

## Higher Education Options for Payroll Process under Separate FEIN

These options were developed as a means to accommodate the following requirements and are presented for discussion purposes.

- Due to risks posed by the Affordable Care Act, institutions of higher education must have their own FEI numbers and report as separate employers;
  - The state has no oversight over employment or benefit policies of the Regents or the Institutions of Higher Education
  - Because of the separate policies, ensuring compliance with the ACA is not attainable under a combined FEI
  - Penalties for non-compliance are applied to the total number of employees
- OMES will continue to require that higher education payroll go through the budget checking process;
- The State Treasurer will still require OMES to certify claims and payrolls submitted for payment.

Both OMES and OST have spent significant time researching the statutes and looking for options that provide autonomy to the institutions of higher education and maintain efficiencies within the process. After working through details of numerous ideas, the two options detailed below appear to be the only viable choices.

### Option 1 – Payroll continues to go through PeopleSoft HCM as is, with separate FEINs

1. Separate FEINs would be set up in HCM on each 'company'.
2. University completes their payroll process on their system as they do now.
3. University creates interface file to send through HCM as they do now. Certain defaults (such as overriding FICA edits) that already exist in the system would need to be utilized consistently on every payroll by every institution. This will minimize errors institutions receive when processing HR and PY files.
4. Payroll is processed in PeopleSoft by the University (or TPA) as is currently done.
5. University provides OMES the payroll claim, the budget-checking report, and the Payroll to G/L report signed by an authorized person. The *Validate PFT Funding Report* is also required if there is a Budget Deficit on the Final Budget Check Report.
6. Transaction Processing audits the payroll
  - Confirming that there are no budget checking errors
  - Confirming all necessary paperwork is attached
7. Transaction Processing releases the payroll to the Treasurer.
8. Treasurer processes the warrants or EFTs.
9. Transaction Processing will still send late payroll notification emails.
10. Transaction Processing will continue to process payroll warrant cancellations in the HCM system.
11. OMES/DCAR will continue to receive all direct deposit payroll warrant cancellation requests for processing through the Treasurer to the bank.
12. Return of employee direct deposits will still be centralized with DCAR processing paper warrants to institution employees.
13. Update of employee direct deposits will still be an automated process.
14. HCM system information is used to:

- Populate the vendor file with the employee information necessary for travel and other reimbursements (after vendor file consolidation),
  - send the payroll record to the Treasurer to process payment, and
  - send records of warrants to financial system for warrant reconciliation,
  - create the expenditure record that is recorded in the General Ledger against the entity's cash and budget, and
  - provide the correct payroll data for Open Books.
15. The current practice of putting the miscellaneous payroll withholdings into the 994 fund will continue. Certain changes are being implemented this year to address existing problems with overspending on the fund. The bullets directly below are related to those changes which will be in effect prior to the change to a separate FEI number and will affect all state agencies.
- Cash controls will be put on the 994 class to control overspending the fund
  - The account number to be used for the miscellaneous payroll withholding payments will be changing and the 633xxx accounts will not be used for payments. This is a change in both the HCM and Financial systems.
16. The net pay will still be allocated into the statewide 905 fund for clearing.
17. The employee and employer deductions that are currently centrally paid will be left in the 900 class fund for payment (may need to further explore an allocation to change the account from 2xxxxx account numbers to 5xxxxx funds so that the payments can be processed by the institutions).
18. University makes payroll tax deposits and does all payroll tax reporting based on their own payroll system from the 900 class fund.
- Agency will calculate all payroll withholding payments and related payroll taxes (employer share) and process vouchers for everything except federal withholding payments.
  - Federal withholding must be paid through the Treasurer's ACES system; agencies will need to be set up to do this and legislation will be necessary and has been requested. Processes and detail instructions will be distributed.
  - Federal withholding payments will be entered into the general ledger as a journal entry by the agency and they must request that the entry be edited and posted by DCAR on the day the payment is entered into ACES (instructions to be given).
  - Upon receipt of notification from OMES that a journal entry was successfully processed for Federal withholding payment and that the dollar amount matches the payment entered in ACES OST will release the payment for processing.
  - The 900 class fund will have cash edits to ensure that it does not go negative.
19. There must be a process developed to allow monies to be placed in the 900 fund for federal taxes that aren't withheld through payroll. Example, third-party administrator is making sick leave payments but institution would need to deposit the taxes under their ID number through the ACES system. Another example would be 1042 (non-resident alien) payments made from the AP system.
20. Reconciliation of the 900 fund balance would be required.
21. Non-cash payroll adjustments will no longer be reflected in HCM.
22. OMES/DCAR will not make balance adjustments for institutions in HCM and will not be the system of record for payroll or HR data.
23. Social Security and Higher Ed Employee ID number changes will still have to be performed by OMES/DCAR to prevent errors when trying to load payrolls. The file and system must be in sync for processing.

24. Institutions will have to create (and submit) their own files and make own payments for OPERS, OLERS, and SoonerSave as applicable from the 900 fund.
25. Institutions will still be included in the monthly OCPY0113 Number of Employees on Agency Payroll Report.
26. Institutions will be responsible for producing all tax reports, W-2s as well as 1099s to vendors under their own FEI.

**Option 2 – Payroll does not go through PeopleSoft HCM**

1. University completes their payroll process on its own system.
2. University creates a payment file in a format required by OST.
3. University must create a file in the format required by OMES for Open Books.
4. University must maintain banking information in its own system or create it and maintain it in OST's participant database.
5. University must create an intra-agency voucher to accompany the payroll claim and send to Transaction Processing for payment and budget checking from operating funds, to be deposited into the 79901 clearing account. The agency will then process a deposit transfer to move the funds into a 7xx fund. After verifying the net pay on the payroll warrant file agrees with the net pay on the claim and after the voucher has budget checked, OMES will release the payment file to Treasurer. The creation of this voucher must post all the payroll information in GL; salaries, employer expenses, employee withholdings, etc.
  - Transaction Processing audits the payroll voucher and compares to the payment file (can only audit net payment amount in file)
  - Transaction Processing will confirm that there are no budget checking errors on the related voucher
  - Transaction Processing will confirm that all necessary paperwork is attached
6. OMES has the authority to allow a 700 fund on an emergency basis pending legislation. Legislation to make this a valid purpose for a 700 fund must be pursued.
7. Treasurer will submit an issue records file to OMES based on net pay payments to each payee. Vouchers will be recorded to the 7xx class and will be processed using a single generic vendor number with the payee names maintained in the payment table.
8. Treasurer processes the warrants or EFTs for net pay from the 7xx fund (each institution will need their own account). OST allows for a 9 digit warrant number and requires unique warrant numbers be issued by account within a 120 day period. Institution must meet all other file requirements.
9. OMES will process payroll cancellations and EFT returns; both will be handled in the same manner as AP returns and cancellations.
  - OMES (Patricia Garcia) is researching "unreconciling" returns and reissuing via PS. This is contingent on the Treasurer being able to automate the return deposits.
  - OST to work on automating deposit for returns.
  - Procedure will need to be established for setting up a vendor.
10. OMES will no longer process updates of employee direct deposit records; the agency will be responsible for this.
11. Daily paid warrant file from OST to OMES will include MISC paid payroll warrants for reconciliation.
12. There is no ability to rely on HCM system information for employee banking for travel claims and reimbursements. The HECLM vendor file would not be consolidated to allow for the

processing of travel claims. Agencies would be required to transmit banking with the vendor setup.

13. University makes payroll tax deposits and does all payroll tax reporting based on their own payroll system from the 7xx class fund.
  - Agency will calculate all payroll withholding payments and related payroll taxes (employer share) and process vouchers for everything except federal withholding payments
  - Federal withholding must be paid through the Treasurer's ACES system; agencies will need to be set up to do this.
  - Federal withholding payments will be entered into the general ledger as a journal entry by the agency and they must request that the entry be edited and posted by DCAR on the day the payment is entered into ACES (instructions to be given).
  - Upon receipt of notification from OMES that a journal entry was successfully processed for Federal withholding payment and that the dollar amount matches the payment entered in ACES OST will release the payment for processing.
14. Higher Ed institutions printing MISC and vendor warrants remotely must print payroll warrants remotely. Should one institution print for many they will need to be able to distinguish locations to sort after printing. Higher Ed institutions will also need to provide Earnings Statements to go with each paper payroll warrant. Payroll warrants will be included in the MISC print file they receive from OST today.
15. Transaction limits that are used as a control when processing payroll will not apply when processing payroll transactions as 700 funds.
16. Institutions will have to create (and submit) own files and make own payments for OPERS, OLETS, and SoonerSave as applicable from the 7xx fund.
17. Under option 2, payroll will effectively be recorded twice as an expense. Once from the voucher and once by the payment from the 7xx fund. Additionally, the 7xx fund will be recording revenue for the gross claim cost, inflating revenue reported in the system.
18. Institutions need to provide OST the monthly OCPY0113 Number of Employees on Agency Payroll Report information.
19. Institutions will be responsible for producing all tax reports, W-2s as well as 1099s to vendors under their own FEI.

**Conclusion:**

In order to establish separate Federal Employer ID numbers for each institution and maintain the basic controls required by statute and deemed necessary by OMES and OST, it appears that Option 1 is the most viable option since Option 2 creates many complications without adding any apparent efficiencies to the process.