

Office of the State Controller

Self-Assessment of Internal Controls

Tax/Payroll Compliance

Objectives and Risks

Agency _____

Year-End _____

Objectives

All moving expense reimbursements, Educational Assistance Plan payments, and Fringe Benefits for employees are properly reported to the Internal Revenue Service with income tax and social security withholding applied if considered necessary.

All employees are properly classified as an independent contractor, a common law employee, a statutory employee, or a statutory nonemployee for tax reporting and withholding requirements.

All procedures for identifying a worker as an employee or independent contractor are in written form. These procedures have been reviewed by authorized personnel and approved in accordance with established policies and procedures.

Risks

- The tax system of the United States is one of voluntary compliance. If procedures designed to insure compliance are not being followed the fairness of the system could be compromised.
- The entity may erroneously include/exclude moving expense reimbursements from gross income.
- The tax system of the United States is one of voluntary compliance. If procedures designed to insure compliance are not being followed the fairness of the system could be compromised.
- Agency may classify an employee incorrectly for reporting and withholding purposes.
- Agency may submit incorrect tax forms based on erroneous classifications.
- Inadequate procedures for determining independent contractors.
- Agency files contain inadequate information for proper reporting.
- Change in agency personnel could cause a failure to properly account for and report withholding as required by law.