deadline or that are incomplete.

Deceased Employee’s Earnings Codes – PeopleSoft Payroll Agencies

Please use the following earnings codes when there is a payment to be made after the date of an employee’s death. The codes are setup to properly report all wage payments at year end if used correctly. Which code to use is dependent on when the payment is made, either in the same calendar year of death or in the calendar year after the date of death. Payments made in the year of death are subject to FICA and Medicare and are reported on the W-2 only in boxes 3 and 5. This is to ensure proper Social Security and Medicare credit is received. Payments made in the year after death are not subject to FICA and MQFE taxes and are not reported on the W-2. All payments to the estate or beneficiary in the year of death or in the year after death are reported on a Form 1099-Misc box 3.

PeopleSoft Earnings Codes

Current Year	Following Year
DCP Deceased Comp Time	TCP Death Comp Time Following Year
DEA Deceased Regular Pay	TEA Deceased Regular Pay Following Year
DHL Death Holiday Pay	THL Death Holiday Pay Following Year
DLG Death Longevity Pay	TLG Death Longevity Pay Following Year
DOV Death Overtime	TOV Death Overtime Following Year
DSH Death Shift Differential	TSH Death Differential Pay Following Year
DVC Death Annual Leave	TVC Deceased Annual Leave Following Year

Payroll Reminder – PeopleSoft Payroll Agencies

Agencies which are confirming payrolls on the CORE system are reminded that you must check the Payroll Budget Checking Report for deficits before confirming the payroll. All deficits must be cleared and a new report run before the payroll is confirmed.

Audio Conference

The Office of State Finance is hosting the following audio conference in Oklahoma City.

Title: Implications of Sarbanes-Oxley for the Future of the Auditing Profession

Date: Wednesday, March 1, 2006

Registration: Begins at 12:30 p.m.

Prerequisite: Familiarity with Sarbanes-Oxley and internal controls

Time: 1:00 p.m. Central Standard Time

Where: Will Rogers Building

RSVP: Please let us know how many will be attending

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

Cost: Free for those attending at this site

CPE hours: 2

This audio conference will cover the latest on the status of audit and internal control efforts for State and Local governments and the possible effects of additional requirements.

Please join Kinney Poynter, Executive Director, National Association of State Auditors, Comptrollers and Treasurers, and Nancy A. Valley, CGFM, Partner and National industry Leader, KPMG LLP, as they discuss these issues and the results of a joint AGA/NASACT research project on this topic.

Uploading Vouchers (7XX Fund Warrant Issue Records) Files after 4:00 PM

Currently the process that creates the issue record file sent to the State Treasurer's office runs at 4:00 PM each day. If a claim voucher (7XX Fund Warrant Issue Record) is loaded after 4:00 PM the claim load process assigns the next day's date as the payment date and the voucher gets picked up in the file sent to the Treasurer the next day. If the voucher is loaded after 4:00 PM on a day preceding a weekend or holiday the process assigns a payment date corresponding to the next day which would be Saturday or the holiday. Since the process that creates the issue file sent to the Treasurer does not run on those days the issue records do not get sent to the Treasurer. A similar problem occurs if the vouchers are loaded on a Saturday, Sunday or holiday.

Therefore, you should allow adequate time to transmit voucher files prior to 4:00 PM on Fridays or prior to a holiday, or hold off transmitting the file until the following Monday or next business day after a holiday.

Claim Audit Program

As we continue our claim-auditing program we are beginning to see a lot of improvement in many areas. However, there are still a few areas where agencies need to pay special attention:

Incorrect Object Codes

We are continuing to find many incorrect object codes. A large percentage of these are incorrect on the purchase order and not corrected before the voucher is processed. There is a link to the Revised Object of Expenditure Code Listing at <http://www.osf.state.ok.us/comptrol.html>. Please ensure that purchasers as well as payers are referring to this when preparing purchase orders and vouchers.

Incorrect Invoice Information

Please ensure that the invoice number and date entered on OSF Form 15A matches the vendor's invoice. If an invoice number is not provided, please see the guidance provide in DCAR Newsletter Volume 16, Number 3, dated December 9, 2005. Following these guidelines will help to avoid erroneous and duplicate payments.

Purchase Order Dates

Except as otherwise provided, state statutes require that whenever any agency enters into an agreement for the purchase of goods, wares, merchandise, contractual services, or construction projects for which labor and material must be furnished by outside vendors, such agreement shall be evidenced by written contracts or purchase orders encumbered by the agency within a reasonable time as determined by the Director of State Finance against the proper agency funds and accounts. Title 62 O.S., Sec 41.16, Subsection A.

We are still finding many invoices that are dated prior to the related purchase orders. Please ensure that orders for purchase of goods, wares, merchandise, contractual services, or constructions projects are placed **after** purchase orders have been approved by the agency's chief fiscal/finance officer and the encumbrance has been posted.

Warrant Cancellation Dates

Agencies are reminded to closely monitor the issue date on miscellaneous warrants before submitting them to OSF to be canceled. After 90 days from the issue date the warrants are cancelled by statute and are no longer available for cancellation or return of the money to the agency. Also, when you have a warrant which has canceled by statute and it should have been canceled because it was issued in error, you must notify OSF in writing of this so we can flag the warrant as 'not to be reissued' should the holder attempt to seek a replacement of the warrant canceled by statute. Furthermore, if we receive a warrant cancellation request and the warrant has already canceled by statute, we will flag the warrant record as "not to be reissued" and retain the warrant.

Reminder -Warrant Replacements in General

The procedure for replacing warrants depends on the warrant type and the situation. Please refer to the following procedures:

- o Lost Miscellaneous Warrant – These are reissued against the original voucher and the replacement warrant is delivered **via your normal warrant process from the State Treasurer.**
Use the OSF Form 20B "Request for Replacement Affidavit of Lost or Destroyed Warrant"
- o Lost Payroll Warrant – These are issued from the ‘Cancel Warrant Fund’ through agency #46700 and OSF sends the replacement warrant to the requesting agency
Use the OSF Form 20B "Request for Replacement Affidavit of Lost or Destroyed Warrant"
- o Warrants Canceled by Statute (both Misc. and Payroll) – These are issued from the ‘Cancel Warrant Fund’ through agency #46700 and OSF sends the replacement warrant to the requesting agency
Use the OSF Form 20 "Request for Replacement of a Warrant Canceled by Statute”, or the OSF Form 20A "Request for Replacement of a Missing Warrant Canceled by Statute”
- o Cancellation/Reissue request – These are warrants canceled at the request of the agency, however, a replacement of the warrant is requested. These are reissued against the original voucher and the replacement warrant is delivered **via your normal warrant process from the State Treasurer.**
Use the OSF Form MWC “Request for Miscellaneous Warrant Cancellation”

Replacement of Lost or Destroyed Miscellaneous Warrants

Replacement of lost or destroyed miscellaneous warrants are processed by OSF as an adjustment to the agency’s original voucher and the new warrant is sent directly from the State Treasurer’s office to the agency. This is also the case for warrants re-issued using OSF Form MWC.

Some agencies have expressed a desire to be notified when the replacement warrant is issued so that they know to watch for the warrant. If you would like to be notified that a replacement warrant has been issued by the State Treasurer’s office, submit the original request along with one copy to OSF, Attn: Transaction Processing. Once the replacement warrant has been issued we will return the copy, marked “Processed”, to the agency through normal distribution.

OFMA Quarterly Meeting

The Oklahoma Financial Managers Association held its third quarterly meeting on Tuesday, January 24, at the MetroTech Business Conference Center in Oklahoma City. Over 70 financial managers from across the State attended to learn important updates from the central service agencies. On the agenda were:

- OSF Jennie Pratt, Accounting Manager, and Mark Adkinson, Core Specialist, discussed recent changes in the 1099 reporting requirements and how Peoplesoft will track 1099 reporting. New training will be available very soon for users.
- OPM Tom Pat, Director of Compensation, reviewed the FY 2006 OPM Annual Compensation Report and outlined the discrepancies between private sector and government compensation and that the Biannual Review Board has recommended a 2.5% pay band increase to the Legislature.
- OST Carole Bailey, Banking Director, discussed the new Pay Card as an alternative for employees who are required to receive payroll via direct deposit; and the OST's new contract with Bank of America for credit card processing and fees.
- DCS Betty Cairns, Purchasing Director, discussed legislative needs for the current session. Steve Hager, Deputy Purchasing Director, reviewed the Spend Management Project, and how he hopes to leverage the State's spending power for better prices for all agencies. Tina Balmer, Contracting and Procurement Officer and JoRay McCoy, Chief Auditor discussed the purchase card program and audit issues facing state agencies. The audit schedule is now available on the DCS website, so check to see when your agency will be audited.

The next OFMA meeting will be Thursday, April 6th at 1:30 PM, so mark your calendars.

Authority Order Vendors

Beginning in 2006, the 1099 information will be maintained in PeopleSoft. Thus, OSF has begun running a daily query for vouchers with the AO #0000001100 vendor ID on the Invoice Information page of the voucher and requiring that the vendor ID be changed before payment is made. To prevent having your voucher placed in a recycle status by OSF, when copying information from an authority order, change the vendor number or name to match the invoice vendor. See CORE Training Manual for AP Course P112, Page 16.

PeopleSoft Vendor Information

The OSF VEND Form has been updated

Use the most current version found at: www.ok.gov/coreoklahoma/instr_vend.html. The agency fills out the top part and the vendor fills out the rest, including the signature on the second page. Please do not use this for state employee vendor setup. State employee vendor setup instructions are also on the webpage.

The 1099 designation is located at the top of the OSF VEND Form. It is the agency's responsibility to create this 1099 designation and select the types of transactions (rents, medical, non-employee compensation, etc.) that will be used to pay the vendor. In the past, the 1099 eligibility was realized at the time of the transaction according to object code (account code.) Now, in PeopleSoft, the vendor must have the appropriate 1099 designation before a voucher transaction is made to ensure that it is treated properly.

Every transaction for a 1099 vendor may or may not be 1099 reportable. The agency must understand what the type of payment is and select the proper box (still determined by account code) for reporting or not reporting.

Miscellaneous Vendor Reminders:

- Check if vendor has a number before you send them a form to fill out. The path is: Reporting Tools>Query>Query Viewer>Search by OSF_Vendor_Check.
- Add the 4 digits to the zip code.
- Address 1 will always contain the current 1099 address. Other address will be repositioned if they occupy this space.