

**OFFICE OF STATE FINANCE  
DCAR NEWSLETTER**

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## Employee Tax Refunds

Employee payroll tax withholdings are not authorized to be refunded to an employee once withheld from their payroll. Refunds will not be given for those employees who did not submit a W-4 in time for payroll processing. All agencies should have a deadline for employees to submit W-4 changes. The effective date of the new W-4 will be the beginning of the next pay cycle for the employee. This is in compliance with IRS regulations. When the effective date entered is before the beginning of the next pay cycle, the system will recalculate the taxes already withheld for a closed period and this is not authorized by the IRS.

### Correcting W-2's

Corrected W-2 forms must be delivered to OSF by February 20, 2009. Please send the original W-2, a copy of the corrected form, and a letter explaining why the correction is needed. If the correction is due to a statutory canceled warrant which is not to be replaced, please also send a letter asking that the warrant not be replaced. Note: Because a warrant has been canceled by statute is not a reason for such a W-2 correction. If it was a valid payroll payment, the employee is still entitled to a replacement warrant; therefore, the original W-2 is correct.

## Reporting Requirements for Repayments of Prior Year Wage Amounts

Repayments from employees made in the current year (2009) that are for overpayments of wages in a prior year (2008) must be repaid at the gross overpayment amount in accordance with Internal Revenue Service regulations. A Corrected W-2 or a W-2C, as applicable, is required to be completed and sent to OSF. Only Social Security and Medicare wages and taxes are corrected on the Form W-2 or W-2C.

DO NOT correct Federal or State taxable wages or income taxes. The employee received and had use of the funds during the year of overpayment and as such, the amounts are taxable for federal and state purposes. The employee may be entitled to either a deduction or credit on their current year (2009) Form 1040. Please advise them to speak to their tax accountant. Additional instructions for Form W-2 and Form W-2-C are available on the IRS website, [www.irs.gov](http://www.irs.gov). For assistance, contact Lisa Raihl at 521-3258, [lisa.raihl@osf.ok.gov](mailto:lisa.raihl@osf.ok.gov) or Jean Hayes at 522-6300, [jean.hayes@osf.ok.gov](mailto:jean.hayes@osf.ok.gov).

### Employee IRS Forms W-4 and W-5

Agencies are reminded to review and ensure employee's have new valid forms on file for 2009. The exempt Form W-4, Employee's Withholding Allowance Certificate, expires on February 16, 2009, and must be renewed to continue for 2009. If you receive an exempt W-4 after February 16, 2009, do not process a tax refund to the employee or submit one to OSF for processing. The W-4 will take affect on the next pay cycle; it is not retroactive to the beginning of the year.

The Form W-5, Earned Income Credit Advance Payment Certificate, expired on December 31, 2008. A new W-5 must be on file for the employee to receive the advanced earned income credit for 2009. For forms received throughout the year, the W-5 will take affect on the next pay cycle; it is not retroactive to the beginning of the year.

## OSF Form 94P, Request for Overpayment Refunds

Agencies on the State PeopleSoft HCM payroll system are reminded to use the new OSF Form 94P created specifically for PeopleSoft payrolls. The form and instructions are located on our website under DCAR Forms. When submitting the form for processing, please include the detail necessary for the journal entry to be completed. This includes: Account, Fund Type, Class Funding, Department, and Budget Reference. If this information is missing or incomplete, the journal entry will be processed as accurately as possible. If the agency determines after the fact that the entry is incorrect, a correcting journal entry will be required from the agency.

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### Limit Use of Authority Orders

With the exception of p-card payments, OSF recommends limited use of Authority orders that should be only for purchases which the standard vendor order encumbrance process cannot serve. Although authority orders have been used for payment of utilities, telephone services (i.e., regulated services, not purchases), payments to other state agencies, and other acquisitions specifically exempt from the Central Purchasing Act, OSF recommends the use of “vendor” specific orders. Authority orders should **never** be used for mandatory statewide contract purchases, postage, and professional service contracts.

Payments against authority orders cause added work on the accounts payable side of processing as users are required to change the vendor number/ name on the Invoice Information tab to the actual vendor being paid. Also, the account on the voucher must be changed from 601100 to the proper account for the expenditure. All of this would be avoided if the expense had been established on a vendor specific order.

As a reminder, use of authority orders is restricted to individual purchases which do not exceed \$2,500.00 per purchase. This limit is established pursuant to Department of Central Services Administrative Rules OAC 580, specifically, 580:15-6-6. State agency acquisitions: (b) Acquisitions under \$2,500.00. State agencies shall make open market acquisitions not exceeding Two Thousand Five Hundred Dollars (\$2500.00) that are fair and reasonable.

We continue to see cases where multiple ongoing payments are being paid against authority orders. This includes utilities and similar items which should be established as vendor POs with estimated balances since such payments are known well in advance. These orders can then be increased and decreased as necessary.

## **Travel Direct Deposits and Payroll System Bank Account Information**

As OSF implements the direct deposit of employee travel reimbursements, it becomes very important that payroll departments update any new employee's or changes to an existing employee's bank account information in a timely manner.

This is necessary since we use the bank account information from the payroll system to populate the vendor file payment records for processing the travel direct deposits. Employees must be in the vendor file prior to this process.

This excludes Institutions of Higher Education since they are still on the legacy payroll system. For Institutions of Higher Education we are reviewing other procedures for getting the banking information in the system.

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## **Announcing eSupplier**

Certain vendors will soon have access to the PeopleSoft "Electronic Commerce Portal" also sometimes referred to as "eSupplier." Vendors registered with the Department of Central Services, Central Purchasing Division (around 2,000 in number) will have online access to their purchase orders, vouchers and payments. Vendors will be viewing data similar to what is available to most state agency purchasing and payables users.

New to the vendor community with this new application is the ability to bid on solicitations for which they have been invited (accept or decline the bid) and communicate directly with the buyer via email. Additional features include viewing solicitation histories and the ability to access and submit attachments to the buyer.

The training manual for the vendors will contain instructions to contact the OSF Help Desk for navigation, security, or technical issues. The vendor will be instructed to contact the responsible agency for questions regarding the specific data in the solicitations, purchase orders, vouchers, or payments, much as they should be doing now.

As this feature is expanded, it will become more important for our vendors when they begin receiving payments via EFT. The vendor can log in and check their electronic payment status doing away with a phone call to the agency finance office.

The specific information vendors will be able to view and download will be similar to that found by state agency users through the following navigation:

**Purchasing > Purchase Orders > Review PO Information > Activity Summary**

## New Segregation of Duties Statement on OSF Security Forms

The OSF Security forms for user access to the *PeopleSoft* system have been revised to include a segregation of duties statement (below).

### Segregation of Duties

Segregation of duties (SOD) is a key concept of internal accounting controls; however, its real world application can become very difficult, and sometimes costly, to achieve. Conceptually, SOD is simply requiring more than one person to complete different aspects of a transaction, thereby implementing a level of checks and balances upon an organization's activities and employees so that one person does not possess the ability to control all aspects of 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.

As a security principle, the core objective of SOD is the prevention of fraud and unintentional errors. SOD is well recognized in the commercial business world where organizations of various sizes understand not to combine such incompatible roles as receiving customer remittances and approving account write-offs; making deposits and reconciling bank statements; approving employee time cards and having custody of pay checks; etc.

The Oklahoma State Auditor and Inspector's Office (SAI) has performed an evaluation of the various *PeopleSoft* user roles assigned to individuals. The user roles were specifically designed in the *PeopleSoft* system to permit appropriate SOD; however, in many cases, agency management has assigned multiple key roles to individual employees which effectively override the *PeopleSoft* SOD design. In a meeting with SAI, the Office of State Finance has agreed to update the CORE security form with the following statement inserted in the paragraph above the security representative's signature:

“Management has implemented procedures to provide segregation of critical application functionality to prevent or detect errors and irregularities, and acknowledges the risk associated with the lack of segregation of duties.”

The implemented procedures referred to by this statement will encompass alternative measures outside of the *PeopleSoft* roles and responsibilities depending on each agency or organization's size, operating characteristics, and unique business circumstances. In some instances, a redistribution of work assignments (key control functions) may be necessary to eliminate or mitigate incompatible duties. In other instances, a closer monitoring by top management or the organization's governing body may serve as an appropriate mitigating control for a lack of segregation of duties.

## **New “Cash Basis Financial Statement” Available in PeopleSoft**

OSF has created a new report in PeopleSoft that many agencies may find useful. This report is called the “Cash Basis Financial Statement”. It can be run for any period of months beginning with the first of each fiscal year. For what ever period of months is selected the report will also present the previous year’s amounts for the same period of months.

This report can be found under **General Ledger, General Reports, Cash Basis Financial Statement**. After setting a Run Control ID in PeopleSoft, you will need to select the Fiscal Year (2009 or prior), the From Period (0, **this must be zero in order for beginning balances to be included**), the To Period (6, to run through the sixth month), and your Business Unit number.

The expenditures can be presented in summary or detail depending on the button selected on the screen.

Next the screen will display the first 10 Class Fundings for your Business Unit. You can click “View All” to see all Class Fundings for your Business Unit. There are “Select All” and “Un-Select All” buttons available. You may also click any box to “Select” or “Un-Select” any Class Funding to be included in the report.

Summary pages at the end of the report will total the Class Fundings that were “Selected” for inclusion in the report.

Information on this report should tie to corresponding time periods on the Summary of Receipts and Disbursements and Combining Trial Balance (CTB) Report.

### **Completion of the Comprehensive Annual Financial Report for FY-2008**

OSF has completed the State’s Comprehensive Annual Financial Report for fiscal year 2008. We want to thank all State Agencies for their effort and cooperation in providing timely financial information. We also want to thank the staff at DCS Central Printing Services for their outstanding assistance with the production and printing of the CAFR. The CAFR is available online through OSF’s website at <http://www.ok.gov/OSF/documents/cafr08.pdf>.

### **OFMA Meeting – February 5, 2009**

The next quarterly meeting for the Oklahoma Financial Managers Association will be held on Thursday, February 5, 2009 from 1:30 to 4:00 pm in the Concourse Theater, located in the tunnel between the Will Rogers and Sequoyah buildings. The topics are:

Oklahoma’s “Open Book” Website  
Fiscal Update  
Benefit Allowance Calculations  
Documentation Requirements for Property Claims

The seminar is free of charge, however, you must register by February 2, 2009 so that adequate training materials can be ordered. Please register for the OFMA meeting at [www.okfma.com](http://www.okfma.com).