



Jeremiah W. (Jay) Nixon, Governor • Sara Parker Pauley, Director

DEPARTMENT OF NATURAL RESOURCES

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MEMORANDUM

2013-014

DATE: January 25, 2013

TO: All Soil and Water Conservation Districts

FROM: Jim Boschert, Planner III ^{JB}
Soil and Water Conservation Program

SUBJECT: Frequently Asked Questions Regarding Outsourcing Payroll and Bank Reconciliation Process

There have been many questions related to districts outsourcing their payroll and/or bank reconciliation process. Program office staff has compiled a list of frequently asked questions regarding this subject. Program office staff is available to address these questions and others that you may have. Please contact your district coordinator for any additional information. Thank You.

JB:dc

Attachment

1. Are districts required to outsource payroll and/or bank reconciliations?

No, participation is voluntary; district boards can decide to participate if they want. If your board is satisfied with the way your district is currently handling payroll and/or bank reconciliations, there is no requirement to change.

2. If our district has turnover, can we start outsourcing anytime during the year?

Yes, districts can start anytime during the year.

3. Does outsourcing reduce a board's authority and responsibility?

No, by outsourcing the payroll and/or bank reconciliations, the district board's authority and responsibilities are not reduced. The board is still responsible for all aspect of management of the district and must still approve district employee timesheets before they are submitted to the payroll company. District boards must also still review and approve bank reconciliations and other financial reports.

4. If our monthly cost exceeds \$100 for outsourcing, can we pay the remaining cost from state funds?

Yes, the administrative expenses grant can be used for any expenses over the \$100 per month cost.

5. Does a payroll company assume the liability for payroll tax calculations?

In most cases a payroll company would assume this liability for payroll tax calculations, but you will need to ask the company you are considering. The individual or company must be bonded and/or insured to perform payroll tax calculations.

6. If a payroll company offers direct deposit for employee paychecks, can this be utilized by the district?

Yes, direct deposit can be used for district employee payroll checks.

7. If my district decides to outsource payroll, should the job description for our Program Specialist II be revised?

If calculating payroll was part of the Program Specialist's job description and they no longer perform that duty, then the job description should be revised.

8. What are the benefits of outsourcing payroll?

Benefits include reduced district board and employee liability for payroll tax calculations, fewer audit findings, direct deposit of employee payroll checks, and additional district staff

time to work on other soil and water conservation district efforts. Payroll companies also have resources and staff dedicated to staying current on payroll tax laws and procedures.

9. Does the district have to hire a Certified Public Accountant (CPA) to perform the payroll and/or bank reconciliations?

It is not a requirement that a CPA be hired to perform these duties. The only requirement is that the person/company hired be bonded and/or is insured to perform payroll and/or bank reconciliations.

10. If our district hires a new Program Specialist, who will provide training on payroll?

Districts will need to contact a qualified entity for payroll training. Cost of training is an eligible expense from state funds.

11. Can our district outsource a portion of our payroll calculations, such as completing quarterly 941s or end of year W-2 forms?

Yes, your district can outsource a portion of your payroll calculations, but remember that the company/individual must be bonded and/or insured to perform these functions.

12. Does outsourcing the bank reconciliation process effect the surety bond coverage that is provide to all district boards?

The surety bond coverage requires that someone independent of writing checks, signing checks and accepting funds reconcile the bank account. By outsourcing your bank reconciliation process, the criteria are met. Utilizing outsourcing for your bank reconciliation process would help the district board to stay in compliance with the requirements of the surety bond policy. Whether outsourcing the bank reconciliation process or not, the board still has the responsibility to review and approve all financial documents.

13. Can the reimbursement for outsourcing be used to pay current staff that are responsible for payroll or to buy a computerized payroll system?

No, one of the main reasons for providing an outsourcing option to the district boards is to limit the liability of the district board and staff. Paying current staff or paying for a computerized payroll system will not reduce liability for district boards and/or staff.

14. Has any district employee lost their job or had their hours reduced because a district board decided to outsource payroll or the bank reconciliation process?

Outsourcing the payroll or bank reconciliation process has no impact on funding stipends for district employee positions.

15. If a district that currently outsources their payroll has a vacancy occur, will the fact that they outsource payroll be a factor if the district board requests to continue funding the vacant position?

- No it will not. Outsourcing is not a factor when evaluating whether funding a vacant position should continue or not.

16. Can a district board or employee be held personally liable for employment taxes that are not calculated correctly?

According to the Internal Revenue Service compliance officer that presented at this year's Missouri Association Soil and Water Conservation District Training Conference, both the district board and/or the employee that calculates payroll can be held personally responsible for penalties associated with employment taxes not calculated correctly.

