

OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES DCAR NEWSLETTER

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

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TABLE OF CONTENTS

PAYROLL	2
Taxable Fringe Benefits	2
Employee Overpayments Collected After Year End	3
Reduction of Annual Leave Hours for Overpayments	4
ACCOUNTING	4
Agency Approving Officer Signature Cards - REMINDER	4
OFFICE OF THE STATE TREASURER	5
Office of the State Treasurer (OST).....	5
Warrant, ACH and Wire Transfer Technical Changes	5
Tax Addenda Records	5
TRAINING	6
Preparing for Year-End and 2013	6
IRS Form 1099 Reporting.....	6
Cost Principles for State and Local Government Training	6
Certified Governmental Financial Manager Training.....	7

PAYROLL

Change in State Share of Oklahoma Law Enforcement Retirement System

The employer contribution rate for the Oklahoma Law Enforcement Retirement System will increase effective Nov. 1, 2012, from 10.0% to 11.0% beginning with any payrolls submitted with a pay period code of M05, B08, or A09.

Deadlines for November Payrolls

OMES policy requires that all payroll transactions and paperwork are filed with OMES 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 Monday, Nov. 12. Thanksgiving is recognized on Thursday, Nov. 22, and Friday, Nov. 23 is also a state holiday. November monthly payrolls will be paid on the last working day of the month, Friday, 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 Friday, Nov. 9. Agencies should have these payrolls processed and paperwork forwarded to OMES by Monday, Nov. 5.

BIWEEKLY:

Higher Ed biweekly payrolls are scheduled to pay on Friday, Nov. 9. Agencies should have these payrolls processed and paperwork forwarded to OMES by Monday, Nov. 5. The next biweekly for Higher Ed will be the week of Thanksgiving and will require early processing based on the actual pay date.

State agency biweekly payrolls are scheduled to pay on Friday Nov. 16. Agencies should have these payrolls processed and paperwork forwarded to OMES by Friday, Nov. 9. The next biweekly for state agencies will be Friday Nov. 30. Agencies should have these payrolls processed and paperwork forwarded to OMES by Monday, Nov. 26.

MONTHLY: Monthly payrolls will be set to pay on Friday, Nov. 30. Agencies should have these payrolls processed and paperwork forwarded to OMES by Monday, Nov. 26.

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 OMES 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 \$0.32 is again taxable to the employee $[(0.32 * 4.2\%) + (0.32 * 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 OMES Human Capital Management Division rules to determine whether these payments are a valid pay plan for a particular agency.

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, 2012, 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 \$1,000.00 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, 2012, the employee owes the agency the full \$1,000.00 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

Agency Approving Officer Signature Cards - REMINDER

Per Oklahoma Statutes, Title 62, Section 34.68, agencies are limited to a maximum of 5 “agency approving officers” for approving expenditures. An OSF Form 13, Signature Card, must be submitted to establish a new agency approving officer. To remove a person as an approving officer, submit a notice to OSF-Transaction Processing, attention Jeannette Pascher. To confirm the cards we show as active for your agency, please contact Jeannette Pascher at (405) 521-6187 or jeannette.pascher@omes.ok.gov.

NOTE: We still have “active” cards on approving officers that we know are no longer with an agency. Please be sure to submit new cards or deletion requests when changes are made.

OFFICE OF THE STATE TREASURER

Office of the State Treasurer (OST)

Warrant, ACH and Wire Transfer Technical Changes

OST continues to work with OMES ISD and consultants to migrate from our COBOL based ACES and ACH applications, to a web based application. The Bottomline WebSeries application will be used to process all payment records including requests for repetitive wire transfers, remote and local printing of warrants and it will also process both debit and credit ach transactions. The previously announced implementation date has been cancelled. Training sessions will be provided for state agency personnel who are entitled to initiate or approve transactions in ACES or will otherwise need to utilize the manual payment entry functionality within the new application. More specific information regarding training and implementation will be provided as soon as it becomes available. Please share this information with your operational and technical staff along with your software vendors and/or processors as applicable.

Tax Addenda Records

- Effective with the implementation of the new system OST will only process electronic tax payments to the IRS with properly formed addenda records as reflected on pages 4 through 5 of the 250 byte file layout. The 250 byte file layout is posted on our website at www.ok.gov/treasurer/Banking/Bottomline_WebSeries_Technical_Changes. If you are unable to provide the information in the specified format you will be able to enter ACH IRS payments manually using the new application. If you are currently submitting IRS payments in a file transmission but cannot continue to do so because of this change please contact Diedra O'Neil, (405) 522-4256 to get setup with the access and entitlements to logon and manually enter these payments using the new application.
- Effective with the implementation of the new system OST will only process electronic tax payments to the Oklahoma Tax Commission (OTC) with properly formed addenda records as reflected on pages 6 through 7 of the 250 byte file layout. The 250 byte file layout is posted on our website at www.ok.gov/treasurer/Banking/Bottomline_WebSeries_Technical_Changes. This addenda format should only be used for employer and royalty withholding payments. ACH payments to the OTC for all other tax types, such as sales tax, must be entered manually using the new application. If you are unable to provide the withholding information in the specified format you will also be able to enter these payments manually using the new application. If you are currently submitting OTC payments in a file transmission but cannot continue to do so because of this change or if you currently send tax types other than employer and royalty withholding payments in a file and need to begin manually entering payments into the new application please contact Diedra O'Neil, (405) 522-4256 to get setup with the access and entitlements and training, as mentioned above, to logon and manually enter these payments using the new application.
- ACH payments to both the IRS and OTC may be submitted in properly formatted addenda records accompanying a 94 byte NACHA standard file format. Many of the fields in these formats are restricted and the corresponding data must meet NACHA and taxing authority specifications. IRS payment instructions are located at www.eftps.gov and for assistance with OTC requirements call (405) 522-0214. Certain discretionary data fields have been reserved by OST for accounting data necessary to record and retrieve information. Agencies who would like

to transmit tax payments via ACH using a NACHA standard file format will need to contact OST in advance to discuss reporting requirements.

If you have any additional questions please check information posted on our website [www.ok.gov/treasurer/Banking/Bottomline Webseries Technical Changes](http://www.ok.gov/treasurer/Banking/Bottomline_Webseries_Technical_Changes). If you do not find the information you require contact Diedra O'Neil, (405) 522-4256, or Susan Nicewander, (405) 522-4214, with questions or concerns.

TRAINING

Upcoming Local Training/CPE

Preparing for Year-End and 2013

Oct. 26, 2012

Presented by the American Payroll Association

Tulsa, OK

Preparing for Year-End and 2013 brings you up to date on the latest changes in legislation and regulations that affect the close of 2012 and the beginning of 2013. 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 <http://www.americanpayroll.org/product/7/60>.

IRS Form 1099 Reporting

Tulsa – Nov. 2, 2012

Oklahoma City – Dec. 4, 2012

Presented by Lorman Education Services

Attending this informative seminar can develop better, more accurate reporting skills and assist agencies with staying in compliance. This seminar is designed for accountants, CFOs, controllers, accounts payable professionals, tax managers, tax preparers, enrolled agents, presidents, vice presidents and bookkeepers. Agenda includes: correct classification (independent contractor vs. employee), legislative updates, issues, reporting requirements, and corrections. For more information, please visit http://www.lorman.com/seminars/?multi_select_topic=ALL&state=OK&x=90&y=17

Cost Principles for State and Local Government Training

The Oklahoma City AGA Chapter is offering training on Nov. 13-14, 2012, regarding Cost Principles for State and Local Government. The cost to attend the training is \$250 and you will earn 16 CPE hours. Some of the topics that will be discussed in the training include hierarchy of rules, selected items of cost, and reasons for developing federal costs principles. Training will be held at the Jim Thorpe Building, OPM Training Center, 2501 N. Lincoln Blvd., Oklahoma City, OK. 73105.

How to register:

Send an email to AGAOKC@cox.net and request a registration form for the Cost Principles for State and Local Government. Complete the form and then either mail or email the form to AGA following the instructions listed below.

Mail your registration form and payment to:

AGA-Oklahoma City Chapter, PO Box 10672, Midwest City, OK 73140

Or

Email your registration to AGAOKC@cox.net

Certified Governmental Financial Manager Training

The certification training set for February 2013 is now full. However, due to high demand for this course, the Oklahoma City Chapter of the Association of Governmental Accountants is offering a second course if there are 20-25 people enrolled.

The second opportunity for this 6-day course will be held in 2013 on Wednesday through Friday, March 6-8 and Monday through Wednesday, March 11-13. The course provides 48 hours of CPE. The cost is \$1,150 for those who sign up before the early-bird deadline. For more information contact Riley Shaul at riley.shaul@omes.ok.gov.
