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[SF 2152](#) – Employer Field Audits (LSB5919XS)  
Staff Contact: Evan Johnson (515.281.6301) [evan.johnson@legis.iowa.gov](mailto:evan.johnson@legis.iowa.gov)  
Fiscal Note Version – New

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## **Description**

[Senate File 2152](#) relates to employer recordkeeping and auditing requirements for unemployment insurance. The Bill requires that an employing unit keep certain records regarding an employee for three years.

The Bill requires Iowa Workforce Development (IWD) to conduct field audits of employers by examining employer records to determine compliance with Iowa Code chapter [96](#). Prior to an employer field audit, IWD must give the employer reasonable notice of the intent to audit and conduct an in-person preaudit interview with the employer, unless a virtual preaudit is mutually agreed to.

The Bill specifies which employer records are subject to an employer field audit. This includes individual pay records, W-2 and 1099 forms, cash disbursement journals and check registers, federal and State tax returns, business licenses of the employer, and legal documents related to the initial establishment of the business entity or to any employee to whom the applicability of Iowa Code chapter 96 is in question.

The Bill requires employer field auditors to verify proper compliance with reporting requirements by the employer and requires IWD to establish procedures for an employer to contest an employer field auditor's decision.

## **Background**

Current requirements for employer recordkeeping and auditing requirements for unemployment insurance are largely set out in Iowa Administrative Code [871](#). Pursuant to [871 IAC 22.1\(1\)](#), an employing unit must keep records required by IWD regarding an employee for five years. Under current practice, preaudits are conducted virtually unless requested to be done in person.

In calendar year (CY) 2023, IWD conducted a total of 685 preaudits, of which 614 were conducted virtually and 71 were conducted in person. The U.S. Department of Labor requires IWD to audit 1.0% of employers (877) in Iowa each year.

## **Assumptions**

- Approximately 90.0% of preaudits are currently conducted virtually.
- The proportion of preaudits conducted in person will increase from 10.0% to 20.0% as a result of in-person preaudits becoming the default option.
- For each 10.0% increase in the proportion of preaudits conducted in person, each auditor's monthly production is expected to decrease by one preaudit per month as a result of travel time.
- The total cost of 1.0 Field Auditor full-time equivalent (FTE) position is \$108,000.
- Funding for field auditors is appropriated from the General Fund.

- Employer records no longer subject to an employer field audit under the Bill include the chart of accounts, general ledger, balance sheet, and profit and loss statement.
- The results of field audits are dependent upon the information reviewed by field auditors.

**Fiscal Impact**

Senate File 2152 is estimated to increase the number of in-person field preaudits by 10.0%. As a result of increased travel time to conduct in-person preaudits, IWD anticipates the need to hire 2.0 additional Field Auditor FTE positions at a total annual cost of \$216,000.

**Source**

Iowa Workforce Development

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/s/ Jennifer Acton

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The fiscal note for this Bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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