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Accounting Insights

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Director's Message
By: Kristopher Knight

Welcome to another edition of Accounting Insights, with this issue we celebrate the one year anniversary of the Division of Accounting's newsletter.

In this edition, see the articles on PFA table archiving, IRS worker misclassification, meet the FSF Billing, Accounts Receivable and Cash Management Team.

Are you responsible for Grants? Check out the new workflow process that is being tested with organizations! Last but not least we have our K12 Korner and Famous Accountants and Fun Facts.

Hope to see all of our Payroll Professionals at the Inaugural Payroll Forum on November 12, 2013.

Payroll Funding Adjustment (PFA) Table Archiving

The Payroll Funding Adjustment (PFA) Process provides a mechanism for State of Delaware Organizations to adjust Payroll expense distribution. PFAs allow Organizations to redistribute Payroll charges that arise from coding errors, retroactive funding, funding shortfalls and other business practices. Payroll funding adjustments are made at the paycheck level, associated with a single individual. However, the funding of many employees can be redistributed in one PFA worksheet with relatively little keying because GL Account redistribution is processed automatically.

Original payroll expense data is loaded to a table so it can be accessed for PFA adjustments. Additionally, PFA data is housed on several other background tables. These tables have grown quite large and this can affect PFA processing performance. Therefore, it is necessary to archive the data on the tables. Archiving means that a portion of the data will be copied to a history table and deleted from the original tables. PFA data for Fiscal Years 2011 and 2012 will be archived in January 2014. In anticipation of this archival process, Organizations must keep PFAs current and complete all processing of fiscal year 2011 and 2012 payroll by December 31, 2013. Once the payroll data on the PFA tables is archived, it can no longer be accessed for adjustments. This includes PFA recoding of FY11 and FY12 payroll expenses to and from grants with begin dates before July 1, 2012 that are still active.

Distinct reports will be run to assure that archived data can still be viewed for audit purposes. FSF will run the Payroll Funding Report and load it to Document Direct for each department for each archived fiscal year. In addition, several new reports were created so users will have access to complete fiscal year data of PFA transactions and payroll data in summary form for the archived fiscal years. These reports will be available in Document Direct in January. The new reports will also be available on demand for current data to users with the PFA reporter role. More detailed information on these reports will be forthcoming.

Revised IRS Form W9

As of August 2013, the IRS revised the W-9 Form. Please ensure any new vendors receive the correct form. Accounting Memo #14-06 and the revised signed W-9 Form can be viewed at: http://extranet.accounting.state.de.us/Memo_14/14-06.pdf

Forewarned is Forearmed! The IRS is Getting Tougher on Worker Misclassification

As the calendar year end approaches, and you are dotting all your "i"s and crossing all your "t"s, you should be taking a close look at any workers being paid through the Accounts Payable system who will receive a 1099. Should any of those workers actually be receiving a W-2? Is your "contract worker" working for another State Organization as an employee? If so, the issuance of a W-2 and a 1099 is a huge red flag to the IRS that a misclassification may exist.

There are tools available to assist you in determining worker status. The Division of Accounting published Accounting Memorandum #10-08 – WORKER CLASSIFICATION POLICY which is available on the DOA website. The IRS manages the Form SS-8 – Determination of Worker Status Program. And, coming later this year, the PCG will publish a comprehensive Bulletin on the topic.

Does your HR/Payroll Officers file a Form SS-8 with the IRS to get a determination on a worker's status when they are not sure? Did you know that workers have the right to file the same form with the IRS? And, if they do that without your knowledge, you might find yourself in the awkward position of explaining your decision to an IRS field agent.

All indications are that the IRS will be increasing its management of the SS-8 Program. Word on the street is that they are going to start referring suspected noncompliant employers to the appropriate IRS division for an audit. And, Tax Exempt and Government Entities are on their radar. They are serious about streamlining this process and expect to generate significant revenue by recovering previously uncollected employment taxes.

The prescreening process of the Form SS-8 is becoming an official part of the Internal Revenue Manual. Incomplete Forms SS-8 will be returned to the sender giving examiners more time to focus on valid forms filed by employers and workers. Forms SS-8 are going to be sorted by occupation. This way, IRS examiners will become subject matter experts on specific occupational factors that affect classification determinations.

And, here's where it gets sticky…
If, after processing Form SS-8, the IRS determines that a worker should be reclassified as an employee, the employer is expected to calculate the balance due and file corrected tax and information returns to the IRS. Workers in similar positions must also be reclassified and the taxes owed paid for all affected employees.

So, keep the basics in mind when determining worker status:

Behavioral Control – Do you control or have the right to control what the worker does and how he or she does it?

Financial Control – How are you paying the worker? Are expenses reimbursed? Do you provide the tools and/or supplies required to complete the assigned job?

Type of Relationship – Do you have a written contract with the worker? Do you offer benefits to the worker? Do they participate in employee recognition and team building events?

Reminder!!!!!!!!

November 12, 2013 — Payroll Forum

FSF Billing, Accounts Receivable and Cash Management Team

The Billing (BI), Accounts Receivable (AR) and Cash Management (CM) Team consists of two team members. This team commonly referred to as the AR Team is tasked with managing these three functions in FSF.

The BI Module captures accounts payable and payroll related expenditures for Grants and DelDOT Projects managed in the project costing module. Although billing is seamless to the End User, there are approximately 40 processes that run during the nightly schedule to generate the Contracts Billing Invoice (DAR006) and send it to AR as an AR Pending Item. The team is charged with ensuring that these processes run smoothly and billing occurs as expected.

The AR Module is utilized for two separate methods of receivables, customer payments and miscellaneous receipts. The AR team assists End Users with managing their outstanding AR and processing miscellaneous deposits. In addition, they work closely with the State Treasurer's Office and the Transportation Trust Fund Administration to ensure daily deposits are recorded in FSF. The deposits are created in FSF daily by a schedule that runs at noon, unless otherwise stated in an FSF Alert. Typically this schedule takes approximately one hour to complete and is monitored by the AR Team to ensure it is successful. The AR Team also works with organizations that interface bank files, cleared checks and AR distribution files daily to FSF.

The CM Module is utilized by the State Treasurer's Office and the Transportation Trust Fund Administration. This module is where all the banks and bank accounts exist in FSF and is integrated through a process with the AR Module to generate the daily deposits and load AR distribution files. The AR Team is charged with managing banks and bank accounts in FSF and assisting these two organizations with their financial processing needs such as Interest Calculation, maintaining Bond information and cash flow.

The AR team's daily interactions with State Organizations and management of the three modules noted ensure that the State's cash position is accurately and appropriately recorded. This two member team is essential to the daily cash management operations for the State of Delaware.

OMB Grant WorkFlow process

The Division of Accounting and the Office of Management and Budget are pleased to announce the implementation of the **New** OMB Grants Workflow process. A pilot is currently underway from now through December 2013 with the following Organizations: Department of Health and Social Services, Department of Education, Office of Management and Budget, Criminal Justice Council and Delaware Economic and Development Office.

The grants workflow function will be expanded to include new roles for OMB staff to review and approve grant proposals as the grant moves through the Delaware State Clearinghouse process. Each grant proposal will default to the Clearinghouse in the grant approval component page in FSF. Prior to submitting the grant proposal into workflow, the Pre-Award End User will assign people to the following workflow/approval roles:

Principal Investigator = PI
OMB Federal Aid Coordinator = OFAC
OMB Clearinghouse Administrator = OCA
Department Fiscal Contact = DFC

Once the grant has been submitted into workflow, the review by OMB will be initiated. If corrections or additional information is needed during the approval process, notifications are generated to the appropriate End Users utilizing emails to alert them to take action. Grant proposal history is created within FSF, producing an online approval audit trail.

The Division of Accounting and the Office of Management and Budget will be monitoring and communicating with the pilot Organizations and making necessary adjustments as deemed appropriate. Statewide implementation is targeted for January 2014.

K12 Korner

The K12 Korner is designed specifically with School Districts and Charter Schools in mind. The information included deals with issues and concerns that relate to the Delaware School Districts and Charter Schools.

Performance

With the assistance of Milford School District and DTI, we have been able to conduct performance testing. As a result we have increased the amount of concurrent processes that are running on the FSF application. End-users should experience an increase in processing items through the process scheduler. The process of printing voucher details and dispatching purchases orders are now completing faster. Thank you to Team Milford and DTI for assisting in the process.

It is still recommended that the budget checking (FS_BP) and matching on a voucher wait for the schedules that run at 10:10, 12:10, 2:10 and 4:10 daily. Running these processes manually may still cause delays. After the processes complete, it is beneficial to run the DEU_AP_VCHR_DTL_STATUS_NOTPAID to check for the Match Valid Status before submitting in to workflow for approval. This is a quick way to address any document errors that you may have.

1099

Your K12 Team will be taking on the responsibility of reviewing vouchers with possible 1099 violations. The K12 Team will be taking the extra steps to cross check the voucher accounting dates and payment dates, and compare the changes that occurred to the vendor record. We hope that this extra step will decrease the emails that each district may be receiving in regards to 1099 issues.

Single Payment Vouchers

Please remember that all employees must complete the Employee W-9 form to be reimbursed for expenses. As stated in Accounting Memo 10-25, all employees must be reimbursed via direct deposit as of May 3, 2010. Employee reimbursements should never be processed as Single Payment Voucher even if it is the only reimbursement they will receive for the year.

Famous Accountants and Fun facts

- The ancient Romans were obsessed with record keeping. Their military bases kept detailed accounts on everything from how much grain was in their stores to how many nails were in their workshops.
- Track sensation and Director of Villanova Track & Field Marcus O' Sullivan passed the CPA exam.
- When Hernando Cortes landed in the New World, he brought horses, soldiers—and his accountant, Alonso de Avila. As a reward for excellent service, de Avila was made the first mayor of Veracruz, in what is now Mexico.
- Ray Wersching, the ex San Francisco 49er field goal kicker, was a CPA during the offseason.
- Josiah Wedgewood, the famous potter, invented what we now call Cost Accounting. Thanks to a lucky combination of an embezzling clerk and a depression, Josiah was forced to come up with a system of tracking bottom line costs and profit. He used this system to determine the costs of his product, and was only one of hundreds of potters to survive the depression.