



Monterey County

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Board Report

Legistar File Number: 15-1113

October 20, 2015

Introduced: 10/9/2015

Current Status: Consent Agenda

Version: 1

Matter Type: General Agenda Item

- a. Approve and authorize the Contracts/Purchasing Officer to execute an agreement with SOVOS Compliance in the amount of \$29,548.80 for the Fiscal Year ending June 30, 2016 to comply with the IRS reporting requirements of the Affordable Care Act and to issue 1095-C documents to all required employees; and
- b. Accept Non-Standard County Liability Provisions as recommended by the Auditor-Controller; and
- c. Authorize the Contracts/Purchasing Officer to sign renewals to the service agreement for up to two additional on year terms with the same non-standard contract provisions.

RECOMMENDATION:

It is recommended that the Board of Supervisors:

- a. Approve and authorize the Contracts/Purchasing Officer to execute an agreement with SOVOS Compliance in the amount of \$29,548.80 for the Fiscal Year ending June 30, 2016 to comply with the IRS reporting requirements of the Affordable Care Act and to issue 1095-C documents to all required employees; and
- b. Accept Non-Standard County Liability Provisions as recommended by the Auditor-Controller; and
- c. Authorize the Contracts/Purchasing Officer to sign renewals to the service agreement for up to two additional on year terms with the same non-standard contract provisions.

SUMMARY/DISCUSSION:

Under the Affordable Care Act (ACA), applicable large employers must offer certain health insurance to specific employee groups and report coverage information to the IRS for calendar year 2015. Employers must also issue IRS form 1095c to applicable employees. This agreement is to provide the necessary IRS reporting and 1095-C issuance for calendar year 2015.

At this time, the County is undergoing an ERP Upgrade. While the upgraded version of our Advantage system (3.10) will comply with ACA requirements, it is not certain our current system will be able to do so. If our current system is unable, and the County cannot provide the IRS with reporting requirements or provide employees with the IRS 1095-C documents, the penalty to the County can be as high as \$1.5M.

The services provided to the County by an agreement with SOVOS Compliance will allow the County to comply with IRS reporting requirements. Services provided by SOVOS Compliance include: receiving ACA data from the County, verification of its accuracy, creation of 1095-C forms, mailing them to County employees by the January 31st deadline, and electronically reporting County ACA data to the IRS. We are currently using SOVOS Compliance Taxport in

validating our 1099 forms and will use the same connectivity to submit our 1095-C forms. No additional connections are necessary.

OTHER AGENCY INVOLVEMENT:

The agreement was not approved by County Counsel due to the presence of the following non-standard sections in the agreement: Sec. 7 Indemnification, and Sec. 9 Limited Liability. The Department acknowledges that the agreement does not reflect the County's standard provisions, but based on current experience with SOVOS, as well as the fact that SOVOS is one of the very few organizations with the capacity to issue these forms in a timely manner for next year, the Department still recommends approval.

FINANCING:

The Auditor-Controller has sufficient appropriation to cover the cost of the agreement. Should services no longer be required, the County may terminate this Agreement by giving forty five (45) days written notice prior to the end of the Initial Term or any renewal period. There is no impact to the County's General Fund.

Prepared by: Gary Giboney, Chief Deputy Auditor-Controller, 755-5439

Approved by: Michael Miller, CPA, CISA, Auditor-Controller, 755-5040

Attachments:

SOVOS Compliance Taxport Proposal

SOVOS Compliance Taxport Agreement

Monterey County Order Form