



Town of Dover

5 Springdale Avenue
P.O. Box 250
Dover, Massachusetts 02030

Date: June 20, 2013

To: Board of Selectmen

From: Gerard Lane, Treasurer-Collector

RE: IRS Audit

I was asked to provide an overview of the IRS Audit that the Town has been undergoing. In October of last year we were notified by the IRS that Dover had been selected for an audit as part of the National Review Program (NRP). The NRP is an IRS project to audit a random sample of all types of taxpayers to provide a statistical background for future tax compliance analysis and planning. The NRP audit looks at all aspects of the Town's finances as they relate to the selected year, calendar 2010.

The Town has responded to over twenty requests for information and documents from the IRS agent conducting the audit since its start. During the course of the audit the Town was found to be in non-compliance in several areas and will be subjects to assessments and penalties for 2010 and the subsequent tax years of 2011 & 2012.

The compliance issues identified were:

- Uniform Allowance as non-taxed reimbursement for 'dual use' items.
- Misclassification of employees as contractors in multiple departments.
- Some school employees were incorrectly paid as contractors for additional work.
- Not collecting retirement contribution (OBRA) from Senior Tax Work-off participants.
- Not collecting Medicare tax on rehired retirees and some part time officials.
- Some cases of missing W-9's for purposes of obtaining contractors Tax ID's.
- Failure to issue 1099's for certain professional corporations and other payees.

It is conservatively estimated that the total due to the IRS to resolve this audit will be no more than \$80,000. The Town's Finance team has begun the process of changing policies and procedures to prevent these issues from reoccurring.

If you have any questions, please contact me.

Cc: Dave Ramsay, Town Administrator
Carol Wideman, Town Accountant