

Institutions of Higher Education – Separation Project

August 19, 2015 Session – Additional Files & Processing

Script Highlights

Opening

[Lisa Raihl]

Before we begin this week's session, I'd like to just go over a few items from the last session. The first is regarding tax payments, reporting, and filing of employee and vendor information. OMES will no longer be doing this on behalf of the institutions. Because you are going to be independent employers, you will be responsible for these tasks yourselves. The most common taxes are the 941 employment taxes, 945 taxes for retirees and backup withholding on vendors, 1042 taxes for foreign nationals, and state income and unemployment taxes. The reporting requirements that go along with the taxes, includes the employee forms and the forms and files that go to the IRS, the Social Security Administration and the state entities. This is not an all-inclusive list, some institutions may not have all of these and others may have more. You should have a good idea based on prior year's reports and interactions with us at year end.

Also, just a reminder, the payroll claim document required to be sent to us is something you will have to generate internally and send to Transaction Processing along with the Validate PFT Funding Report. The updated format required for the payroll claim document will soon be posted on the website. We'll send out notification once this has been completed.

And lastly, the PFT files. Our EBS team, mainly Lucille, will no longer create and run the manual PFT files for institutions. This type of PFT file is created when there's a reversal of funds needed or a correction to prior funding. We can provide the file layout in the Excel format so you can create the PFT and then load it directly from your desktop.

Again, our goal is to provide you with the information needed for you to begin processing and reporting as separate employers. By having these sessions, we are able to communicate to you the data requirements of the State, the file formats, and keep you up to date on our progress. We are also able to provide you general reporting requirements to federal and state entities. You will be responsible for determining your own operational needs, projects, and specific reporting requirements.

(Slide 1)

The topics for today's session have changed to include information related to the Federal Employer Identification Number (FEIN) change and business processes affected along with items that were going to be discussed in September. Since some of the September topics relate to today's, we thought

keeping it all together would be best. After today's session, I think you will have the file layouts you need with the exception of ACA reporting. That information will come at a later session.

Originally today, we were going to discuss OpenBooks reporting and the direct deposit extract. We've added the OST banking system segment and the federal tax payment processing segment.

(Slide 2)

We've had a few questions related to business processing changes that we'd like to address. I'll state the question and then continue with the answer.

Q: How far-reaching is changing our FEIN going to go? At one point we heard that we needed to notify all of our vendors of our new FEIN effective 1/1/16. However, if the state continues to process our accounts payable checks, how is that going to work?

You must notify anyone that pays you money of the change in the FEIN. The IRS Form W-9 is used by persons required to file information returns with the IRS to get the payee's name and Taxpayer Identification Number (TIN). Because your FEIN (TIN) is changing, you must let them know (so anyone that pays you money must be notified). You must also notify anyone you have provided the State's FEIN to previously. This will also include grant applications, Medicaid, and any other federal or state entities you're doing business with.

For accounts payable processing that will continue to be processed by OMES, there is no change. You will continue to get *their* reporting information in order to make payment to *them*.

Q: Should we get new check stock that only says 'XYZ College' and not 'State of Oklahoma'?

No, check stock should not be changed. Payments will still run through the State and be paid from the State Treasurer's Office. This includes all funds (700, etc.); the checks will all include 'State of Oklahoma'. Additionally, no outside bank accounts are authorized, this too hasn't changed.

Q: I am assuming we will have to process our own 1099's but will that be from our own system or will the state process them with our FEIN?

You will process your own 1099's from you own system with your new FEIN. We are only facilitating the payment based on statutory requirements.

Q: I am assuming we will need to pay our sales taxes for the bookstore, etc. under the new FEIN and we will need a tax exemption letter also?

Each institution will need to contact the OTC for a tax exemption under their individual FEINs. Exemption from sales taxes is made under state law rather than Federal law. Your internal legal or tax counsel should be able to assist with this.

Government entities are frequently asked to provide a tax-exempt number or 'determination' letter to prove its status as a 'tax-exempt' or charitable entity. There are two options provided by the IRS:

A government entity can request a letter ruling to receive a determination of status as a political subdivision. There is a fee associated with obtaining the letter ruling. OR,

As a special service to government entities, the IRS will issue a 'governmental information letter' free of charge. The letter describes the government entity exemption from Federal income tax and cites applicable Internal Revenue Code sections. Most organizations and individuals will accept the governmental information letter as the substantiation they need. At the end of the PowerPoint presentation, I will provide the contact information for obtaining either.

Q: I know we need to do a Business Registration with the state to get our 'WTH' number for our state tax withholding, but should I also include sales tax in the registration?

We don't work with sales tax so institutions should really contact the OTC directly to receive guidance. It makes sense that because you are discontinuing business under the State's FEIN, you should have to return the permit card and request a new permit card with your new individual FEIN. I will have contact information at the end of the presentation.

Oklahoma Tax Commission Offices (800)522-8165

Oklahoma City (405) 521-3160

Tulsa (918) 581-2399

Q: What about payments to employees for reimbursements, can this be by direct deposit?

We are still exploring the options and best method for employee reimbursements. Since the vendor file and the OST banking system are not connected, we are looking at how employee reimbursements can possibly be done by EFT. Once we have more information, we will let you know.

Q: Also, are there other questions/items that you all can think of that we should try to address?

Yes, there are a few items we've thought of:

Vendor Maintenance will need to know your new FEIN to change on the vendor records. The W-9 can be provided directly to Victoria Baker by scanning and emailing her at: Victoria.baker@omes.ok.gov. Victoria's direct phone line is 405-522-3093 if you have any questions.

OST needs to know the new FEINs for both sales tax payments to the OTC and for federal tax payments in ACES. Also, new sales tax or other permit numbers are need by OST for amounts paid through ACES. Please provide this new information by emailing: BankingOperations@treasurer.ok.gov.

We've also let the OTC know of the employer status change effective January 2016 for higher ed. We currently pay via interagency wire and send an email once the payment has been scheduled. Since direct

debits from the State Treasurer Fund are not allowed, we've asked them how the institutions will be able to make employee income tax withholding payments. I've received a contact back stating there are options on how this can be paid. Please contact Michelle Harrison, Deputy Director of Banking Services at the OTC. Her email is mharrison@tax.ok.gov.

There are a few items you should look into doing:

Getting set up with the IRS TIN Matching program.

Getting set up in the IRS FIRE system and getting Transmitter Control Codes (TCC) codes for submitting files to the IRS.

Getting set up with the Social Security Administration's Business Services Online for submitting W-2 files.

Websites will be listed at the end of the presentation for all three programs.

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OpenBooks reporting of payroll data - Since we will no longer have salary information in our system, you will need to submit OpenBooks data after month end. So for January 2016 payrolls, you will create and submit the file in February 2016. The file layout is on the screen and it has been published on our website along with an example. The fields are pretty much self-explanatory but I will touch on a couple of them:

Job code, which is in 111 -117. This must be a valid OMES job code. If you need to know a job code, contact the OMES HCM division, classification and compensation department at 405-521-2177 and they will assist you.

The field Hours, in 119-123. This must be an employee's accurate hours; you can't just put '1' or '0'. The hours reported here will also be used for FTE reporting along with the pay frequency in field position 185.

Object Code, in 151-154. Most of you are familiar with this; it is the account code without the first or last digits. For example, the Salaries-Regular Pay account code is 511110 so the object code is 1111. We previously published a list of account codes currently reportable for OpenBooks along with a list of our earnings codes that use those accounts. This information is available on the designated area of the website. The document is called 'OpenBooks Info'. It is an Excel file with two tabs, one with the account codes and the other listing our earnings codes using those account codes.

The next field to touch on is Job Description, in 155-184. This is the employee's job description for the payment made.

Hire Date, in 194-201, the date the employee was hired by the institution.

(Slide 4)

Here is an example of the file. This is not shown at true size; it has been scaled down to fit the PowerPoint slide. The example published on the website is a true example of a file with the correct layout.

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Once you've created the file, you will need to submit it for inclusion on the OpenBooks website. The file will be loaded through the PeopleSoft HCM system. This must be completed by the fifth business day of the following month. The deadline is needed so that we can then post all information to OpenBooks.

You will login and then Navigate to OK Custom Reports/Processes > Agency Processes > Legacy Alpha List (0235)

You will create a run control. The file type will be your agency number; you can enter it or select it from the drop down list. The end date is the last day of the month for the data being reported. Select the 'Attach' button, a new screen will appear that will allow you to Browse and then upload the file. Once the information is entered on the run control, select the 'Run' button to submit the job.

You may reload a file as needed. The process will delete any existing information for the agency/end date indicated on the run control. This means that if you want to resubmit information, you have to resubmit the entire file – not just the changes.

We are currently in the process of adding this to the menu so it is not yet available. We will send out a notification when it is. Remember though, you won't begin submitting files until February 2016 for January 2016 payrolls.

(Slide 6)

Data from Accounts Payable will still be getting to OpenBooks in the same manner as it is now. Since we don't have to change any of our processing to accommodate this, the process will remain the same.

(Slide 7)

Questions over OpenBooks reporting?

(Slide 8)

I'm going to turn the floor over to the Treasurer's Office to discuss the direct deposit extract file layout and then we'll show an example of the file and discuss the submission for load into the OST banking system. We have Diedra O'Neil and Sunja Ashworth for this segment.

[Diedra O'Neil] The Direct Deposit Extract file can be downloaded from PeopleSoft. The data contained within can be used in a couple of different ways: for agencies who plan on using the OST system to store your employee direct deposit information the data in this file can be updated and 'cleaned' then loaded into the OST system using this format prior to sending your first 500 Misc file, thus allowing agencies to send E type entries in their 500 Misc file from day one. For agencies who intend to house employee banking data in their own systems and do not already have that information the file can be used to load into your internal systems.

Let's move right into the layout: Fields 1-3 are used by the OST system to find your agency in our database. Field 1, positions 1 through 4 the Corporation number is a literal value and should always be populated as zero, zero, zero, seven. Field 2 is reserved for the application number, positions 5 through 8 are also literal values, this field will contain zero, zero, one, zero. Field three is reserved for the class code; this should be populated with your three digit agency number. It is important that this corresponds with the Originating Agency Number field sent in positions 262-264 of the 500 misc file if you intend to use the OST database for banking data storage.

Field four is the participant id. When you initially download this file from PeopleSoft this field will contain the Higher Ed Employee ID. You will notice that we have reserved 15 positions for this value as it corresponds to the Participant ID in the 500 misc file. Prior to loading the data in the OST system agencies should verify that the information from PeopleSoft and present in positions 12-26 contain their internal employee id number. The field should be left justified with spaces at the right. Leading zeros should not be used for numeric values. Only uppercase letters should be used. This is another field used to query the banking data in the OST system.

Field number five, positions 27-48, is reserved for the participant or employee's name. The field is left justified with spaces on the right. When letters are used they should only be uppercase. Field 6 is the transactions begin date. When you download the file from PeopleSoft this will contain the effective date of the direct deposit. Field number 7 is the transaction end date. If direct deposit has stopped for an employee this will contain the date the direct deposit ended, otherwise positions 57-64 will be contain the date of January 1, 2050 in year, year, year, year, month, month, day, day format or two, zero, five, zero, zero, one, zero, one. Field 8 contains the participant stop cycle, if the employee's direct deposit is inactive this field will be populated as nine, nine. Otherwise positions 65-66 will contain zero, zero indicating an active direct deposit record.

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Field 9 of the layout is reserved for the Participant Stop Reason, if the record is still active positions 67-68 will be populated with spaces, however if the direct deposit for this employees is no longer active the position will contain the letters, A, R.

I just want to point out that the PeopleSoft extract will provide direct deposit records for any employee who has had payroll processed by your agency that system, however, inactive records do NOT need to be loaded to OST. If you wish remove records from the extract that have a Participant Stop Cycle of 99 in positions 65-66 prior to uploading to OST you are welcomed and encouraged to do so.

The bank routing number is stored in positions 69-77. Routing numbers are always nine positions, if the routing number begins with a zero or zeros these will and should be included. Positions 78-94 are reserved for the bank account number; this value is left justified with spaces on the right. If the account number contains leading zeros, **they will not be dropped them.** Position 95 is used to signify whether the account is a savings or checking. If the employee is using a checking account, a value of C will be present in position 95, if the employee is receiving their payroll to a savings accounts, a value of S will be present in position 95.

As we discussed, this extract from PeopleSoft can ultimately be loaded into OST's database to populate participant banking data. This OST load was developed for use for a variety of payment types. For the purpose of higher education payroll, position 96 should always be populated with a C signifying that we will be crediting the employee's account. Field number 14 is 11 positions and for the purpose of higher education payroll should be populated with all zeros. The remaining positions, 108-200 are filler and should be space filled.

I'm going to turn the presentation back over to Lisa who will provide an example of the file and discuss the process for extracting and submission for load into the OST banking system.

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[Lisa Raihl] To run the extract process in HCM, the navigation is: OK Custom Reports/Processes > Higher Ed Processes > EFT Extract Load for HE (0684). You will enter your 3 digit agency number and select run. Once you have the file, you can review the results and make any needed changes in the HCM system. This process can be run multiple times until the data is cleaned up.

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Here is an example of the direct deposit extract file. This is the layout of the file when you run the process in HCM and it's the same file layout for when you submit the file to us if employee banking information is going to be loaded into OST's banking system. If you are going to maintain the banking information in your system, this file does not need to be submitted to us.

To submit the file to us, you will use the current FTP process to place the file on the USS secure server (just like you are FTPing payroll files today). Once it's there, we will need to be notified so that the file can be loaded to the OST banking system. When your file is ready to be loaded, you will contact Janice

Halley directly by email. Her email address is janice.halley@omes.ok.gov. You will need to provide the file name and date transferred in the email.

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Questions over the direct deposit extract file or the process?

I'm going to turn the floor back over to Diedra O'Neil. She will be discussing the next segment which is the OST banking system. She will then move on to scheduling federal tax deposits in the ACES payment system. After that, I will discuss the general ledger entry and what needs to be sent to OMES in order to complete the processing.

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[Diedra O'Neil] Detailed procedures will be provided as we get closer to getting agencies setup with this access, but I wanted to show you the main screen that is used for maintaining employee banking data, what is done to setup an employee and just overall how simple the process is.

This is what the screen would look like if we were entering banking data for an employee at Redlands Community College. We have a Corporation No of 0007, Application of 0010 and a Class code of 241. We are just going to go through the process of entering a new employee in the system. In order to add a new record in the Treasurer's System you click the green plus sign, you can see I inserted an arrow with the number '1' by the Insert Record icon.

The only fields that need to be completed on this screen are in yellow. All of the fields shaded in blue will automatically populate by the system after the record is saved. I have inserted numbers in each field that you will complete so I can more easily point them out as we move through completing the form: Field number 1 is the Part Key, this will be your unique employee id number established by your agency. The field can only be 15 positions. Field number 2 is the participant name. This field can be up to 22 characters and should be completed with the employee's name. Field three will not be used for new employees or setups. If you have an employee that you are removing from direct deposit you would add a 99 to the Part Stop Cycle and this would prevent OST from using the information on the record. Field number four should also not be used for new or active employees. This is the part stop reason. If you do enter a 99 in field three you would need to include a reason in this field. Valid reasons include: PR - participant requested the stop, AR - agency requested the stop or EX - the end date expired. Field number 5 is the Tran Begin Date and should be populated with the current date in month, month, day, day, year, year format. Field number 5 is the trans end date, we generally do not set an end date for payroll, the employee would just stop receiving payroll upon termination. As a result I recommend entering zero, one, zero, one, five, zero in this field, making the expiration date January 1, 2050.

Now we will move down to the banking information section of the form. Field 7 is the transit routing number, you will enter the nine digit routing number for the employee's direct deposit record in this field. Our system does a validation on this field and will not allow you to enter or move forward with an

invalid routing number. Field number 8 is the bank account number. You should enter the employee's account number in this field. The last field, field 9, is the ACH transaction code. If the employee is using a checking account a 22 should be entered in this field- signifying a checking credit, if the employee is using a savings account you should use a 32 in this field- signifying a savings credit. After all of the information has been completed and verified for correctness you click on the little yellow diskette in the upper left hand corner. I have a red arrow with a number two pointing out this icon. This will save the record. Once the record is saved an E type payment can be sent in the 500 MISC file as early as the next business day and the banking data will be queried from the record you entered.

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Changes to banking data are just as simple. You can bring up an existing record by entering the employee's identification number in the part key field and clicking the execute query button. I've denote this button with red number 1 arrow.

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I have brought up my record in the OST system and in the example I work for Redlands Community College. As you can see my current bank direct deposit account is at BancFirst. If there needed to be an update to my bank account number only, meaning I still bank at BancFirst my HR or Payroll representative would simply type over the current bank account number. As you can see I have masked this data. Once the new bank account number is entered you simply click the yellow diskette to save.

For new accounts at another bank the new routing number, account number and transaction code will need to be entered on the next line in fields 1-3. Once the information has been updated the user should click the yellow diskette to save.

One other thing I want to point out before we move forward is that you can see transaction history for each employee at the bottom of their record. You will be able to see all payrolls, beginning January 1, 2016 that were run using this id for the past seven years in the transaction history section.

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These are the user access forms to complete in order to get access to manually key information in the treasurer's agency system. The online user access form should indicate that you need to add access to EFT Participant Enrollment. On the second form, attachment G, you will enter corporation number 0007, application number 0010 and your agency number as the class. If you are being setup to enter banking data you will enter 'Yes' in the Column for Add, Update and Delete Participants. Your agency's CFO must approve this access. The completed forms can be returned to my attention and we will complete your setups. The forms are available on the OST website, the link is at the bottom of the slide.

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Are there any questions related to banking data entry in the OST system?

(Slide 18)

We're going to move into Federal Tax Payments. The only portion of this that I will cover is the entry in to the Treasurer's Agency System, and then I will hand things back to Lisa who will cover the general ledger entry and OMES/OST review. As with the banking data entry, detailed procedures will be made available when we get further along in the process, however, we wanted to review the basics on payment entry with you.

The first slide is what you will see when you select the ACES main menu option from the Treasurer's Agency System. The only difference between the screen I am showing you and the actual screen you will see is that you will not have access to the schedule check processing option. This function will be grayed out as OST will be the only group that can schedule payment on the 789 account and this will only occur once we have received confirmation of your journal entry, which Lisa will expand upon. From this screen you will click on the Check Detail Maintenance button.

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This is the screen that will be used to enter tax payments. The warrant number will be defined by your office. The warrant number can be up to nine digits and cannot have been used in the last 120 days by your agency on your 789 account. This means warrant numbers used for federal tax payment cannot be the same as warrant numbers used for payrolls submitted on the 789 account in a 120 day period.

The effective date is the date the IRS will receive the payment in month, month, day, day, year, year format. This must be a valid effective date in the future. Payment cannot be effective on holidays or weekends. The class id for all federal tax payments will be IRS. The next field is the amount. In this field you will enter the amount of your tax liability or payment to the IRS. In the name field you should enter US Treasury. The address, city, state, zip and claim number do not need to be completed. You can enter additional details in the description field for your records, however information entered in the description field will not be included with the payment. The Pay Type for federal tax payment should always be 'E'. The part id will be your FEI number.

Lastly, you will enter the details related to the tax payment. The five digit tax type that you are paying belongs in the tax type field. The IRS has a list of valid tax types in the publication linked at the bottom of the screen. The next field is the period end date. This should be entered in month, month, day, day, year, year format. The period end date corresponds to the reporting period. For example, if you are paying 941 taxes for the first quarter of 2016, the period end date would be zero, three, three, one, one, six. (033116). If you are paying multiple tax types, you will enter those types and the amounts that you are paying in subsequent fields. Once you have completed the screen you will click the yellow diskette in the upper left-hand corner to save the payment.

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The next slide shows the users access forms that need to be completed in order to enter federal tax payments in the Treasurer's Agency System. The online user access form should indicate you need to add access to ACES or the agency check entering system. On attachment A, you should indicate you need access to AC21, Add, update and delete account details. In the agency account access system, you will enter your 789 account number. Your agency's CFO must approve this access. The completed forms can be returned to my attention and we will complete your setups. The forms are available on the OST website, the link is at the bottom of the slide.

I'm going to turn things over to Lisa who will detail the remainder of the tax payment process and then we will answer any questions you may have.

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[Lisa Raihl] Alright, so after you have entered the federal tax payment in ACES, you will need to create the journal entry in the PeopleSoft General Ledger system to record the payment. This must be completed no later than 10 am the day before the tax payment is due. The GL and ACES entries both can be made several days in advance of the deadline. While the ACES payment can be scheduled to pay on the appropriate day (future dated entry), the GL journal entry will be edited and posted on the day OMES is notified. For example, say you entered both the ACES payment and GL entry on Monday and send us the information. The effective date of the payment in ACES is Friday and the payment will go for Friday but the journal entry will be posted on Monday, when we were notified.

Details for the journal entry: The journal entry must be in balance and saved. E-mail notification including the agency number, journal ID, and screen shot of the ACES payment screen will be sent to DCAR Accounting and will be addressed to an e-mail group that will be monitored by the all members of that group (the specific e-mail address will be determined and published at a later date).

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Entries will be reviewed to insure institutions are using the proper account, class, fund, department, program code, and bud ref. The entry amount must match to the ACES payment screen amount. If they are not in agreement, the entry will not be posted or released to OST and the institution will be notified. If proper accounting is included, the entry will be edited and posted. Alternate contact information should be provided in case the entry fails to post. By 10:45 am each day an e-mail will be sent to OST including the agencies and amounts posted. Once OST receives this email, they will verify the dollar amounts match the payments entered in ACES and will release the payments for processing.

If the ACES entry dollar amount is not in agreement with the GL journal entry dollar amount the payment will not be scheduled or released and you will be notified.

As discussed at during a previous session, you might want to come up with a practice of reviewing outstanding ACES entries to ensure they get timely scheduled or were released the business day before

the tax payment was due. ACES entries must be fully processed no later than 11 am the business day before the tax payment is due in order to pay timely. If the ACES entry is not scheduled or released by 1 pm the business day before the tax payment is due, you should contact OST immediately.

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This slide shows an example of how you can organize your tax payments on paper. Once you have calculated the liability amount, you can enter the specific amounts in the top area 'Liability Amount' breaking it out by type of tax (employee, employer) and specific accounts. The next section, 'OST – ACES' has the detail needed for the entry into the ACES system. This allows you to have the warrant number and other information at hand before getting into the system to enter the payment. The last section 'Journal Entry' has the details needed to enter the journal entry into PS General Ledger. Notice too that each section has an area where the person completing that task can sign and date. If several employees or areas within the institution are performing these tasks, it will be easy to see who did what and when. Like I said this is just an example, you will need to determine for your own business processing what works for you and what you will need. If anyone would like a copy of the example, we can post it to the website, just please let us know.

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Training will be provided for journal entry creation. Some of you may have employees that already have access to create the journal entry while others may determine this task needs to be completed by someone else. We will send out notification when training will be available. We expect the training to take place in early November.

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Questions over ACES or GL processing for federal tax payments?

(Slide 26)

At the beginning, I said we'd have some contact information for business processing changes. Listed here is information for getting a governmental information letter, the Oklahoma Tax Commission, the IRS TIN Matching system, the IRS FIRE system, and the Social Security Administrations BSO (Business services online) system.

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Closing

And lastly, in closing, we've included again the subscription link to sign up for notifications along with the link to the website area where all published information is located.

Please email any questions to Melody Wright or Linda Bove, their email addresses are listed.