

CITY OF WARNER ROBINS
GEORGIA'S INTERNATIONAL CITY - CHARTERED 1943
"A CITY OF CHARACTER"

November 9, 2021

MAYOR
Randy Toms

Mayor and Council:

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COUNCIL**

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David Corbin

CITY CLERK
Mandy Stella

CITY ATTORNEY
Julia Bowen Mize

In August 2021, you appointed me to serve as the City's interim Chief Financial Officer (CFO) with the sudden departure of Ms. Thornton. Ms. Thornton had been serving as the City's appointed CFO for one year prior to her departure. As a result of my initial departmental review process, our team identified several administrative and workflow issues that warranted immediate attention. In fact, and record, we have been and continue to diligently work to address all of those specific matters identified during our initial assessment. Equally important, we remain committed to our overall goals and objectives of improving the efficiency and effectiveness of the entire Finance Department for the benefit of the City as a whole. In the near term, this will be achieved by reorganizing various departmental functions and workflow activities, adding multiple key team members with considerable experience, and engaging with third-party vendors to bridge gaps and supplement our existing workflow specifically as it relates to our current technology and banking platform.

Notwithstanding the context provided above, my primary purpose of this communication is to formally update you on an administrative matter involving the City's compliance with IRS information reporting requirements related to the Affordable Care Act. During my initial review process, the Finance staff brought to my attention that the IRS contends the City had not properly filed with the IRS nor properly notified employees regarding the provision of qualifying health insurance coverage under the Affordable Care Act (ACA) for the years 2016 and 2018. Based on our initial internal review, it was not clear that the City had, in fact, filed the appropriate reports for the reporting years of 2016 and 2018, respectively. Out of an abundance of caution, I instructed the staff to re-submit the necessary reports to the IRS. Our review did indicate that all required IRS documents pertaining to the employee portions of the reporting requirement were provided to individual employees and had been satisfied. The IRS does not contend the City has failed to satisfy its ACA reporting obligations for any other years. In addition, it should be duly noted, that the reporting requirements do not involve the outstanding payment of any taxes. As stated above, the primary issue relates to "information reporting requirements" and provisions under section 6056 of the Affordable Care Act. Specifically, various sections of the IRS Code requires all employers to report information about the health care coverage, if any, they offered to full-time employees. It also requires all employers to furnish related statements to employees as well.

Although the City in fact provides such coverage and believes it made substantial steps towards compliance, the IRS acted on its position regarding 2016 through a levy on the City's bank account in an amount totaling \$423,000. The IRS subsequently, and erroneously, then repeated that levy at the end of October. The IRS is in the process of returning the second levy based on our team's deliberate actions to firmly address and resolve these matters directly with the IRS.

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This issue remains an important administrative matter for my office, and we have engaged external counsel and external accountants with direct IRS experience to stay any further action by the IRS and to challenge the IRS's contentions regarding 2016 and 2018. With regard to tax year 2021 and ongoing, the City has also engaged professional service providers to assist with the technical filing requirements and is investigating whether additional steps can be implemented to eliminate or minimize any future liability in this regard. I remain optimistic that we have a plan in place that will resolve these legacy matters to the benefit of the City. I will be preparing a full report for your review and consideration upon final resolution with the IRS.

I believe this communication would not be complete without a brief discussion regarding portions of the IRS lien related to Form 941 and the reporting of required payroll taxes withheld from employee paychecks. The aggregate total of \$9,096.93 reflects quarterly reporting errors made during the first and third quarters of 2020, respectively. Overall, I believe the multiple reporting errors and the final IRS remittances are not acceptable, however, I am of the opinion that the pandemic environment had adversely impacted the staffing levels of the payroll division during this time period. Given our long-term goal to operate more efficiently and consistent with the strategic financial plans we have discussed, I will be recommending, before year-end, an outsourced payroll solution for your consideration and approval.

I appreciate your continued support and thank each of you for your consideration and patience as we move forward to address this outstanding matter. In the interim, please feel free to contact me directly if you have any additional questions.

Regards,

David

David Corbin
City Administrator

