

**BROOME COUNTY  
DEPARTMENT OF  
AUDIT AND CONTROL**

**W2 WAGE TAX STATEMENT ISSUE MEMORANDUM**

OFFICE OF MANAGEMENT & BUDGET

**FEBRUARY 2014**

*Alex J. McLaughlin, Comptroller*



# Broome County Department of Audit and Control

Alex J. McLaughlin, Comptroller . Jerry F. Marinich, Chairman of the Legislature

February 13, 2014

Debra A. Preston, County Executive:

The Department of Audit and Control has reviewed the Broome County W2 Wage and Tax Statement for 2013:

Our purpose was to ensure that wages and withholding amounts for federal and state income taxes, social security and Medicare tax were correctly reported. We also reviewed the amount reported for employee health insurance payments and other relevant boxes on the W2 Wage and Tax statement.

We found the dollar amounts were correctly reported, but we also noted an error that requires attention as soon as possible.

Sincerely,

Alex J. McLaughlin  
Comptroller

cc: Jerry F. Marinich, Chairman of the Legislature  
Members of the Legislature  
Aaron M Martin, Clerk of the Legislature  
John M. Bernardo, Deputy County Executive  
Bijoy Datta, Deputy County Executive  
Marie Kalka, Director, Management and Budget  
Jennifer Lindsay, OMB Deputy Director, OMB

**AUDIT FINDINGS, RECOMMENDATIONS AND RESPONSES  
- OFFICE OF MANAGEMENT AND BUDGET-**

**FINDING 1:**

During the course of reviewing the accuracy of Broome County's W2 Wage and Tax Statements for 2013, we noted that the W2's contain an error. For employees covered by the NYS Retirement System that did not have ERS payments deducted from their paychecks, Box 13 (Retirement Plan) is not checked.

The Internal Revenue Service 2013 General Instructions for forms W-2 and W-3 page 19 require box 13 (Retirement Plan) to be checked, for active participants in, among others:

“A plan for federal, state, or local government employees or by an agency or instrumentality thereof (other than 457(b) plan).

The instructions define an employee as an active participant “if covered by (a) a defined benefit plan for any tax year that he or she is eligible to participate in....”

Additionally, the W2 Box 13 Retirement Plan Checkbox Decision Chart on page 27 of the W-2 and W-3 instructions indicates the Box 13 Retirement Plan box should be checked for a defined benefit plan when an employee qualifies for employer funding into the plan due to age/years of service.

The Retirement plan box informs employees, tax preparers, and the IRS that the deduction amount for any traditional IRA contributions are dependent on their filing status and modified adjusted income (see publication 590).

**RECOMMENDATION:**

We recommend the W-2 Wage and Tax Statement for 2013 are corrected as soon as possible.

We also recommend that all Broome County employees covered by the NYS retirement system be informed that, regardless of whether or not ERS payments were deducted from their checks, Box 13 Retirement Plan should have been checked.

**MANAGEMENT RESPONSE:**

OMB distributed all initial W2's as required by January 31<sup>st</sup> to all employees. The payroll supervisor before distributing had sampled the W2's for both reported dollar accuracy and tested that the box was checked or unchecked where appropriate. Also, the gross wages of all W2's were reconciled to the 941's to ensure all wages were accounted for. Unfortunately, it appears the sampling was not large and/or extensive enough to include the population where the box was not properly checked. We were made aware of this inaccuracy by one of our department fiscal contacts on about February 6th. Subsequent to the finding additional research was done by OMB and IT and it was determined that Box 13 was not properly checked for those individuals that no longer contribute but that the County still does. It was determined that a Sequel update was not moved into production properly. It was concluded by OMB that new W2's needed to be issued and by February 21<sup>st</sup> new W2's were issued to all employees.