

**Management Letter Response**  
**2017 403b Audit**

**Significant Deficiency**  
**Underpayment of Wages and Employer Contributions**

There were instances of underpayments during the year:

- The January 27, 2017 payroll had errors which resulted in the underpayment of employer contributions for approximately 20 participants
- There were two employees identified in the testing sample that were underpaid wages.

The errors were not discovered until audit procedures were performed. The Plan sponsor is working to correct the errors. The payments and contributions to be made will include expected interest earnings as if the errors had never occurred. For the underpayment of employer contributions, all payroll periods were re-checked by the Plan sponsor for other underpayments. No additional payroll periods were found to have errors per representation of Plan sponsor. We understand there are current updates to the system that will provide additional controls to prevent this type of human error. Even with the new system, we recommend having monitoring controls in place to identify errors and inconsistencies to make corrections needed timely.

The January 27, 2017, error resulted in the underpayment of TDSP earnings of 29 Goodworks employees for a total of \$109.26. The underpayments along with 10% interest compounded annually for two years were paid back to each affected employee on the September 21, 2018, payroll for a total of \$132.20. Further investigation revealed no further occurrences of this issue. Fortunately, it will not be possible to make this type of error using our newly implemented payroll system. Under our old system, TDSP earnings were calculated for each Goodworks employee using an Excel spreadsheet. This process is fully automated in the new payroll software. The finance department will regularly audit the software calculations to ensure that the TDSP rates are accurate.

**Other Comments and Recommendations**

**Lack of Documentation**

There were six employees sampled out of 24 that did not have proof they were provided the opportunity to participate in the voluntary contributions to the plan. Although, there is evidence that two of the six were participating with contributions being made to the Plan. Further, election deferral forms were not provided for three participants sampled. We understand there have been changes to the Plan and there is now automatic enrollment. However, we recommend making sure all required forms for deferral changes or opting out of automatic enrollment are signed and maintained on file. We

further recommend keeping on file all pertinent documentation as it relates to employees and the Plan as long as legally required.

Changes were made to the plan to ensure that we can show all employees have an opportunity to enroll in the 403b plan. We now have automatic enrollment into the plan, where if an employee does not actively opt out of contributing they will be enrolled at a contribution rate of 1%. In addition, we are in the process of integrating Kronos with Mutual of America, which will improve the frequency and quality of data exchange between Goodwill and MOA. During the transition to a fully integrated system we plan to collect and maintain paper copies of enrollment forms in the employee file and in a separate folder, which will ensure proper retention and facilitate ease of access for future audits.

### **Small Balances**

As noted in the prior year, there are many participants with small balances in the plan. There are over 30 participants in Mutual of America with balances less than \$1,000 and no current contributions. Lincoln has only six participants with balances greater than \$5,000, 438 participants have balances less than \$1,000, and 269 participants have balances less than \$100. Many participants with these small balances are likely unaware of this money while the balances are slowly being reduced by fees. We recommend putting forth every effort to contact these individuals and discuss distributing the balance. There are many resources to find participants or beneficiaries. The Department of Labor has guidelines in Field Assistance Bulletin No. 2014-01. Consideration should also be given to state escheat laws and requirements. We recommend contacting the custodians or legal counsel to determine what can be done with these small balances since the Plan maintains fiduciary responsibility over these participants as long as they are in the Plan.

During the audit, we sent letters to all participants in the Lincoln plan letting them know that they still had money in the plan and provided them with information on how to gain access to their funds. In addition, Mutual of America is in the process of running the participants in the Lincoln plan through a search database in an effort to locate participants whose contact information is no longer valid. We will continue to work the issue with Lincoln and will likely need to contact legal counsel to determine a solution to the issue. We will work with MOA to do a clean-up of balances less than \$1,000 with no current contributions. The implementation of integration will also serve as an additional tool to help prevent this from occurring as frequently in the future.