



**Internal Audit Department
Employer Audit Report
Of
#3068 Union County
July 17, 2018**

FINDINGS AND RECOMMENDATIONS

#	Finding	Recommendation	Due Date
1	<p>We performed a reconciliation of 2017 and May 2018 gross wages (from your payroll reports) to the wages reported to IMRF.</p> <p>As a result of these reconciliations, we noted that you are not exempting all IRS Code Section 125 plans from IMRF wages even though IRS Code Section 125 plans are exempt from all taxes. The deduction codes identified were "County Dental Pretax," "Liberty Ins Pre," "Union Cnty Gen Ins," and "Union Cnty Amb Ins."</p>	<p>In order to have IRS Code Section 125 deductions treated as IMRF wages, it will be necessary to pass Resolution 6.72 ("Suggested Resolution to Include Compensation Paid Under an IRS Code 125 Plan as IMRF Earnings") with an effective date of when the Employer started reporting this way.</p> <p>If the employer chooses to pass Resolution 6.72 retroactively, wage adjustments will be required for all affected IMRF members whose Section 125 deductions for "Aflac Pretax" were not reported as wages.</p> <p>If the governing body chooses not to pass Resolution 6.72, wage adjustments will be required for all affected IMRF members for the past four years to exclude the erroneously reported Section 125 deductions. However, best practice is to adjust out the erroneously reported compensation back to the point it was first included in IMRF earnings.</p> <p>If you have Employer Access, you should make employee wage adjustments online for each employee that needs a wage adjustment to remove the reported section 125 plan deductions. When completing the adjustments, please indicate the total amount that should have been reported as the correct amount. Please identify the audit finding number in the "reason" for the wage adjustment.</p> <p>If a retiree is impacted, please complete form 3.20AUD (Employer's Report of Adjustments to IMRF Earnings – Audit Retiree). You will not be able to use Employer Access for these adjustments since the member is collecting a benefit at this time.</p> <p>If a member has taken a refund, please complete form 3.20. You will not be able to use Employer Access for these adjustments. If you encounter any problems with this process, please contact our Wage Reporting Unit.</p>	7/31/2018

#	Finding	Recommendation	Due Date
2	<p>We performed a reconciliation of May 2018 wages (from your payroll reports) to the wages reported to IMRF. As a result of this reconciliation, we noted that "Cash Value Sick" wages were not being reported to IMRF. This fringe benefit is considered reportable earnings to IMRF.</p> <p>The following individuals were noted:</p> <ul style="list-style-type: none"> • Lance Meisenheimer • Joshua Schildknecht • Jeremy Moss • Kyle McDaniel 	<p>Section 3.96 J of the Authorized Agents manual states that "Compensation for sick leave is reportable to IMRF if it is paid to a current employee."</p> <p>Please file wage adjustments for all IMRF members impacted by this reporting requirement for the past 4 years. Please notify the Wage Reports Unit in the event the Employer plans to pay the member contributions on behalf of the impacted members and does not plan to collect the contributions from them. This will have an impact on the correction by increasing the reportable wages and contributions owed.</p> <p>If you have Employer Access, you should make employee wage adjustments online for each employee that needs a wage adjustment to include the value of the fringe benefit. When completing the adjustments, please indicate the total amount that should have been reported as the correct amount. Please identify the audit finding number in the "reason" for the wage adjustment.</p> <p>If a retiree is impacted, please complete form 3.20AUD (Employer's Report of Adjustments to IMRF Earnings – Audit Retiree). You will not be able to use Employer Access for these adjustments since the member is collecting a benefit at this time.</p> <p>If a member has taken a refund, please complete form 3.20. You will not be able to use Employer Access for these adjustments. If you encounter any problems with this process, please contact our Wage Reporting Unit.</p>	7/31/2018

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3	<p>We were unable to conclude on testing in the following areas due to missing supporting documentation:</p> <p>1) Wage Reconciliation - Please provide a best faith estimate of Donald Trambley's hours worked in May 2018. If Mr. Trambley worked more than 50 hours in May 2018, we will need a best faith estimate of his 2018 year-to-date hours and wages.</p> <p>2) W-2 Review - Please provide a best faith estimate as to the amount of hours Donald Trambley worked in 2017. If Mr. Trambley exceeded 600 hours in 2017, please also provide his 2015, 2016, and year-to-date 2018 hours and wages.</p>	<p>We require a response to our initial inquiry in order to conclude on testing. Upon receipt of these items, additional recommendations not present on this audit report may be issued under separate cover.</p>	7/31/2018
4	<p>A review of 2018 payroll related data indicated some employees may possibly be working more than the hourly standard which requires enrollment in IMRF.</p> <p>We identified the following employees:</p> <ul style="list-style-type: none"> • Mitchell Paulding • Erick Hallam 	<p>Please review the names listed for the hourly requirement of the position held by each employee.</p> <p>If any employees from the list are already terminated or are no longer working, and new employees have replaced them, please review the hours worked of the new employees and if their positions require them to work more than the hourly standard, they need to be enrolled.</p> <p>If you have Employer Access, you should enroll the eligible employees online.</p> <p>Note: For any employee the County chooses not to enroll, please provide a written response explaining the reason for the determination.</p>	7/31/2018

#	Finding	Recommendation	Due Date
5	<p>It was noted in our review of your 2017 IRS form W-2s that IMRF voluntary additional contributions were not subject to federal income tax. The following members were identified:</p> <ul style="list-style-type: none"> • Kevin Grammer • Angela Knupp • Jeffrey Stroehlein 	<p>Section 6.20 C of the Authorized Agent's Manual states that "Voluntary additional contributions are made after-tax. They are not tax-deferred like usual IMRF member contributions." The Employer needs to correct this reporting exception. Please correct all affected IMRF members' wages from 2017 and any other years impacted by issuing IRS form W-2c for those years or consult with your tax professional for further advice. Please provide the IMRF with documentation that indicates this exception has been corrected. In addition, please make the appropriate reporting adjustments for 2018 prior to issuing W-2.</p>	7/31/2018

#	Finding	Recommendation	Due Date
6	<p>We performed a reconciliation of gross 2017 wages (from your payroll reports) to the wages reported to IMRF for several randomly selected employees. As a result of this reconciliation we noted that some employees have been making contributions to an IRC Section 401(a) Plan under deduction "National Pension Fund."</p> <p>These contributions were included in the wages reported to IMRF. Contributions to this type of plan are not reportable to the IMRF as eligible wages.</p> <p>The following individuals were noted:</p> <ul style="list-style-type: none"> • Vonda Benefield • Tiffany Busby • Jana Fear 	<p>Section 3.96 (N) of the IMRF Authorized Agent's Manual states that contributions made to an IRC section 401(a) plan are not reportable to IMRF.</p> <p>Please note that our testing was limited in scope and identified only three affected individuals. As such, the employer should review wage reporting of all IMRF members with 401(a) contributions in order to identify any other individuals who may be affected.</p> <p>Please make wage adjustments for all IMRF members who were impacted by this reporting requirement for the past 10 years. However, best practice is to adjust out the erroneously reported compensation back to the point it was first included in IMRF earnings.</p> <p>If you have Employer Access, you should make employee wage adjustments online for each employee that needs a wage adjustment to remove the amount contributed to a Section 401(a) plan. When completing the adjustments, please indicate the total amount that should have been reported as the correct amount. Please identify the audit finding number in the "reason" for the wage adjustment.</p> <p>If a retiree is impacted, please complete form 3.20AUD (Employer's Report of Adjustments to IMRF Earnings – Audit Retiree). You will not be able to use Employer Access for these adjustments since the member is collecting a benefit at this time.</p> <p>If a member has taken a refund, please complete form 3.20. You will not be able to use Employer Access for these adjustments. If you encounter any problems with this process, please contact our Wage Reporting Unit.</p>	7/31/2018

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7	<p>As part of our audit procedures, we reconcile the 2017 gross wages on your payroll register to taxable wages on the W-3 form. We further compare 2017 IMRF member withholdings from your payroll to what was reported to IMRF. Based on this review, a discrepancy related to wages reported to IMRF for several members was noted.</p> <p>Larry Clover, Jr. had contributions deducted in the amount of \$3,566.64; however only \$3,454.35 was reported to IMRF as contributions, causing contributions to be under reported by \$112.29.</p> <p>Kyle McDaniel had contributions deducted in the amount of \$3,418.15; however only \$3,378.07 was reported to IMRF as contributions, causing contributions to be under reported by \$40.08.</p> <p>Lance Meisenheimer had contributions deducted in the amount of \$3,017.09; however \$3,023.23 was reported to IMRF as contributions, causing contributions to be over reported by \$6.14.</p> <p>Jeremy Moss had contributions deducted in the amount of \$3,214.39; however only \$3,170.19 was reported to IMRF as contributions, causing contributions to be under reported by \$44.20.</p> <p>Heather Panzier had contributions deducted in the amount of \$336.36; however \$342.27 was reported to IMRF as contributions, causing contributions to be over reported by \$5.91.</p> <p>Eric Ralls had contributions deducted in the amount of \$3,218.71; however only \$3,171.34 was reported to IMRF as contributions, causing contributions to be under reported by \$47.37.</p> <p>Joshua Schildknect had contributions deducted in the amount of \$3,369.01; however only \$3,324.93 was reported to IMRF as contributions, causing contributions to be under reported by \$44.08.</p>	<p>Please file wage adjustments for the affected IMRF member.</p> <p>If you have Employer Access, you should make employee wage adjustments online for each employee that needs a wage adjustment to correct the reported wages. When completing the adjustments, please indicate the total amount that should have been reported as the correct amount. Please identify the audit finding number in the “reason” for the wage adjustment.</p> <p>If a retiree is impacted, please complete form 3.20AUD (Employer’s Report of Adjustments to IMRF Earnings – Audit Retiree). You will not be able to use Employer Access for these adjustments since the member is collecting a benefit at this time.</p> <p>If a member has taken a refund, please complete form 3.20. You will not be able to use Employer Access for these adjustments. If you encounter any problems with this process, please contact our Wage Reporting Unit.</p>	7/31/2018

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	<p>Wendy Winkelman had contributions deducted in the amount of \$1,063.20; however only \$962.84 was reported to IMRF as contributions, causing contributions to be under reported by \$100.36.</p> <p>Skylar Benefield had contributions deducted in the amount of \$2,967.63; however \$2,992.44 was reported to IMRF as contributions, causing contributions to be over reported by \$24.81.</p> <p>Gregory Brown had contributions deducted in the amount of \$1,254.80; however \$1,265.46 was reported to IMRF as contributions, causing contributions to be over reported by \$10.66.</p> <p>Nikki Evans had contributions deducted in the amount of \$768.33; however \$780.93 was reported to IMRF as contributions, causing contributions to be over reported by \$12.60.</p> <p>Timothy Goodman had contributions deducted in the amount of \$3,176.09; however \$3,183.88 was reported to IMRF as contributions, causing contributions to be over reported by \$7.79.</p> <p>Danny Hartline had contributions deducted in the amount of \$390.10; however only \$276.91 was reported to IMRF as contributions, causing contributions to be under reported by \$113.19.</p> <p>Barton Hileman had contributions deducted in the amount of \$3,950.14; however only \$3,944.57 was reported to IMRF as contributions, causing contributions to be under reported by \$5.57.</p> <p>Robert McGee had contributions deducted in the amount of \$4,351.03; however only \$4,345.03 was reported to IMRF as contributions, causing contributions to be under reported by \$6.00.</p>		

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8	<p>We performed a reconciliation of the 2017 IMRF voluntary additional contributions on your payroll register to the voluntary additional contributions reported to IMRF. Based on this review, a discrepancy related to voluntary contributions reported to IMRF for several members was noted.</p> <p>Tyler Edmons had contributions deducted in the amount of \$886.32; however \$892.80 was reported to IMRF as contributions, causing contributions to be over reported by \$6.48.</p> <p>Eric Jones had contributions deducted in the amount of \$43.21; however \$65.38 was reported to IMRF as contributions, causing contributions to be over reported by \$22.17.</p> <p>Anne Beckmann had contributions deducted in the amount of \$586.39; however \$0 was reported to IMRF as contributions, causing contributions to be under reported by \$586.39.</p> <p>Barton Hileman had contributions deducted in the amount of \$4,041.73; however only \$3,981.36 was reported to IMRF as contributions, causing contributions to be under reported by \$60.37.</p> <p>Robert McGee had contributions deducted in the amount of \$5,780.555; however \$5,793.38 was reported to IMRF as contributions, causing contributions to be under reported by \$12.83.</p> <p>Jessica Roberts had contributions deducted in the amount of \$263.40; however \$265.99 was reported to IMRF as contributions, causing contributions to be over reported by \$2.59.</p> <p>Mark Cerny had contributions deducted in the amount of \$297.71; however \$0 was reported to IMRF as contributions, causing contributions to be under reported by \$297.71.</p> <p>Jeffrey Stroehlein had contributions deducted in the amount of \$4,863.10; however only \$4,799.55 was reported to IMRF as contributions, causing contributions to be under reported by \$63.55.</p>	<p>Please file wage adjustments for the affected IMRF members. If you have Employer Access, you should make the wage adjustments online to correct the voluntary additional contributions. When completing the adjustments, please indicate the total amount that should have been reported as the correct amount. Please identify the audit finding number in the “reason” for the wage adjustment.</p> <p>If a retiree is impacted, please complete form 3.20AUD (Employer’s Report of Adjustments to IMRF Earnings – Audit Retiree). You will not be able to use Employer Access for these adjustments since the member is collecting a benefit at this time.</p> <p>If a member has taken a refund, please complete form 3.20. You will not be able to use Employer Access for these adjustments. If you encounter any problems with this process, please contact our Wage Reporting Unit.</p>	7/31/2018

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9	<p>In reviewing the 2017 W-2s, it was determined that the "Retirement Plan" box is not being checked for elected officials who serve in a qualifying position. The Employer has filed a resolution covering the Governing Body - County Board of Commissioners.</p> <p>If the position qualifies for a pension, irrespective of whether the individual chooses to participate, the Retirement Plan box should be checked according to Internal Revenue Service requirements.</p> <p>The following individual was noted:</p> <ul style="list-style-type: none"> • Bobby Toler, Jr. 	<p>Section 9.10 (F) of the IMRF Authorized Agent's Manual states that the retirement box should be checked for any elected officials who are eligible, but elect not to participate in IMRF, since the IRS considers them as being covered by a pension plan. Going forward, ensure "box 13" on the W-2's is checked for all eligible/enrolled elected officials.</p> <p>If this elected official is opting out of keeping timesheets as the County Board Commissioner, please submit a letter from this official confirming this information.</p>	7/31/2018
10	<p>In reviewing the listing of elected officials, it was determined that the County Clerk - Vonda Benefield is participating in IMRF but there is no Form 6.21 ("Election to Participate For Qualifying Position") on file.</p>	<p>In order for the County Clerk to participate in IMRF, Form 6.21 ("Election to Participate For Qualifying Position") needs to be completed.</p> <p>[Note: Form 6.21 received prior to report issuance.]</p>	N/A