

# OFFICE OF STATE FINANCE

## DCAR NEWSLETTER

Brenda Bolander, State Comptroller  
Steve Funck, Deputy State Comptroller

*Volume 22, Number 9*

*FY-2012*

*March 19, 2012*

The last issue of the DCAR Newsletter, Volume 22, Number 8, was issued on Feb. 10, 2012. The DCAR Newsletter is available on the OSF web page at:

[http://www.ok.gov/OSF/Comptroller/DCAR\\_Newsletters.html](http://www.ok.gov/OSF/Comptroller/DCAR_Newsletters.html).

Accounting: Jennie Pratt	(405) 521-6160	<a href="mailto:jennie.pratt@osf.ok.gov">jennie.pratt@osf.ok.gov</a>
General Ledger: Dan Thomason	(405) 522-4992	<a href="mailto:dan.thomason@osf.ok.gov">dan.thomason@osf.ok.gov</a>
Payroll: Lisa Raihl	(405) 521-3258	<a href="mailto:lisa.raihl@osf.ok.gov">lisa.raihl@osf.ok.gov</a>
Transaction Processing: Steve Wilson	(405) 521-4679	<a href="mailto:steve.wilson@osf.ok.gov">steve.wilson@osf.ok.gov</a>
Payroll Processing: Elsa Kunnel	(405) 521-6178	<a href="mailto:elsa.kunnel@osf.ok.gov">elsa.kunnel@osf.ok.gov</a>
AP Manager: Patricia Garcia	(405) 522-6855	<a href="mailto:patricia.garcia@osf.ok.gov">patricia.garcia@osf.ok.gov</a>
Vendor Maintenance: Julie Dvorak	(405) 522-1749	<a href="mailto:julie.dvorak@osf.ok.gov">julie.dvorak@osf.ok.gov</a>
OSF HelpDesk (PeopleSoft questions)	(405) 521-2444	<a href="mailto:helpdesk@osf.ok.gov">helpdesk@osf.ok.gov</a>
Financial Reporting Unit: Steve Funck	(405) 521-3298	<a href="mailto:steve.funck@osf.ok.gov">steve.funck@osf.ok.gov</a>
ARRA: Steve Funck	(405) 521-3231	<a href="mailto:steve.funck@osf.ok.gov">steve.funck@osf.ok.gov</a>
ABS: Riley Shaull	(405) 521-4775	<a href="mailto:riley.shaull@osf.ok.gov">riley.shaull@osf.ok.gov</a>

## TABLE OF CONTENTS

PAYROLL .....	2
Employee IRS Forms W-4.....	2
HCM Tax Update affecting Oklahoma state income tax withholding .....	2
Tax Treatment of Employer-Provided Cell Phones.....	2
Employees Benefits Council (EBC) Refunds .....	3
ACCOUNTING .....	4
Proposed Changes to OMB Circulars .....	4
State of Oklahoma SWCAP .....	5
OST - Electronic Payment Requirement - Exemption Request for Vendor Payments.....	6
Changes to Vendor Payments .....	6
TRAINING .....	7
Upcoming Local Training/CPE .....	7

# PAYROLL

## **Employee IRS Forms W-4**

The exempt Form W-4, Employee's Withholding Allowance Certificate, expired on Feb. 16, 2012. Employees need to submit a new form to continue the exemptions for 2012. Tax refunds cannot be processed for exempt W-4s received after Feb. 16, 2012. The W-4 will take effect on the next pay cycle; it is not retroactive to the beginning of the year. The PeopleSoft HCM query: GO\_PY\_TAX\_EXEMPT\_STATUS - Fed or State Tax Exemption, can be run by agencies to see who currently is claiming exempt from income tax withholding.

The IRS has posted the 2012 W-4 form on its website: <http://www.irs.gov/pub/irs-pdf/fw4.pdf>

\*\*\*\*\*

## **HCM Tax Update affecting Oklahoma state income tax withholding**

The PeopleSoft HCM system was updated in late January with the 2012 Oklahoma state income tax withholding tables. Employees may have noticed on their February payroll, the net pay amount received was slightly higher than January's net pay. With the tax updates applied, the remaining 2012 payrolls will remain consistent with February's payroll.

\*\*\*\*\*

## **Tax Treatment of Employer-Provided Cell Phones**

IRS Notice 2011-72 provides updated guidance regarding employer-provided cell phones. When a cell phone is provided to an employee primarily for noncompensatory business reasons, the cell phone usage is broken in to two categories - business usage and personal usage.

The IRS will treat the employee's business use of the cell phone (use for reasons related to the employer's trade or business) as a working condition fringe benefit, the value of which is excludable from the employee's income.

In addition, the IRS will treat the value of any personal use of a cell phone that is provided by the employer primarily for noncompensatory business purposes as excludable from the employee's income as a de minimis fringe benefit.

The application of the working condition and de minimis fringe benefit exclusions under this notice apply solely to employer-provided cell phones.

The notice does not address treatment of reimbursements to employees for the business use of personal cell phones.

\*\*\*\*\*

## **Tax Treatment of Employee Cell Phone Reimbursements**

When an employer, for substantial noncompensatory business reasons, requires employees to maintain and use their personal cell phones for business purposes and reimburses employees for the business use, the reimbursements must be reasonable to not result in additional income or wages. The employees' cell phone coverage must be reasonably related to the employer's business needs and the reimbursements must be reasonably calculated so as to not exceed the actual expenses incurred to maintain the cell phone. In addition, the reimbursement must not be a substitute for a portion of employees' regular wages. Noncompensatory business reasons for requiring employees to maintain personal cell phones include the need to contact the employee at all times for work related emergencies, the requirement that the employee be available to speak to clients at all times when the employee is out of the office or outside the normal work schedule. OSF Transaction Processing is developing a personal cell phone reimbursement policy and procedures document to be used by agencies when requesting reimbursement for employee cell phone expenses. More information will follow when the procedures are finalized.

\*\*\*\*\*

## **Employees Benefits Council (EBC) Refunds**

Any refund for EBC benefits improperly withheld from an employee's pay will be processed through the PeopleSoft HCM payroll system. This process will ensure the employee's payroll record is accurate for federal and state tax reporting purposes.

The following procedures have been established by OSF and EBC.

1. The agency must contact the EBC office to request authorization for any benefit refunds.
  - a. Refund requests will be submitted by the agency coordinator to EBC on the Employee Premium Refund Request form.
  - b. This form can be found on the OSF website:  
<http://www.ok.gov/OSF/documents/premrefunds.pdf>
2. EBC will send the form back to the agency after making its determination.
  - a. If disapproved, no refund will be processed by the agency. EBC will provide written notification to the agency stating the reason for disapproval.
  - b. If approved, the agency will process the refund through the HCM payroll system.
3. The agency must contact the OSF HelpDesk and a Core Team member will be assigned to provide the proper procedures for processing the refund.
  - a. The refund will be processed on the next regularly scheduled pay run for the agency; a new pay calendar will not be created to process the refund (EBC refunds take up to six weeks to process and completing on the next regularly scheduled pay run will be within their policy).
  - b. Core assistance with the procedures will ensure the refund is correctly input and amounts properly post to either the employee or to the agency.
  - c. Any amount due to the employee will be taxed appropriately, and the employee will receive the net amount.

4. Any agency issuing refunds without prior approval will be at risk of having issued an improper refund for which the agency must reimburse EBC through a miscellaneous voucher. Also, the agency would be liable to OSF for any additional taxes on the amount paid to the employee.

For any questions regarding these policies or procedures, please contact Lisa Raihl at (405) 521-3258, [lisa.raihl@osf.ok.gov](mailto:lisa.raihl@osf.ok.gov) or Jean Hayes at (405) 522-6300, [jean.hayes@osf.ok.gov](mailto:jean.hayes@osf.ok.gov).

\*\*\*\*\*

## ACCOUNTING

### **Proposed Changes to OMB Circulars**

As a result of the Federal Office of Management and Budget's (OMB) continuing efforts to reduce administrative burden and streamline grants management processes, OMB has released a document containing sweeping ideas to modify OMB Circulars dealing with Single Audits, cost principles and other aspects of federal financial assistance. Since last year OMB has worked with various State and Federal partners in soliciting feedback and addressing concerns related to these issues. The Office of State Finance has been an active participant in these discussions through a Federal working group to address these ideas. The OMB document incorporates ideas and/or suggestions proposed by this working group. Highlights of the proposed changes include:

#### Reforms to Single Audit Requirements

- Increasing the Single Audit threshold from \$500,000 to \$1,000,000
- Establishing a more focused (reduced) version of the Single Audit for entities with expenditures between \$1,000,000 and \$3,000,000
- Requiring a "full" Single Audit for entities with expenditures of more than \$3,000,000
- Streamlining the universal compliance requirements of A-133 to focus on proper stewardship of Federal funds
- Strengthening the guidance on audit follow-up for Federal awarding agencies
- Reducing burden on pass-through entities and sub-recipients by ensuring across-agency coordination
- Reducing burdens on pass-through entities and sub-recipients from audit follow-up

#### Reforms to Cost Principles

- Consolidating the cost principles into a single document, with limited variations by type of entity
- Using flat rates instead of negotiated rates for indirect ("facilities and administrative") costs
- Exploring alternatives to time and effort reporting requirements for salaries and wages
- Expanding application of the Utility Cost Adjustment for research to more higher education institutions
- Charging directly allocable administrative support as a direct cost
- Including the cost of certain computing devices as allowable direct cost supplies
- Clarifying the threshold for an allowable maximum residual inventory of unused supplies
- Eliminating requirements to conduct studies of cost reasonableness for large research facilities
- Eliminating restrictions on use of indirect costs recovered for depreciation or use allowances

- Eliminating requirements to conduct a lease-purchase analysis for interest costs and to provide notice before relocating federally sponsored activities from a debt-financed facility
- Eliminate requirements that printed “help-wanted” advertising comply with particular specifications
- Allowing for the budgeting for contingency funds for certain awards
- Requesting that the Cost Accounting Standards Board (CASB) consider increasing the minimum threshold for disclosure statements
- Allowing for excess or idle capacity for certain facilities, in anticipation of usage increases
- Allowing costs for efforts to collect improper payment recoveries
- Specifying that gains and/or losses due to speculative financing arrangements are unallowable
- Providing non-profit organizations an example of the Certificate of Indirect Costs
- Providing non-profit organizations with an example of indirect cost proposal documentation requirements

#### Reforms to Administrative Requirements

- Creating a consolidated, uniform set of administrative requirements
- Requiring pre-award consideration of each proposal’s merit and each applicant’s financial risk
- Requiring agencies to provide 90-day notice of funding opportunities
- Providing a standard format for announcements of funding opportunities
- Reiterating that information collections are subject to Paperwork Reduction Act approval

OMB is seeking public comment on the ideas addressed in this notice. In a collaborative effort with NASACT (The National Association of State Auditors, Comptrollers, and Treasurers), the Office of State Finance will be submitting comments and/or suggestion for these proposals.

The deadline to submit comments and/or suggestions to OMB was Thursday, March 29, 2012, but will be extended by 30 days, pending change through the Federal Register.

If you would like to review the detailed Federal Register Notice, it can be viewed at <http://www.gpo.gov/fdsys/pkg/FR-2012-02-28/html/2012-4521.htm>

If you have any questions please contact Rochelle Quillman at (405) 521-4947.

\*\*\*\*\*

### **State of Oklahoma SWCAP**

The State of Oklahoma SWCAP has been approved for use in calculating federal reimbursements of indirect costs for the fiscal year ending June 30, 2012, by DHHS, Division of Cost Allocation. Agencies will use this information for claiming reimbursement of indirect costs or as matching costs, as allowed by your federal grants for fiscal year 2012. The plan will be sent to agencies via the email address provided to the Office of State Finance. Should you not receive an email by March 30, please notify Rochelle Quillman at [rochelle.quillman@osf.ok.gov](mailto:rochelle.quillman@osf.ok.gov).

\*\*\*\*\*

## **OST - Electronic Payment Requirement - Exemption Request for Vendor Payments**

As stated in the Feb. 10 DCAR Newsletter, House Bill 1086 requires that beginning July 1 funds disbursed from the State Treasury must be sent electronically. The Office of the State Treasurer (OST) has already received and processed several exemption requests and wants to make sure agencies consider all of their payment sources when completing and filing their requests for exemption. If any payments to vendors initiated through CORE are not setup to be processed as electronic payments (with banking information) by July 1, agencies must submit an exemption request for these payments citing banking data limitations.

The efforts by many state agencies to encourage vendors to enroll for electronic payment and the completion of the online electronic payment registration process via the vendor portal will facilitate the setup for a number of these vendors, but exemption requests should still be completed if you expect to have any vendor receiving warrants on July 1.

If you have questions regarding the request for exemption process, please send them to [Electronic.Payment.Exemption@treasurer.ok.gov](mailto:Electronic.Payment.Exemption@treasurer.ok.gov). The Exemption Request Form can be obtained from the OST website under Banking.

\*\*\*\*\*

## **Changes to Vendor Payments**

House Bill 1086, passed in May 2011, requires that “Payments disbursed from the State Treasury shall be conveyed solely through an electronic payment mechanism.”

There are a number of vendors already set up for electronic payment, but the majority is not. To comply with the law, the state will begin collecting banking data from its existing vendors through an online system with ok.gov. To initiate this online process, OSF will notify vendors via email, using the email addresses that are currently in the vendor records.

For non-higher education agencies, there were over 42,000 unique vendor numbers paid last year, but only about 17,000 of those have email addresses in the PeopleSoft vendor file setid “00000”. Therefore, we need every agency to assist us in collecting the email addresses for the active payees.

E-mail and banking data for existing vendors in the “00000” PeopleSoft vendor file will be collected as follows:

- All agencies using vendor file “00000” will notify vendors of the electronic payment requirement and request email addresses by including a printed form with warrants that are mailed, effective April 1st. Please use the “Notice” provided below.
- The vendor identifies an authorized vendor representative. This vendor representative must be someone that will receive instructions regarding bank account information and other procedures necessary to effect the electronic payments directly to the vendor’s bank account.
- The vendor representative submits his or her email address and other pertinent data (see the “Notice” below) to [Vendor.EFT@osf.ok.gov](mailto:Vendor.EFT@osf.ok.gov)
- Beginning April 30, OSF sends the vendor representative the instructions and a link to the vendor portal website on ok.gov

- The vendor representative follows the instructions to enter banking data. (Vendor may also register for bid notification for various types of commodities on this same site, but it is not required for electronic payment.)

If you have questions about this process please contact the OSF Helpdesk.

Please include the following notice with your paper warrants beginning April 1, 2012. We must have the PeopleSoft Vendor Number, so please add it to the notice before it's sending to the vendor.

**Notice to Persons and Companies Receiving Payments from the State of Oklahoma**

House Bill 1086, passed in May 2011, requires that "Payments disbursed from the State Treasury shall be conveyed solely through an electronic payment mechanism."

The State of Oklahoma is converting to electronic payments and is requesting persons and companies to update our records through an online portal with payee banking information that is necessary to receive electronic payments. Payees will be sent the specific instructions via email. Please email the following information to the Office of State Finance at [Vendor.EFT@osf.ok.gov](mailto:Vendor.EFT@osf.ok.gov)

- Oklahoma Vendor Number (provided by the state agency):
- Vendor Name (Legal Name on file with the IRS):
- Payment Address (include 9-digit zip code):
- Contact Name (authorized representative\*):
- Contact email address:

Thank you for your cooperation.  
 Oklahoma Office of State Finance and  
 Oklahoma Office of State Treasurer

\*The vendor representative must be someone that is authorized to receive instructions to access the State online portal to enter bank account information and other procedures necessary to effect electronic payments from the State directly to the vendor's bank account.

\*\*\*\*\*

## TRAINING

### Upcoming Local Training/CPE

The next HCM Forum Training will be held on Tuesday, April 10, with two sessions offered at 9-11 a.m. and 1-3p.m. Details and agenda will be sent out a week prior to the training via the OSF HelpDesk and GoGov Notification system. To sign up for notifications, please follow the link: <http://www.ok.gov/triton/modules/oknotify/index.php?id=65> and sign up for the notification groups you wish to join.

\*\*\*\*\*