

Sonoma County Office of Education
Business Services

EXTERNAL PAYROLL AND FINANCE UPDATES

DBUG MEETING: August 25, 2022

New Forms

Reminder – Always check the SCOE website for the most up to date forms

- <https://www.scoe.org/pub/htdocs/fiscal-forms.html>
 - Recently updated forms:
 - *AP Certification Form:*
[https://www.scoe.org/files/District Accounts Payable Certification Form, Rev 7.2022.pdf](https://www.scoe.org/files/District%20Accounts%20Payable%20Certification%20Form,%20Rev%207.2022.pdf)
 - *Electronic Deposit Form:*
[https://www.scoe.org/files/ElecDepositRequest 08.16.22.pdf](https://www.scoe.org/files/ElecDepositRequest%2008.16.22.pdf)
 - *Manual Payroll Request Form:*
[https://www.scoe.org/files/Manual Payroll Request Form-Rev 05.16.22v2.pdf](https://www.scoe.org/files/Manual%20Payroll%20Request%20Form-Rev%2005.16.22v2.pdf)
 - *Routing of work:*
[https://www.scoe.org/files/ROUTING OF WORK 08.23.22.pdf](https://www.scoe.org/files/ROUTING%20OF%20WORK%2008.23.22.pdf)

Signature Authorization for AP and Payroll pick up

The signature authorization form was due on **6/30/22** for **2022/23**. An email reminder went out to the LEAs who have not turned this in. Please note that if you do not have this to us by 9/01/2022 we will not be able to release checks to your staff until we have the new year form on file.

- This form authorizes staff to pickup payroll and accounts payroll from SCOE
 - [https://www.scoe.org/files/SIGNATURE AUTHORIZATION FORM fillable 7.5.2 2.pdf](https://www.scoe.org/files/SIGNATURE%20AUTHORIZATION%20FORM%20fillable%207.5.2.pdf)

State Unemployment Insurance (SUI) Tax Record Audit

See attached instructions to perform a SUI audit for your LEA

- Only students and elected officials should be set up with SUI as a NO.
- If you find employees who are set up incorrectly please contact helpdesk@scoe.org, carend@scoe.org and jliu@scoe.org
- We will assist you with the correction process for this. There will need to be payroll and quarterly tax adjustments if SUI was set up incorrectly.

Minimum Wage expected to increase to \$15.50 per hour effective January 1, 2023

- School and College Legal – Minimum Wage – Future Forecast (**Attached**)

Classified School Employee Summer Assistance Program (CSESAP)

- Updated - \$1.00 for each \$1.00 withheld from the monthly paychecks of participating classified school employees
 - Employees are due the difference from the estimate of .88 cents that originally went out
- <https://www.cde.ca.gov/fg/fo/r14/csesap20result.asp>
- Contact helpdesk@scoe.org for assistance with the process of paying out the difference

Deposit Process

See attached handout regarding deposits (emailed earlier this month)

- This handout explains what checks can be deposited directly to the county treasury and which checks should be put through the clearing account first

Stale Dated Checks Email

We have decided to start emailing when stale dates have been posted in the system. This is a reminder to look and see if your LEA has any stale dated checks to take care of. If you have questions about this process feel free to reach out to your fiscal advisor, helpdesk@scoe.org, carend@scoe.org or jliu@scoe.org.

Wire Transfers – Heightened Level of Wires Review

The increase in U.S. Sanctions dramatically impacted the volumes of wires at the OFAC (Office of Foreign Assets Control). Any potential red flag can possibly put wires into “sanctions review”, which can cause a delay. Therefore, we need to ensure that we are providing payment information that does not potentially present any red flags.

The recommendations below apply to recurring wires, as well as any new wires

- Please ensure that all beneficiary information entered on the wire transfer form is complete using the full legal name, physical address, the purpose of the payment and any other unique identifier as it relates to the entity
- Please eliminate the use of acronyms or abbreviations
- Please consider sending any “time sensitive” payment a couple days in advance. If a wire does get delayed in the OFAC review process, we want to minimize potential for late charges or other penalties.
 - (Note: If your wire is delayed, please do not create a new wire, as this will delay the process further. Treasury will keep you apprised if your wire is delayed and will make every effort to work with Bank of America to get the wire released as soon as possible)

Bank of America provided the **attached** Overview of Economic Sanctions Fact Sheet with a focus on Minimizing Processing Delays included on Page 2.

Upcoming Trainings/User Groups

HR/Payroll User Group: Friday, 08/26/2022

Manual Payroll Training, Friday, 09/09/2022

SONOMA COUNTY OFFICE OF EDUCATION
REQUEST FORM FOR ELECTRONIC DEPOSITS

Date

Sonoma County Treasurer's Office
Attn: Dana Shern (Dana.Shern@sonoma-county.org)
585 Fiscal Drive
Santa Rosa, CA 95401
(707) 565-6048

Re: Electronic Deposit Request

Dear Mr. Shern:

This letter is to notify you that an electronic deposit has been requested from
as follows:

Name of Sender, i.e., U.S. Dept. of Education

District Name	Dept. ID	Dollar Amount
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It is my understanding that these funds will be transferred to:

Bank of America
Government Services Sacto/1436
ABA# 0260-0959-3
555 Capitol Mall, Suite 1555
Sacramento, CA 95814-4582

Attn: Santa Rosa Main Branch #43
Credit to: Sonoma County Treasurer's
Account Number #00432-80100

Detailed description of deposit:

Further, I understand that your office will transfer the funds to the Sonoma County Office of
Education, to the attention of Janelle Sarsfield, who will deposit
to our account code:

Dollar Amount

Thank you for your assistance.

26-Digit Account Code, i.e., 01-0000-0-0000-0000-9641-000-0000

Sincerely,

Business Manager

Cc: Janelle Sarsfield (Jsarsfield@scoe.org)
Jing Liu (Jliu@scoe.org)
Thuan Pham (Tpham@scoe.org)
Christy Arend (Carend@scoe.org)
Dana Shern (Dana.Shern@sonoma-county.org)
Lea Smith (Lea.Smith@sonoma-county.org)
David Maurice (David.Maurice@sonoma-county.org)
Mellisa Meckstroth (Mellisa.Meckstroth@sonoma-county.org)
Janina Horwitz (Janina.Horwitz@sonoma-county.org)

B) REISSUE Paycheck: (SCOE sets up)

Check # _____

Check date _____

Check \$ _____

1. Check Status Request sent to SCOE to Stop Payment: Yes__ or No__

2. Please attached the following*:

a) Copy of original Payroll History Snapshot

****Email form along with attachments to: carend@scoe.org, jliu@scoe.org, jsarsfield@scoe.org & tpham@scoe.org**

C) CREATE MANUAL PAY: (District sets up but SCOE to "submit")

Please attach the following*:

a) Pay 01a

b) Errors have been corrected or explained

Employee Name _____

***Email form along with attachments to: carend@scoe.org, jliu@scoe.org, jsarsfield@scoe.org & tpham@scoe.org**

Print Name of Authorized Signer:

AUTHORIZED SIGNATURE:

_____ Date: _____

By signing this form, I certify that I approve the above payroll transaction. I have validated correct compensation, retirement/payroll tax reporting, and reviewed the payroll reports as appropriate.

SIGNATURE AUTHORIZATION FORM

TO: Sonoma County Office of Education
 FROM: _____ # _____
 (School District or Charter School)

FISCAL YEAR: ____/____

Complete this section for annual listings of authorized signatures or to add employees to the list.

This is an: ___ Annual Listing ___ Addition

Indicate items the following persons are authorized to sign for:

A – Payroll Warrants **B** – AP Warrants

Name (Type or Print)	Signature	Circle Items Authorized
_____	_____	A B
_____	_____	A B
_____	_____	A B
_____	_____	A B
_____	_____	A B
_____	_____	A B
_____	_____	A B
_____	_____	A B

Permissible to send Payroll AV? ___ YES ___ NO

Note: Authorizations remain in effect for the entire fiscal year or until a request for change or deletion is filed with External Fiscal Services.

Complete this section to delete authorized signatures.

The following person(s) should be deleted from the signature authorization list:
 Name _____
 Name _____
 Name _____

DISTRICT SUPERINTENDENT DATE

**PLEASE SEND ORIGINAL FORM TO: SCOE BUSINESS SERVICES
 ATTN: DIRECTOR EXTERNAL PAYROLL AND FINANCE**

State Unemployment Insurance(SUI) Tax Record Audit

Payroll Reminder:

Please run the following audit periodically for your district

[Go to HR/Payroll - Employment Management](#)

Enter the Request Criteria:

- Tax setup (item 11)
- Tax As of Date: Today
- Subject to SUI: **NO**
- Click **Go** to Generate

8 - Dependents	
9 - Pay Setup	
10 - Subjects	
11 - Tax Setup	
Tax As Of Date	8/11/2022
Tax Start Date	
Tax End Date	
W-4 Form	
Federal Marital Status	
Federal Exemptions	
Multiple Jobs	
Federal Dependent Amount Minimum	
Federal Dependent Amount Maximum	
Federal Other Income Minimum	
Federal Other Income Maximum	
Federal Deduction Amount Minimum	
Federal Deduction Amount Maximum	
Federal Extra Amount Minimum	
Federal Extra Amount Maximum	
Federal Extra Percent Minimum	
Federal Extra Percent Maximum	
State Marital Status	
State Exemptions	
State Extra Amount Minimum	
State Extra Amount Maximum	
State Extra Percent Minimum	
State Extra Percent Maximum	
Tax Comment	
Subject to OASDI?	
Subject to Medicare?	
Subject to SUI?	No
Subject to Work Comp?	
Subject to SDI?	
Supplemental Tax?	

Please see reference page from EDD Information Sheet:

https://edd.ca.gov/siteassets/files/pdf_pub_ctr/de231ee.pdf

If you find any employees who are set up incorrectly with SUI as NO, there will need to be payroll and quarterly tax adjustments for this. Please contact Helpdesk@scoe.org, Carend@scoe.org, and Jliu@scoe.org for assistance.

Note: Only students and Elected Officials should be set up with SUI NO; All others should have SUI Yes.

WAGES

WHAT ARE STATE EMPLOYMENT TAXES?

State employment taxes (also known as state *payroll* taxes) are Unemployment Insurance (UI), Employment Training Tax (ETT), State Disability Insurance* (SDI), and Personal Income Tax (PIT) withholding.

Wages are subject to all employment taxes and reportable as PIT wages unless otherwise stated.

WHAT ARE WAGES?

Wages are all compensation for an employee's personal services, whether paid by check or cash, or by the reasonable cash value of noncash payments, such as meals and lodging. The method of payment, whether by private agreement, consent, or mandate, does not change the taxability of wages paid to employees. Payments are considered wages even if the employee is a casual worker, a day or contract laborer, a part-time or temporary worker, or is paid by the job, day, hour, piece rate, salary, or any other method or measurement. Supplemental payments, including bonuses, overtime pay, sales awards, commissions, and vacation pay, are also considered wages.

Note: If you pay your employee's share of Social Security, Medicare, and/or SDI without deducting the amounts from their wages, these payments may also be wages. For more information refer to *Information Sheet: Social Security/Medicare/State Disability Insurance/Federal Income Taxes Paid by an Employer*, [DE 231Q](#).

SUBJECT WAGES

Generally, wages are considered subject to all employment taxes, unless otherwise stated in the California Unemployment Insurance Code ([CUIC](#)), and are used to determine the amount of UI, SDI, and Paid Family Leave (PFL) benefits a claimant should receive. Subject wages are the full amount of wages, regardless of the UI and SDI taxable wage limits. Certain types of employment and payments are not considered subject to some or all of the employment taxes. Refer to *Information Sheet: Types of Employment*, [DE 231TE](#), and *Information Sheet: Types of Payments*, [DE 231TP](#).

*Includes Paid Family Leave (PFL).

PERSONAL INCOME TAX WAGES

Personal Income Tax (PIT) wages are cash and noncash payments subject to state income tax. Wages that must be reported on an individual's California income tax return are PIT wages. Most payments for employees' services are reportable as PIT wages. For additional information, refer to *Information Sheet: Personal Income Tax Wages Reported on the Quarterly Contribution Return and Report of Wages (Continuation) (DE 9C)*, [DE 231PIT](#).

Wages Include, but Are Not Limited to, the Following:

- Salaries, hourly pay, piece rate, or payments by the job.
- Commissions and bonuses.
- The reasonable cash value of compensation other than cash.
- Meals and lodging:
 1. An exception is that meals and lodging are not reportable as PIT wages when furnished on the employer's premises for the employer's convenience. Another exception is lodging when it is furnished as a condition of employment.
 2. Special rules apply to household employers. Refer to *Information Sheet: Household Employment*, [DE 231L](#), and *Household Employer's Guide*, [DE 8829](#).
- Cash tips and gratuities of \$20 or more in a month that are included in a written statement furnished by the employee to the employer. Refer to *Information Sheet: Tips*, [DE 231T](#).
- Banquet tips and employer-controlled tips, which are considered a regular wage and are fully taxable. The taxability of banquet tips and employer-controlled tips is not contingent upon the employee reporting them to the employer.
- Group legal services that are provided by an employer to an employee or his or her spouse.
- Employer contributions, without payroll deduction, into a qualified tuition plan account (such as a California ScholarShare Trust account) for the benefit of the employee or the employee's designated beneficiary.

- Amounts in lieu of cash wages that are offset by the employer against a debt due from the employee or applied to a debt owed to a third party by the employee.
- Sickness and accident disability payments, except those made under a workers' compensation law or paid from an employee-funded plan.
- Fringe benefits provided or paid for by the employer on behalf of employees and their dependents unless specifically excluded from income. Refer to *Information Sheet: Taxability of Employee Benefits, DE 231EB*.
- Pension and retirement contributions made by employers unless the contributions are to a qualified plan, such as those defined in Sections 401(k), 408(k), 408(p), 403(a), 403(b), and 3121(v)(3) of the Internal Revenue Code (IRC).
- Employer contributions under a qualified cash or deferred compensation plan (such as Section 401(k) of the IRC) that represent elective employee contributions. Not subject to PIT withholding and not reportable as PIT wages if the payments are excludable from gross income for state income tax purposes.
- Employer contributions to certain nonqualified deferred compensation plans are taxable when services are performed or when there is no substantial risk of forfeiture, whichever is later.
- Employer payment, without payroll deduction, of taxes due from the employee for SDI and/or Social Security/Medicare. (Exception: employee Social Security/Medicare taxes paid by the employer without payroll deduction for household employment or agricultural labor are not wages for UI, ETT, and SDI purposes, but they are reportable as PIT wages.) Refer to the DE 231Q.
- Health insurance premiums or health care expenses paid by the employer on behalf of the employee's domestic partner. NOTE: Payments are excluded for PIT withholding and reporting purposes.
- domestic partner (as defined in Section 297 of the [Family Code](#)). Payments are reportable as PIT wages. Refer to *Information Sheet: Family Employment, DE 231FAM*.
- Repayment of required or necessary business expenses incurred by the employee while performing services for the employer (e.g., travel expenses).
- Sickness or accident disability payments made more than six calendar months following the last month in which the employee worked (subject to PIT withholding and reportable as PIT wages).
- Severance payments if the purpose is to supplement Unemployment Insurance benefits (reportable as PIT wages).
- Vacation or holiday pay earned but not paid prior to the termination of employment (reportable as PIT wages).
- Health insurance premiums or health care expenses paid by the employer on behalf of the employee or the employee's dependents who have not reached 27 years of age by the end of the taxable year. Refer to Section 938.4 of the CUIC.
- Sickness or accident disability payments under a workers' compensation law.
- Moving expenses, if it is reasonable to believe the expenses are an allowable deduction to the employee under Sections 217 and 132 of the IRC.
- Employee achievement awards, if it is reasonable to believe the amount is excludable from gross income under Section 74(c) of the IRC.
- Scholarship payments or fellowship grants, if it is reasonable to believe the amount is excludable from gross income under Section 117 of the IRC.
- Dependent care assistance programs, if it is reasonable to believe the amount is excludable from gross income under Section 129 of the IRC.
- Payments from a qualified plan to an employee for retirement (subject to PIT withholding for California residents unless the recipient elects exemption from withholding).
- Employer contributions to a trust under Section 401(a) of the IRC or to an annuity plan under Section 403(b) of the IRC. Employer contributions to certain qualified retirement or deferred compensation plans, such as those defined in Sections 401(k), 408(k), 408(p), and 403(b) of the IRC, are also not subject to employment taxes, unless the contributions result from a salary reduction agreement. Refer to the DE 231TP for the status of employee contributions to retirement plans.

Wages Do Not Include the Following Types of Payments:

These types of payments are not subject to state employment taxes or reportable as PIT wages unless otherwise stated.

- Payments to a child under the age 18 years who is employed by his or her father or mother (or by a partnership consisting only of father and mother), or service performed by an individual who is employed by his or her son, daughter, spouse, or registered

- Employee payroll deductions made under a cafeteria plan that follows the provisions of Section 125 of the IRC made for the following purposes:
 - Medical insurance
 - Dental insurance
 - Vision insurance
 - Life insurance
 - Dependent care assistance
 - Reimbursement of medical or hospital expenses
- Fees paid to a director of a corporation for performing services in the capacity of a director as defined in Section 622(b) of the CUIIC. These services are subject to PIT withholding and reportable as PIT wages if the director is a common law employee. Refer to *Information Sheet: Employment*, DE 231. Payments to directors for services not defined in Section 622(b) of the CUIIC may be considered wages for all employment tax purposes.
- Back pay awarded to an employee because the employer failed to comply with the Worker Adjustment and Retraining Notification (WARN) Act (subject to PIT withholding and reportable as PIT wages).

ADDITIONAL INFORMATION

Additional information regarding the taxability of wages can be found on the DE 231TP. For further assistance, please contact the Taxpayer Assistance Center at 888-745-3886, or visit the nearest Employment Tax Office listed in the *California Employer's Guide*, DE 44, or on the Employment Development Department (EDD) website at www.edd.ca.gov/Office_Locator/. Additional information is also available through the EDD no-cost payroll tax seminars and online courses. View the in-person and online course offerings on the EDD website at www.edd.ca.gov/Payroll_Tax_Seminars/.

The EDD is an equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities. Requests for services, aids, and/or alternate formats need to be made by calling 888-745-3886 (voice) or TTY 800-547-9565.

SHOULD WAGES BE REPORTED WHEN PAID OR EARNED?

For reporting purposes, wages are taxable when paid, when constructively paid, or when an employee receives remuneration other than cash. Wages are **constructively paid** when credited to the employee's account or set apart for the employee so they may be drawn at any time, although not actually in his or her possession. The weekly amount paid to UI and SDI claimants is based on the amount of wages paid during the quarter in which the claimant's wages were the highest within the designated base period. For this reason, it is important to report wages during the quarter when they were actually or constructively paid.

If still unpaid at the time the *Quarterly Contribution Return and Report of Wages (Continuation)*, DE 9C, is due, wages due to an employee that were not paid within the time required by law should be reported on a separate DE 9C under the caption written "**Wages Legally Due But Unpaid.**" This will ensure that a claimant receives proper wage credit for the quarter when the wages should have been paid. However, the employment taxes due on these wages should be paid when the wages are actually or constructively paid to the employee.

This information sheet is provided as a public service and is intended to provide nontechnical assistance. Every attempt has been made to provide information that is consistent with the appropriate statutes, rules, and administrative and court decisions. Any information that is inconsistent with the law, regulations, and administrative and court decisions is not binding on either the Employment Development Department or the taxpayer. Any information provided is not intended to be legal, accounting, tax, investment, or other professional advice.

FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

Minimum Wage—Future Forecast

 **BY CHARLENE QUILAO**

 **BY DANYEL CONOLLEY**

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posted July 19, 2022

California's minimum wage is projected to increase to \$15.50 per hour for all workers effective January 1, 2023, as triggered by increasing costs due to inflation (see "[An Overview of the 2022-23 Governor's Budget Proposals](#)" in the May 2022 *Fiscal Report*). Per Labor Code, the minimum wage rate will be adjusted annually for inflation based on the national Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). Because the CPI-W exceeded 7%, the first adjusted increase was accelerated; therefore, employees will be guaranteed the \$15.50 rate even if they work for small employers—those employers with 26 employees or less (Labor Code Section 1182.12[c][3][A-B]) and the ongoing increase in the future is caused by Labor Code Section 1182.12(c)(1).

Below is a table illustrating minimum wage on an hourly, weekly, monthly, and annual basis. Based on inflation, School Services of California Inc. staff projects that the minimum wage will continue to increase by the maximum amount allowed by law through 2028.

Minimum Wage	Effective Date: > 25 Employees	Effective Date: ≤ 25 Employees	Exempt Minimum Salary (Weekly)	Exempt Minimum Salary (Monthly)	Exempt Minimum Salary (Annually)
\$14.00/hour	January 1, 2021	January 1, 2022	\$1,120	\$4,853	\$58,240
\$15.00/hour	January 1, 2022	N/A	\$1,200	\$5,200	\$62,400
\$15.50/hour	January 1, 2023		\$1,240	\$5,373	\$64,480
\$16.00/hour	January 1, 2024		\$1,280	\$5,547	\$66,560
\$16.40/hour	January 1, 2025		\$1,312	\$5,685	\$68,224
\$16.80/hour	January 1, 2026		\$1,344	\$5,824	\$69,888
\$17.20/hour	January 1, 2027		\$1,376	\$5,963	\$71,552
\$17.60/hour	January 1, 2028		\$1,408	\$6,101	\$73,216

The forthcoming increase in the minimum wage highlights important operational considerations that require attention to ensure that employers are maintaining their obligation to comply with state and federal laws. Local educational agency human resources departments should review current salary schedules now, to identify salary cells that may fall below the scheduled minimum increase, in addition to preparing for future increases. Keep in mind that increases in the minimum wage also impact the exemption threshold as exempt workers in California must be paid a salary that is at least twice the state's minimum wage.

There are criteria for determining if a check should be deposited directly into the County Treasury or if it should be deposited to the Clearing bank account at your LEA. See the deposit process below.

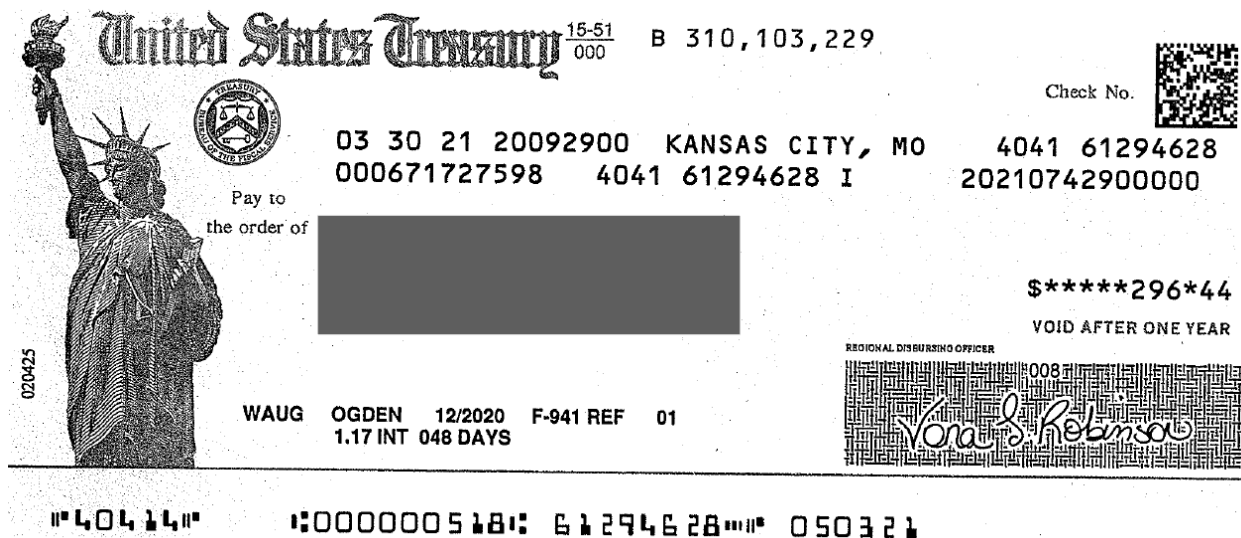
Deposit Process

Determine if the deposit can go straight to SCOE for deposit in the County Treasury or if it needs to be deposited in the Clearing Account.

A. CRITERIA:

- I. Personal checks are deposited to the clearing account.
- II. Cash is deposited to the clearing account.
- III. Checks guaranteed to not bounce such as company, other school district, SCOE, State, and Federal checks and any money orders can be deposited directly to the County Treasury.

Note: Any checks received from the United States Treasury need to be forwarded to SCOE for processing. **Please do not deposit these checks.** They need to be reconciled against the Quarterly taxes reported by SCOE on behalf of the district before they are deposited. See example below:



(The United States Treasury checks only apply to School Districts. Charter schools do their own federal tax reporting)

Global Economic Sanctions

Overview of economic sanctions

Economic sanctions are foreign policy tools used to financially and commercially isolate specific targets, which may include countries, regions, individuals, entities or organizations. Sanctions typically prohibit a broad array of business activities, including most financial transactions. But some sanctions prohibit only certain types of activity – such as restrictions on lending or capital markets activity involving sanctioned Russian entities and the government of Venezuela – while not impacting other activity, such as correspondent banking. Examples of sanctions targets include terrorists, narcotic traffickers, war criminals, and regions/countries, such as Crimea, Cuba, Iran, North Korea and Syria.

Because they are foreign policy tools, sanctions vary from country to country, and are enforced by various authorities. For example:

- Most U.S. economic sanctions are administered and enforced through the U.S. Department of Treasury’s Office of Foreign Assets Control (OFAC)
- The United Nations Security Council
- European Union “restrictive measures,” under the Common Foreign and Security Policy as enforced by national competent authorities
- As of January 1, 2021, the UK is no longer a member of the EU and imposes its own sanctions, pursuant to the Sanctions and Anti-Money Laundering Act 2018

Our obligations and requirements

As a U.S. company, Bank of America is required to comply with the sanctions laws and regulations administered and enforced by OFAC and other U.S. agencies. In addition to the U.S. sanctions, we are required to comply with the economic sanctions laws and regulations of the countries where we operate.

Economic sanctions can require Bank of America to:

- Block (freeze) payments involving or accounts of sanctions targets
- Prohibit (reject) business dealings, for example:
 - No transactions or dealings involving a target government or other sanctions target, including vessels owned by a sanctions target
 - No new investments in a target country
 - No dealings in goods or services of target country origin, or owned or controlled by the target country government, or in goods, technology or services for exportation, re-exportation, sale or supply to target country or its government
 - No exportation of services to a target country
 - No support for or facilitation of another person’s transactions with a target country or person
- Restrict or exit existing customer relationships
- Report various activities and actions taken by the bank to the proper authorities as required by law

Sanctions enforcement

Penalties for violating OFAC sanctions can include civil penalties of \$307,922 to \$1,437,153, or double the value of a transaction (whichever is greater), and criminal penalties. Other international economic sanctions authorities, such as those in the United Kingdom and Australia, are taking steps to strengthen their sanctions regimes and increase enforcement.

Our sanctions controls

In order to comply with all applicable economic sanctions requirements, Bank of America uses industry-leading technology to monitor its customer relationships and its incoming and outgoing

transactions for potential economic sanctions concerns. This includes comparing customer data to relevant economic sanctions lists through automated scanning at the time an account is opened and on an ongoing basis thereafter. Transactions are scanned in real-time as they enter or leave the bank. Any items identified through scanning as potential sanctions concern are reviewed by specially trained personnel.

True positive matches are handled as required by economic sanctions regulations, and Bank of America will block (freeze) payments, prohibit (reject) payments or business dealings, restrict or exit existing customer relationships and/or report to the proper authorities, as required by regulations.

However, many items identified in scanning are not true matches. Most can easily be dismissed as false positives, and are released with no additional investigation. However, in some cases, the bank must ask for additional information, such as a full name with no initials or a date of birth. The bank uses this additional information to distinguish names that are similar to sanctioned names. If the bank does not receive clarifying information in response to a request, it may be required to take adverse action as required by applicable sanctions regulations.

Considerations when making payments

Minimizing processing delays

- Use proper message format – SWIFT MT103 or MT202
- Avoid using acronyms or abbreviations
- Where applicable, include citations of sanctions regulatory exemptions or licensed authorizations
- Payments to businesses: Include full legal name, physical address, country of headquarters, purpose of payment and any other unique identifier as it relates to the entity

- Payments to individuals: Include the individual's full legal name, date of birth, country of residency, purpose of payment and profession
- Payments involving shipping vessels: Include the vessel's International Maritime Organization (IMO) number when making payments involving shipping vessels

Note, additional information may be requested by the bank to appropriately review a transaction. Providing this information in a timely manner can expedite the review process.

License authorizations

If a payment to a sanctioned country is licensed because it is, for example, a humanitarian payment, customers should cite the applicable sanctions regulatory exemption or licensed authorization in the payment instructions.

Rejected, blocked or frozen payments

If the funds are blocked (frozen), customers will receive instructions on how to contact government authorities to request approval to release the blocked funds. If the funds were blocked pursuant to OFAC regulations, customers may consult OFAC's website for further information on how to request a license unblocking your funds

Attempting to circumvent sanctions

Wire stripping is the manipulation, removal, or omission of information in a wire payment instruction or other transaction that has the purpose or effect of disguising the involvement of a sanctions target or sanctioned country in order to circumvent the sanctions compliance controls of financial institutions.

When the bank stops a payment for sanctions review, the review must be completed before the payment can be processed. Customers should not initiate an alternate payment and/or a duplicate payment while a payment is pending sanctions review and/or after the payment has been identified

as presenting a sanctions concern. If the subsequent payment manipulates, removes, or omits information, such conduct would be viewed as wire stripping and an attempt to circumvent sanctions.

Attempting to circumvent sanctions, including by trying to evade the bank’s controls by intentionally removing information from a payment, is regarded as a serious and potentially criminal offense by government authorities.

Pre-approval of payments

The bank does not provide pre-approvals or pre-screening prior to the transactions being processed. All transactions are reviewed for compliance with sanctions at the time they are entered and processed in the bank’s systems.

Payment involving multiple banks

Each financial institution has its own independent obligation to comply with applicable economic sanctions laws and regulations. If a payment is processed by multiple banks, each bank is individually required to control the payment and ensure it complies with the law. If another bank asks Bank of America for additional information to resolve its sanctions concern, we will contact you promptly in order to ensure rapid resolution to any issues.

Payments held for “Bank policy” reasons

The bank reserves the right to decline the processing of payments that may run counter to its internal policy designed to comply with applicable sanctions. When a payment is returned for proprietary reasons, the bank may not disclose additional details regarding the return of the payment at its discretion.

Bank of America review process

