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Guidance for Entities to Account for Healthcare Reimbursements in the Auditor of State's Uniform Accounting Network (UAN)

Important: Before using these procedures contact OPERS and OP&F to confirm your healthcare reimbursements are not subject to state retirement i.e. verify OPERS and OP&F should not be deducted from the healthcare reimbursement. Do not use these procedures if OPERS and/or OP&F are deducted from the reimbursement.

Caution: Entities that have already setup and posted an earning or non-cash benefit for health insurance reimbursements through the UAN payroll application should call UAN Support at (800) 833-8261 for specific instructions rather than following the steps below.

Step 1: It may be necessary to adjust your entity's accounting appropriation budget before making changes to payroll. Items paid through the payroll software must use a direct account. If your entity used a non-direct account for the reimbursements through accounting, the steps below must be followed:

A. Determine what direct account will be used for the reimbursement earning in payroll. (Please use the current chart of accounts to make this determination. Go to Accounting – Maintenance – Appropriation Accounts. In the bottom left corner of the screen, under FAQs, select "current chart of accounts" for guidance. Note the Object code list indicates "Yes" for direct and "No" for non-direct accounts.)

B. Close any PO that is attached to the current reimbursement accounts.

C. Reallocate up to the current unencumbered balance from the current reimbursement account to the direct account that will be used for the reimbursement through payroll. *(May require legislation depending on your entity's legal level of control).*

D. It may also be necessary to reallocate appropriations (or supplemental) for the additional employer share taxes generated by the taxable reimbursements to Medicare and/or Social Security accounts for the rest of the year.

Step 2: Add a Non-Retirement Earning:

A. Go to Payroll – Maintenance – Earnings & Leave.

B. Click on the **Add** button.

C. Enter a unique **Name** for the earning so it is identified as the Health Insurance Reimbursement.

D. Select an earning **Type** by clicking on the down arrow on the right hand side of the earning type field. **Select Non-Retirement Item.**

E. Click on the **Save** button to add the new earning. *(The system displays a message in the bottom left corner of the Add Earning or Leave form to confirm the new earning has been saved.)*

F. Click on the **Close** button to exit the Add Earning or Leave form.

G. Click on the **Close** button to close the Earning and Leave form.

Step 3: Add the new Non-Retirement Earning to each person receiving the reimbursement.

    A. **Go to Payroll – Maintenance – Employees.**

    B. Select the employee from the list and click Edit and select Advanced.

    C. On the Edit Employee form click on the Earnings tab.

    D. Click the Add button and the Add Employee Earning form opens with the $ symbol in the upper right corner. **Do not save the progress, complete all the steps below before executing a Save.**

    E. Select the position **Name** by clicking on the down arrow on the right side of the position field.

    F. Select the position **Type** by clicking on the down arrow on the right side of the type field.

    G. Select the **Department** by clicking on the down arrow on the right side of the type field.

    H. Select the position **Classification** – **Hired**, **Elected** or **Appointed**. *(If the employee position type is 'Other' then the classification is automatically set to 'Hired' and cannot be modified. Those that occupy an elected position should be marked Elected so they don't appear on the ODJFS quarterly report.)*

    I. Select the **Unemployment Eligible** checkbox if the position is reportable to Ohio Job and Family Services (ODJFS). *(If the position classification is 'Elected', then this option is automatically unchecked and cannot be modified.)*

    J. Select the Non-Retirement health care reimbursement by clicking on the down arrow on the right hand side of the earning field.

    K. Verify or modify the earning **Description**.

    L. Select the pay **Frequency** by clicking on the down arrow on the right hand side of the frequency field.

    M. Enter the **amount of the health care reimbursement** for the earning.

    N. On the **Details** tab under the **Pay Changes** section, there are fields which may need to be complete to record the employee's **Last Raise**, **Resolution** and **Next Revision** dates for this earning (if applicable).

    O. On the **Withholdings** tab, select the Medicare and tax withholdings that should be deducted from the healthcare reimbursement earning. Federal, State and School taxes will be automatically marked but Medicare and any local taxes that should be withheld must be marked by clicking on the checkbox beside the withholding type. (If the employee is already a Social Security employee you should select Social Security. If the employee is an OPERS/OP&FPF member and doesn't already withhold Social Security you do not need to add Social Security to this earning.)

    P. On the **Accounts** tab, select the **Account Split Method. No Split** or **Percentage** works for this type of earning. Do not select Manual. Please note that Percent Split must use increments of 10 to avoid a rounding difference, e.g. 10, 20, 30, etc.

    Q. On the **Accounts** tab, select the **Appropriation Account(s)** that the health care reimbursement earning will be paid from by clicking on the down arrow on the right side of the appropriation account field. (Note that only direct accounts will be available to select.)

R. Click the **Save** button.

S. Click on the **Close** button to exit the Add Employee Earning screen.

T. Click on the **Close** button to exit the Edit Employee form.

U. Repeat these steps to add the new earning to another person.

Step 4: If you paid health care reimbursements from accounting in 2014, the year to date amount of the payments must be taxed. UAN recommends your entity add a Non-Cash benefit for a one time posting with the next wage. This will add the income to the gross taxable wage and generate the taxes. The Non-Cash benefit is posted on the next regular wage then it is deactivated.

Determine the amount that has been paid in accounting, year to date, per person for health insurance reimbursements. Suggested report:

General – Reports & Statements – Vendor/Payee Reports – Vendor/Payee Payment Register

A. Mark ⊙Year,

B. Click on the Sorting Tab and change the "Group By" setting to "Vendor/Payee then Account Code."

C. Select each person from the list that has received health insurance reimbursements and click Print. Once the year to date amount that has been paid in accounting has been determined, the non-cash benefit may be added to the employee setup in payroll.

D. **Caution: If the employees have been reimbursed for other items, do not include those amounts with the amount that should be taxed as health insurance reimbursements.**

Step 5: Add Non-Cash Benefit to Payroll:

A. Go to Payroll – Maintenance – Earnings & Leave.

B. Click on the **Add** button.

C. Enter a unique **Name** for the earning so it is easily identified on the wage e.g. "YTD Health Ins. Reimb."

D. Select an earning **Type** by clicking on the down arrow on the right hand side of the earning type field. **Select Non-Cash Benefit.**

E. Click on the **Save** button to add the new earning. *(The system displays a message in the bottom left corner of the Add Earning or Leave form to confirm the new earning has been saved.)*

F. Click on the **Close** button to exit the Add Earning or Leave form.

G. Click on the **Close** button to close the Earning and Leave form.

Step 6: Add the new Non-Cash Benefit to each person that received accounting reimbursements:

A. Go to Payroll – Maintenance – Employees.

B. Select the employee from the list and click Edit and select Advanced.

C. On the Edit Employee form click on the Non-Cash tab.

D. Click the Add button and the Add Employee Non Cash Benefit form opens with the star symbol in the upper right corner.

E. Select the Accounting Health Care Reimbursement non-cash benefit by clicking on the down arrow on the right hand side of the non-cash field.
F. Verify or modify the earning **Description**.
G. The Non-cash benefit must be attached to <u>**one**</u> of the earnings listed. (Ideally, it should be attached to the non-retirement earning established for the payroll health insurance reimbursement because it will duplicate the earning split and the withholdings.)
H. Enter the 0.00 as the amount of the health care reimbursement for the earning. *(UAN recommends adding the item at a 0.00 rate and entering the amount on the wage to avoid it accidently being posted again.)*
I. Click the **Save** button.
J. Click on the **Close** button to exit the Add Employee Non-Cash Benefit screen.
K. Click on the **Close** button to exit the Edit Employee form.
L. Repeat these steps to add the new Non-Cash Benefit to another person.

Step 7: Post the next regular wage that includes the new non-retirement earning Health Insurance reimbursement *(for the reimbursement through payroll from this point forward)* and the new non-cash benefit *(for the 1 time posting of the reimbursements already paid from accounting)*.
A. On the non-cash earning, the hours/items will appear as 1 and the rate as 0.00. Highlight the 0.00 and enter the amount that has been paid year to date from accounting.
B. Save and Close and post the wage as usual.

Step 8: Deactivate the Non-Cash Benefit once it has been posted on the wage:
A. Go to Payroll – Maintenance – Employees.
B. Select the employee from the list and click Edit and select Advanced.
C. On the Edit Employee form click on the Non-Cash tab.
D. Select the non-cash benefit by clicking in the box and click Deactivate.
E. Click on the **Close** button to exit the Edit Employee form.
F. Repeat these steps to add the new Non-Cash Benefit to another person.