

# ROBINSON, FARMER, COX ASSOCIATES

*CERTIFIED PUBLIC ACCOUNTANTS*

*A PROFESSIONAL LIMITED LIABILITY COMPANY*

**DATE:** November 4, 2015

**MEMORANDUM TO:** Sarah Beamer, Director of Finance and Administrative Services  
Mount Rogers Community Services Board

**FROM:** Robinson, Farmer, Cox Associates

**REGARDING:** Audit for the Year Ended June 30, 2015

In planning and performing our audit of the financial statements of Mount Rogers Community Services Board for the year ended June 30, 2015, we considered the Board's internal control structure to plan our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we noted certain matters involving the internal control structure and other operational matters that are presented for your consideration. This letter does not affect our report dated November 4, 2015, on the financial statements of Mount Rogers Community Services Board. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control structure or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

## **Taxable Fringe Benefits**

As a result of our inquiries regarding reimbursement for employee meals and educational expenses, we determined that the Organization may have some exposure in these areas.

**Meals:** The IRS considers most meals to be a taxable fringe benefit unless overnight travel is involved. It is the Organization's practice to reimburse employee meals for day trips depending upon their departure and return times. Unfortunately, the IRS considers these taxable fringe benefits which should be reported on each employee's W-2. (See excerpt from the IRS Taxable Fringe Benefits Guide):

**Meals Away From Tax Home But *Not* Overnight**

Generally, these meals are taxable as wages to the employee because travel must be away from home overnight to be excludable.

Example: An employee is required to travel out of town to work for the day. The employer agrees to pay for the employee's meals while away. The employee leaves home at 7:00 a.m. and returns home at 9:00 p.m. Before the employee returns in the evening, the employee takes a nap in his car for an hour.

Although the employee is away from his tax home for substantially longer than a normal work day and even stops for rest, the rest is not considered to be substantial. The employee is not considered to be away from home overnight. Any meal money that the employee receives is taxable as wages.

**Education Reimbursements:** The Organization occasionally reimburses employees for the cost of education. Since the circumstances vary, we recommend that the Organization review the IRS Taxable Fringe Benefits Guide to insure that any reimbursements that may not qualify as being exempt from being reported as a taxable fringe benefit are properly reported on the employees' W2s. Below is an excerpt from the section of the Guide that refers to education expenses:

For educational reimbursement to qualify as a working condition fringe benefit, the education must be job-related. It is not required that the employer have a written plan or dollar limitations, and the employer may discriminate in favor of highly-compensated employees. *IRC §132(d); Reg. §1.132-1(f)(1)*

**Job-Related**

The educational course must be job-related, and either maintain or improve job skills, or be expressly required by the employer or by law.

Examples of qualifying (excludable) courses include work toward an advanced degree necessary to retain the job or pay level. *IRC §132(d); Reg. §1.162-5(a)(1)*

To be excludable, the educational course must not:

- ☐ Be needed to meet the minimum educational requirements of the current job, or
- ☐ Qualify the employee for a new trade or business. *Reg. §1.162-5(b)(2); Reg. §1.162-5(b)(3)*

When the Organization does have educational expenses that are exempt from being reported as taxable fringe benefits, appropriate documentation should exist that states the purpose of the education, etc.