Financial Management Office

Fiscal Administrator's Meeting

Thursday, January 21, 2016
Topics

- Welcome
  - Susan Lin, Director of Financial Management and Controller

- Global Compliance Considerations
  - Debi Heiskala, Partner, Exempt Organization Tax Services

- Introduction of Disbursement Voucher Guide
  - Tammy Vandevender, Director of Fiscal Services

- Changes in Reporting Non-service Financial Assistance for individuals
  - Ken Lum, Tax Service Manager & Alan Kimura, Disbursing Supervisor

- Introduction of FMO Quick Customer Service Survey
  - Susan Lin, Director of Financial Management Office and Controller
Global Compliance Considerations

Presented by
Debi Heiskala | Partner | Exempt Organization Tax Services
Agenda

► International activities
  ► Educational activities
  ► Research activities

► Compliance considerations for international activities
  ► Foreign country reporting
    ► Employment tax reporting
    ► University activity reporting
  ► Immigration
  ► Additional US reporting
International program
Why do we need to think differently?

► Outside the “safe haven” of home campus
  ► Unfamiliar laws of foreign countries apply
  ► No existing university legal structure in foreign country
  ► No financial controls over transactions
  ► Changing regulatory landscapes
  ► Different health and safety considerations
  ► Time zone and language differences
  ► Little to no governance to monitor changes in activities
Academic programs vs. research projects
More overlap with compliance risks than you may think

- Local students
- Ministry of Education
- Clery Act
- Facilities
- Engaging locals
- Employees working abroad
- Local revenue
- Federal compliance
- Foreign research laws
- Internal controls
Common assumptions with international activities (which may get us trouble)

► “We don’t have compliance issues. We just do study abroad and research.”
► “Our foreign partners take care of everything and are responsible for issues, not us.”
► “Educational or research activities don’t require registration and are non-profit abroad as well.”
► “Our foreign “contractors” would never turn on us.”
► “Employees on US payroll don’t have tax or immigration obligations abroad.”
► “Other schools are doing it this way, so it must be right.”
Permanent Establishment (PE)

► Generally defined as a country’s determination that the university has a fixed place of business in country
► Having a PE means you must report university activities to regulatory body on a tax return
► Specifically defined in tax treaties (roughly 70 countries)
  ► If no tax treaty, then defined in local laws
► Common “triggers”
  ► Income generating activities (executive education, curriculum development contracts, certificate or degree programs, etc.)
  ► Use of facilities (renting office or other space for use by university)
  ► Duration of program (typically six months)
  ► Negotiation or execution of contracts on behalf of university
  ► Employment of local nationals (even as contractors)
Common challenges with faculty and staff traveling abroad

► “Cash in a suitcase”
► Use of personal bank accounts for university business
► Days spent working abroad 183 day for treaty countries)
► Visas and work permits (immigration)
US regulations and reporting considerations
(partial list)

► IRS Form 990-Schedule F (n/a for public institutions)
► FinCEN Report 114 (FBAR)
► Clery Act
► Foreign Corrupt Practices Act (FCPA)
► US Export Control Act
► OFAC (Office of Foreign Asset Control)
Contact information

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Financial Management Office

Introduction of Disbursement Voucher User Guide

Presented by
Tammy Vandevender, Director of Fiscal Services
User Guide – What and Why

• What is it
  ▫ Comprehensive guide describing how to process KFS documents
  ▫ Includes document workflow, field descriptions, processing tips and reference information.

• Why was it developed
  ▫ KFS has been implemented for 3+ years and users still have questions about processing
  ▫ APs provide policy information and training guides provide simple instructions on how to enter data; User guide bridges the gap
DV User Guide – Sample Information

- **DV Initiator**: Creates DV, attach supporting docs, and submits.
  - UH Employee Reimbursement? (No → Is DV less than $25? (No → Acknowledge sent to DV Initiator’s Action List, Yes → Account Supervisor Reviews DV → Approved? (No → Acknowledge sent to DV Initiator & AS’s Action List, Yes → Fiscal Administrator reviews DV → Approved? (No → Acknowledge sent to DV Initiator, AS, and FA’s Action List, Yes → Disbursement Manager (or Tax Mgr) Reviews DV → Approved? (No → Acknowledge sent to DV Initiator, AS, and FA’s Action List, Yes → General Ledger (GL) Entries posted to KFS → Extracts data and creates file for check cutting.}

Document Workflow (pg 3)
The following are some instances in which a DV may be used:

1. Automobile Allowance
2. Mileage
3. Post Death Payments
4. Postage and Postal Charges
5. RCUH
6. Refunds
7. Reimbursement
8. Relocation
9. Royalties and Commissions
10. Scholarships and Fellowships
11. Stipends
12. Utility Expenses
13. Uniform Maintenance Allowance
14. Vacation Leave Credits
Business Rules

1. A DV payee cannot be the same as the initiator. The following error message will appear.

Payment Information

Errors found in this Section:
- Payee ID cannot be used when Originator has the same ID or name has been entered.

2. A DV employee payee must be in an Active status. KFS will not allow a DV to be processed for employees in LWOP status.

3. Check amount cannot be negative.

4. There must be at least one accounting line and account(s) must be active.

5. Accounting lines total must not be negative.

6. Total of accounting lines must match the Check Total field.

7. Certain object codes, object levels, and object sub-types can be restricted from this document or from certain payment reasons.
Address Information - (Display-only). After the payee ID from the Payee Lookup is selected, the system automatically populates the name and the address information. If an incorrect address is selected, repeat the process by clicking on the Payee ID magnifying glass and select the correct address.

a. If the correct address is not shown, Save the DV and submit a vendor request with the correct address and appropriate supports such as W-9 (Businesses) or WH-1 (Individuals). After the new address is approved by Disbursing, open the saved DV, click the Payee ID magnifying glass, and select the newly created address.

b. For security reasons, an employee’s address is masked and will display a string of asterisks. However, if an employee’s address contains two commas separated by a space, this means the employee’s address is not in KFS. The employee’s home address record should be updated in PeopleSoft. In the screenshot below, employee Lingley, Kate has an address in KFS and a DV may be created for her. However, Lingling, Zeng does not have an address as shown by the two commas and KFS will not allow creation of a DV for her. She needs to contact her Personnel Officer to update PeopleSoft. However, if her records are up-to-date in PeopleSoft, submit a KFS trouble ticket for further research.
DV User Guide – Sample Information

Payee Lookup

* Payment Reason Code: G - Supplies-3000-3478
Tax Number: 

UH Employee (Faculty/Staff) First Name: 
UH Employee (Faculty/Staff) Last Name: LINGL*
(Business, Students, RCUH Emp, etc) Vendor Name:
Employee ID: 
Vendor #: 
Customer Number: 
Customer Name: 
Active?: Yes No Both

search clear cancel

2 items found. Please refine your search criteria to narrow down your search.
2 items retrieved, displaying all items.

<table>
<thead>
<tr>
<th>Return Value</th>
<th>Payee Name</th>
<th>Payee Type</th>
<th>Address</th>
<th>Payee Number</th>
<th>Active?</th>
<th>Tax Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>return value</td>
<td>Lingley, Kate</td>
<td>Employee</td>
<td>*****************</td>
<td>16192390</td>
<td>Yes</td>
<td>************</td>
</tr>
<tr>
<td>return value</td>
<td>Lingling, Zeng</td>
<td>Employee</td>
<td>,</td>
<td>19886897</td>
<td>Yes</td>
<td>************</td>
</tr>
</tbody>
</table>
The Grant-in-Aid tab is used to process scholarship and fellowship payments and is required when Payment Reason Code S, Grant-in-Aid Scholarship/Fellowship-6500-6543, is selected. With built-in logic, this tab will also validate the object code(s) entered on the accounting line based on financial aid information, type of payment, payee residency, and withholding reason.

There are six (6) valid scholarship and fellowship object codes which include:

1. 6500, G-IN-AID, SCHSHIP/FELWSHIP
2. 6510, G-IN-AID, TUITION
3. 6514, G-IN-AID, TUITION (LOAN REPAYMENT)
4. 6540, G-IN-AID, TRAVEL
5. 6503, G-IN-AID, SCHSHIP/FELWSHIP (REPORTABLE)
6. 6543, G-IN-AID, TRAVEL (REPORTABLE)
**How to Handle Multiple Receipts and Disapproval Reason**

Requests for employee reimbursement often involve a myriad of cash register receipts. To help Disbursal’s Disbursement Managers process payments more efficiently, please follow these tips.

1. Before scanning the receipts:
   a. Ensure the name of the store is on the receipt or legible if hand-written.
   b. Paste or tape receipts on 8.5 X 11 inch plain white paper. Try to avoid taping over the amount as this sometimes makes the amount unreadable.
   c. Label each receipt in order, e.g., #1, #2, #3, etc.
   d. Circle the total cost (amount) due as shown on the receipt. Try not to use highlighting as they tend to blur the amount when scanned.
   e. If there are more than three receipts, include an adding machine tape on the first page. The tape should list all receipt amounts and the total amount to be reimbursed. Illegible receipts or invoices without proof of payment may be rejected, the DV disapproved, and payment delayed. An Excel spreadsheet may be used in place of an adding machine tape.
Route Log Tab

Route Log tab is the final tab in the DV. View the Route Log to determine where the eDoc is in the approval routing. Click on the “show” button for additional information about a particular action.

The normal DV approver routing is:

1. DV Initiator creates the DV.
2. Account Supervisor approves use of their accounts.
3. Fiscal Administrator (Delegate) certifies fund availability.
4. Disbursement Manager preaudits and approves DV for payment. Preauditing includes reviewing for:
   a. Legality. The application of the statutes of each encumbrance and payment transaction.
   b. Propriety. The proper application of State and University rules, regulations and administrative directives.
   c. Authorization. The appropriate approving, purchasing, and fiscal authorities.
DV User Guide Attachments

The following attachments include:
1. Common Object Code Acronyms
2. Fiscal Administrators May Adjust Accounting Line Amounts
3. DV Coversheet
4. ACH/EFT Direct Deposit
5. Payment Reason, Payee Type, & Object Code List
6. Disbursement Voucher Multiple Invoice Matrix
7. Disbursement Voucher Supporting Document Matrix
8. Import Multiple Accounting Lines to DV
Next Steps

- DV User Guide available on the FMO Website at Financial Systems | Policies and Guidelines | Accounts Payable
- Available in Word and PDF formats
- Create simple “How To” manuals and checklists for departmental staff for specific types of payments (e.g., reimbursement, relocation, etc.)
User Guide Working Group

• Working Group assisted with development of User Guide
• Members include: Brian Higaki, Justin Kashiwaeda, Alan Kimura, Mason Kuo, Thomas Kwock, Wing Kwok, Keenan Lee, Carrie Masanda, Teresa Medeiros, Lyn Nagoshi, Sharon Nakagawa, Jill Shigano, Charmaine Taketa, Grant Uyeda, Sara Yoshida, and KFS project team
Financial Management Office

Changes in Reporting Non-service Financial Assistance for individuals

Presented by
Ken Lum, Tax Services Manager
Alan Kimura, Disbursing Supervisor
Then and Now

- **Then** = Reporting non-service financial assistance for US individuals on Form 1099.
- **Now** = No reporting non-service financial assistance for US individuals.
- **Then and Now** = No change on reporting for non-resident aliens on form 1042-S
Non-Service Financial Assistance

• AP 8.561
  - “Non-Service Financial Assistance (NSFA) is generally considered income by the Internal Revenue Service (IRS), unless an Internal Revenue Code or tax treaty exemption can be applied. Scholarships and fellowships are the most common form of NSFA at educational institutions, and may consist of tuition waivers, as well as payments for fees, room, board, and many other types of expenses, including travel costs.”

Key: No service is required; No string is attached.
Why We Make the Changes

• Many concerns from the campuses. For example:
  ➢ Travel payments or living allowance received by high school students for attending summer or other academic programs were reported on Form 1099.
  ➢ Travel payments received by the postdocs and fellows for attending conferences were reported on Form 1099 at UH but not at other universities.
  ➢ Travel payments received by UH students for traveling inter-island for a national honor society conference were reported on Form 1099.
• Consultation with the academic program personnel (e.g. P-20 and Gear Up), RCUH, executive management and external CPA firm.
• Compliance with IRS reporting rules on Form 1099.
• Mutual adherence with RCUH.
2015 Instruction for IRS Form 1099-MISC

- Scholarships section.
  - “Do not use Form 1099-MISC to report scholarship or fellowship grants. Scholarship or fellowship grants that are taxable to the recipient because they are paid for teaching, research, or other services as a condition for receiving the grant are considered wages and must be reported on Form W-2. Other taxable scholarship or fellowship payments (to a degree or nondegree candidate) do not have to be reported by you to the IRS on any form.”
Guide to Determine Who and What to Report

Link to the chart: http://www.fmo.hawaii.edu/payment_reimb/docs/GIA_Object_Codes.pdf
Option 1 - Search for Payments for Individual in KFS

1. Log in to Kuali financial systems.
2. Navigate to the Pre-Disbursement Processor.
3. Select the option to search for payments.

You'll need Role 18, Payment Viewer, to access Search for Payment.
List of all Payments Displayed in KFS

- Includes all types of payments, such as reimbursement or non-service financial assistance (NSFA) payments
- To identify NSFA, you have to drill down each one to determine, if you are not familiar with the payments
Option 2 – New eThority Report

- Everyone who has access to eThority can query by payee’s last name and obtain all payments paid to that individual within object code 65XX.
- As part of the 1099-Misc reporting deadlines, we will have the report ready by February 1, 2016.
Reference Resources

1. KFS grant-in aid tab, eThority report
2. AP 8.561 on FMO website
3. IRS code or publication
4. UH Tax Services
Financial Management Office

Introduction of FMO Quick Customer Service Survey

Presented by
Susan Lin, Director of Financial Management Office and Controller
Financial Management Office Customer Service Quick Survey
Some examples of the improvements made:

- Implemented the KFS, eThority, Jasper reports, many eTravel enhancements
- Redesigned the FMO websites for easy navigation and content enrichment
- Launched the FMO newsletter and leveraged online technology to deliver trainings and FA town halls
- Improved process turnaround process times for travel reimbursements
- Increased outreach efforts and conducted 40+ onsite visits
- Closed out 22,000+ expired accounts and 120+ unused object codes
- Reduced the workloads from the fields for many year end accruals by centralizing it at the System level (e.g. AP accruals, tuition deferred revenue, and etc.)
### Financial Management Office Feedback

1) Please rate Financial Management Office (FMO) in the following areas based on interactions within the last 6 months:

<table>
<thead>
<tr>
<th>Provides helpful information</th>
<th>Very Satisfied</th>
<th>Satisfied</th>
<th>Neutral</th>
<th>Not Satisfied</th>
<th>Very Dissatisfied</th>
</tr>
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| Provides timely responses   |                |           |         |               |                   |
|-----------------------------|                |           |         |               |                   |

| Easy to contact the right person |                |           |         |               |                   |
|----------------------------------|                |           |         |               |                   |

2) Please rate your interactions with each of the FMO Offices:

<table>
<thead>
<tr>
<th>Bond Services Office</th>
<th>Excellent</th>
<th>Good</th>
<th>Average</th>
<th>Poor</th>
<th>N/A</th>
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<tbody>
<tr>
<td>Bursar Office</td>
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<td>Cashier’s Office</td>
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<td>Disbursing Office</td>
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<td>Fiscal Services Office (KFS, eThorny)</td>
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<td>Property and Fund Management Office</td>
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<td>Loan Collections Office</td>
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<td>Tax Services Office</td>
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<td>Treasury Office</td>
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3) Please select all of the FMO communication tools that you have used.

- [ ] Fiscal Administrator Town Halls (attend in person or watch remotely)
- [ ] Topical webinars (e.g., Fiscal Year End Accruals, Scholarship payments)
- [ ] FMO Website
- [ ] FMO Newsletter

Do you have any suggestions on how we can improve our communication to campus (optional)?

4) Please provide a more information about your experience with the Financial Management Office(s) (optional).

5) Do you have a question, suggestion or comment that you would like to share (e.g., ways FMO can improve services) (optional)?

6) If you would like to be contacted for more information, please provide your email address and phone number.
Financial Management Office

Thank You for attending the Fiscal Administrator Meeting

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