



QUALITY ASSURANCE REVIEW FINDINGS REPORT NO.: 2022-04

Education Assistance-Tuition Waiver Program

The Department of Financial Services (DFS) Post Audit Subsection has completed a review of state employees who participate in any education assistance program through the state.

Purpose

To ensure agencies have procedures to accurately report the benefits for employees who participate in any education assistance or tuition waiver program using the payroll system (PYRL) as applicable to be taxed and reported appropriately to the IRS. This includes tracking the employee benefit amount to ensure they do not exceed the IRS yearly maximum limit of \$5,250.

Scope

This review covered January thru December of the 2021 calendar year.

Background

Pursuant to 26 U.S.C. section 127, the State of Florida provides tax-free educational assistance to its employees under this qualified educational assistance plan. No more than \$5,250.00 in educational assistance provided per plan year under the program qualifies for tax-free treatment. Therefore, any educational assistance provided to a participant under the plan in excess of \$5,250.00 will be reported by the employer to the Internal Revenue Service as income received by the participant.

Methodology

The BOSP Post Audit Team reviewed all employee payroll records with adjustments in 2021 utilizing earnings code 9103 (Taxable Tuition Waiver) data from the DFS Information Warehouse. Thirty employee payroll records were adjusted for a total amount of \$41,234.64.

Five agencies were selected for additional review. In addition, The BOSP Post Audit Team chose two agencies that made no adjustments using earnings code 9103.

The following agencies were included in our review and were sent email communications for additional information regarding their agency's Tuition Waiver/Education assistance.

- Department of Environmental Protection (1 employee)
- Department Financial Services (? Employees/no adjustments made)
- Department of State (2 employees)
- Department of Education (5 employees)
- Florida Department of Law Enforcement (5 employees)
- Department of Revenue (? Employees/no adjustments made)

Of the 6 agencies reviewed, there were 13 adjustments completed by 4 of the agencies. From these agencies, The BOSP Post Audit Team requested the backup documentation for the adjustments made and the procedures to explain the agency process for tracking employees receiving the benefit.

From the remaining 2 agencies that did not complete any adjustments using the payroll code 9103, The BOSP Post Audit Team requested documentation of the procedures in place for employees receiving the Tuition Waiver/Education Assistance benefit.

Conclusions

The BOSP Post Audit Team reviewed all documentation provided. The Department of State (DOS), The Department of Education (DOE), and the Florida Department of Law Enforcement (FDLE), with employees exceeding \$5,250 in the calendar year 2021, appropriately completed adjustments in the payroll system. In addition, the same agencies responded and described the education/tuition waiver monitoring process.

The Department of Revenue (DOR) responded and supplied copies of all emails requesting verification of full-time employment for tuition waiver participation. The agency replied to the process questions stating that they do not currently track the employees participating in the benefit and are working on improving their handling process.

The Department of Environmental Protection (DEP) was emailed about an employee. However, further review of the adjustment determined that the FDLE completed the adjustment. This employee's information was then submitted to FDLE for verification and documentation. Like the other employees of FDLE, the adjustment was completed correctly.

The Department of Financial Services (DFS) was contacted by email for a response to the QAR, however the documentation was not available prior to the publishing of this report. Therefore, DFS processes for handling the education/tuition waiver benefit are not included in this report.

Department of Environmental Protection – DEP (OLO 3700)

The BOSP Post Audit Team found that one employee had an adjustment made for the calendar year 2021 utilizing payroll code 9103. Backup documentation was requested to support the adjustment made. After further review of the adjustment in the payroll system, this employee previously worked for the Florida Department of Law Enforcement (FDLE). That agency completed the education assistance adjustment in the payroll system. The information was sent to FDLE for verification and submission of backup documentation. Although the agency was requested to respond to the below process questions, no response was received.

Educational/Tuition Waiver Assistance Adj. 1/1/2021-12/31/2021

Agency		Employee	PF ID	Hire Date	Asst. Amount Over Limit
3700	DEP			3/18/2022	\$395.04

AGENCY RESPONSE:

1. Is the agency aware that the employee has a maximum yearly benefit of \$5,250? *Yes, we are aware that anything in excess of \$5,250 is not tax free.*
2. Does the agency have policies and procedures to track and monitor employees participating in any Education or Tuition Assistance Benefit, ensuring the maximum yearly benefit is not exceeded? If so, please describe or provide copies. *Please see the attached form. Within the form we advise employees of Section 127 Internal Revenue Code and require class costs to be included. The cost fields automatically calculate total. We do not track the running total per employee nor do we have policies or procedures related to this statewide program. The agency does not have a reimbursement program.*
3. Please provide documentation for all employees participating in any Education or Tuition Assistance Benefit for 2021. Including all documentation for employees listed below who had an adjustment made due to exceeding the yearly \$5,250 limit. *Are you asking for all tuition waiver forms for 2021? If so, there will be 415 documents to provide. Which employees are referred to in "Including all documentation for employees listed below..."?*

BOSP Response: Additional documentation is not needed at this time and may be requested in a future audit.

Department of Financial Services – DFS (OLO 4300)

The BOSP Post Audit Team found no adjustments were made utilizing code 9103 for DFS. Backup documentation for employees utilizing the tuition waiver benefit for the calendar year 2021 was requested. The Department of Financial Services (DFS) documentation was not available prior to the publishing of this report.

Department of State –DOS (OLO 4500)

The BOSP Post Audit Team found that two employees had an adjustment made for the calendar year 2021 utilizing payroll code 9103. Backup documentation was requested to support the adjustment made. The Department provided supporting documentation for the adjustments made to the employee's record who participated in the tuition waiver program for the year 2021. Documentation was reviewed, and the agency correctly completed the adjustment, therefore correctly applying the excess amount over \$5,250 as salary dollars, ensuring that the employee is taxed appropriately for this fringe benefit.

Educational/Tuition Waiver Assistance Adj. 1/1/2021-12/31/2021

Agency		Employee	PF ID	Hire Date	Asst. Amount Over Limit
4500	DOS			8/16/2021	\$1,495.31
4500	DOS			3/21/2017	\$471.08

AGENCY RESPONSE:

1. Is the agency aware that the employee has a maximum yearly benefit of \$5,250? *The agency is aware of the \$5,250 maximum annual benefit.*
2. Does the agency have policies and procedures to track and monitor employees participating in any Education or Tuition Assistance Benefit, ensuring the maximum yearly benefit is not exceeded? If so, please describe or provide copies. *There is no official policy; however, the tuition waiver forms are tracked in Human Resources.*
3. Please provide documentation for all employees participating in any Education or Tuition Assistance Benefit for 2021. Including all documentation for employees listed below who had an adjustment made due to exceeding the yearly \$5,250 limit. *Attached is the documentation requested.*

Department of Education – DOE (OLO 4800)

The BOSP Post Audit Team found that five employees had an adjustment made for the calendar year 2021 utilizing payroll code 9103. Backup documentation was requested to support the adjustment made. The Department provided supporting documentation for the adjustments made to the employee's record who participated in the tuition waiver program for the year 2021. Documentation was reviewed, and the agency correctly completed the adjustment, therefore correctly applying the excess amount over \$5,250 as salary dollars, ensuring that the employee is taxed appropriately for this fringe benefit.

Educational/Tuition Waiver Assistance Adj. 1/1/2021-12/31/2021

Agency		Employee	PF ID	Hire Date	Asst. Amount Over Limit
4800	DOE			9/17/2018	\$2,665.56
4800	DOE			2/20/2013	\$2,993.70
4800	DOE			3/6/2017	\$1,737.42
4800	DOE			3/1/2007	\$501.84
4800	DOE			4/19/2011	\$2,746.68

AGENCY RESPONSE:

1. Is the agency aware that the employee has a maximum yearly benefit of \$5,250? *Yes, we are. Employees are also made aware on our form.*
2. Does the agency have policies and procedures to track and monitor employees participating in any Education or Tuition Assistance Benefit, ensuring the maximum yearly benefit is not exceeded? If so, please describe or provide copies. *Yes, we have two employees who receive and track employee participation in the program. Attached is a blank copy of the spreadsheet used for each semester/year to track the costs.*
3. Please provide documentation for all employees participating in any Education or Tuition Assistance Benefit for 2021. Including all documentation for employees listed below who had an adjustment made due to exceeding the yearly \$5,250 limit. *As for the documentation – I will have to send it in separate emails as that will be an email for each person that we sent along with their forms for the year. I will forward those shortly.*

Florida Department of Law Enforcement – FDLE (OLO 7100)

The BOSP Post Audit Team found that four employees had an adjustment made for the calendar year 2021 utilizing payroll code 9103. Backup documentation was requested to support the adjustments made. The Department provided supporting documentation for the adjustments made to the employee's record who participated in the tuition waiver program for the year 2021. Documentation was reviewed, and the agency correctly completed the adjustment, therefore correctly applying the excess amount over \$5,250 as salary dollars, ensuring that the employee is taxed appropriately for this fringe benefit. An additional employee transferred to the Department of Environmental Protection after FDLE completed an adjustment for education assistance. FDLE provided the backup documentation to support the adjustment made for this employee previous to transferring.

Educational/Tuition Waiver Assistance Adj. 1/1/2021-12/31/2021					
Agency		Employee	PF ID	Hire Date	Asst. Amount Over Limit
7100	FDLE			10/16/2020	\$81.12
7100	FDLE			2/21/2020	\$2,974.20
7100	FDLE			5/29/2020	\$1,621.33
7100	FDLE			10/19/2019	\$5,202.30

AGENCY RESPONSE:

1. Is the agency aware that the employee has a maximum yearly benefit of \$5,250? *Yes*
2. Does the agency have policies and procedures to track and monitor employees participating in any Education or Tuition Assistance Benefit, ensuring the maximum yearly benefit is not exceeded? If so, please describe or provide copies. *We have no way of tracking what the cost of the classes are/were. However, when we provide information to an employee about the Tuition Waiver Program, we provide them with the following information. "No more than \$5,250 in educational assistance provided per plan year (January – December) under the program qualifies for tax-free treatment. Any educational assistance provided to you under the program which is valued in excess of \$5,250 will be reported by the employer (FDLE) to the Internal Revenue Service as income received by you. **For this reason, you must report the value of the course(s) taken to your employer.** Usually, the school will send you a notice (near the end of the year) that the amount for the plan year exceeded the \$5,250 limit, **but you cannot count on this. So, you need to monitor the cost, and provide us with invoices IF the amount exceeded the \$5,250 limit for the plan year. This only applies if the cost of the classes for the plan year (January – December) exceeded \$5,250."** ALSO, when an employee provides us with a copy of their Tuition Waiver Form to put in their personnel file, we send them an email acknowledging we received the Tuition Waiver Form, AND provide them with the **same information (above)** that we sent them when we provided them with information about the Tuition Waiver Program. Note: HR COULD SEND OUT AN AGENCYWIDE EMAIL EACH YEAR IN NOVEMBER (the member should have received all invoices for the plan year by then) REMINDING THEM OF THE \$5,250 AMOUNT, AS WELL AS REMINDING EVERYONE THAT COPIES OF THE TUITION WAIVER FORMS HAVE TO BE MAINTAINED IN HR.*
3. Please provide documentation for all employees participating in any Education or Tuition Assistance Benefit for 2021. Including all documentation for employees listed below who had an adjustment made due to exceeding the yearly \$5,250 limit. *Agency provided the requested documentation.*

Department of Revenue – DOR (OLO 7300)

The BOSP Post Audit Team found that no adjustments were made utilizing code 9103 for DOR. The BOSP Post Audit Team requested documentation for those employees that participated in the tuition waiver program for the calendar year 2021. The agency provided a zip file containing all emails requesting tuition waiver verification from DOR employees for the calendar year 2021. At this time, the DOR does not have a formal procedure in place for tracking those employees utilizing the tuition waiver benefit. The agency solely relies on the universities to inform them when or if an employee exceeds the \$5,250 limit.

AGENCY RESPONSE:

1. Is the agency aware that the employee has a maximum yearly benefit of \$5,250? *Yes, we use the DMS Tuition Free waiver form, and it includes the max benefit information as well as the impact if the yearly limit is exceeded.*

2. Does the agency have policies and procedures to track and monitor employees participating in any Education or Tuition Assistance Benefit, ensuring the maximum yearly benefit is not exceeded? If so, please describe or provide copies. *The agency does not have a policy or procedure addressing the maximum yearly benefit process. Office of Workforce Management has a Standard Operating Procedure (SOP) addressing processing the form and is now revising it to include communication with our financial services PYRL team to notify them when we are notified of a team member exceeding the benefit. The financial services team refers to the BOSP manual to process non-cash activity.*
3. Please provide documentation for all employees participating in any Education or Tuition Assistance Benefit for 2021. Including all documentation for employees listed below who had an adjustment made due to exceeding the yearly \$5,250 limit. *Attached are all the individual forms for team members we were able to retrieve for 2021. Our current process did not require keeping a copy of the forms, so we retrieved all that we could from the internal email notification process. Our SOP draft now includes keeping a copy of the signed form. However, some forms may have been missed. We did not receive notification of anyone exceeding the maximum benefit.*

Please note, upon review of this process we did identify a few gaps and require some guidance from BOSP for a best practice.

1. *We are not made aware of employees participating in tuition waiver that transfer from other state agencies. The BOSP feels that it would be the state agency that signed the tuition waiver for the semester that put them over the limit of the \$5,250 that the agency would be responsible for completing the adjustment in the system. So, for example, if the employee worked for DFS and has a signed tuition waiver form that causes them to exceed the maximum limit and then transfer to DOR, I think it would be the responsibility of DFS to enter the non-cash adjustment. One thing to be mindful of is that classes are paid for at the beginning of a semester; thus, the agency that initially signed the waiver would know before the employee might have changed agencies.*
2. We depend on the school notifying us if someone exceeds the benefit. For example, we confirmed that the FSU tax team only reaches out to an agency if someone exceeds but does not confirm all participants. Since the team member may not always get into a course, complete it, or participate even after sending us a form, we are struggling on how to be more proactive to gather actual benefit participation. **The agency will need to work with the employee and the school to monitor and track anyone exceeding the \$5,250 limit. It is not the University's responsibility to ensure that the employee who exceeds the \$5,250 limit is taxed appropriately for the amount that goes over. The BOSP is also unaware that all universities inform the agencies of employees exceeding the limit, like FSU. What we have seen in the past from other agencies is typically the employee providing a statement from the University listing the amounts that were waived for the tuition waiver benefit. For this reason, the BOSP recommends that processes need to be worked out between the agency and the employee(s).**

BOSP Recommendations

- Agencies should have proper procedures to track those employees receiving education assistance or using a tuition waiver.
- Best practice would be for the employee to provide a statement or invoice to the agency to be included as part of the documentation that is on file.
- Once the employee has gone over the maximum yearly benefit of \$5,250, the agency takes appropriate action to complete an adjustment to the employee's record so that the amount over the limit can be counted toward salary for proper taxation of the benefit.
- Ensure that the agency tuition waiver form includes a statement of the maximum benefit limit per calendar year so that employees are better aware of tracking the amount they use each semester they attend classes.
- Agencies should review Volume 6, section 3, paragraph F for further guidance and understanding on handling employees participating in the Education assistance/Tuition Waiver.