

# Captiva Erosion Prevention District

## Administrative Notice: ADP FUTA Classification Error and Corrective Action

**\*\*Date:\*\*** November 2025

**\*\*Prepared for:\*\*** CEPD Board of Commissioners

**\*\*Subject:\*\*** ADP Account Misclassification and FUTA Tax Overpayment

### Background

During a recent payroll review, it was discovered that when CEPD was enrolled with ADP Payroll Services in 2020, the District was not correctly classified as a governmental entity within ADP's system. As a result of this misclassification, Federal Unemployment Taxes (FUTA) were incorrectly calculated and paid for CEPD employees from 2020 through 2025. Governmental entities such as CEPD are exempt from FUTA under federal law; therefore, these payments were not required.

### Issue Resolution

The matter was brought to the attention of ADP immediately upon discovery. ADP has acknowledged the classification error and has begun corrective action. Specifically, ADP's tax compliance department is currently preparing and filing Form 940 amendments for each affected year to correct the District's employer status and initiate refunds or credits for the FUTA taxes that were erroneously paid. CEPD staff will maintain documentation of all correspondence and amended filings for audit and record purposes.

### Next Steps

- ADP will provide confirmation of the amended Form 940 filings.
- CEPD will monitor for receipt of refunds or tax credits from the IRS.
- Updated documentation will be stored in the District's financial compliance records and provided to the external auditor.
- The issue and corrective action will be reflected in CEPD's annual audit narrative for transparency and accountability.

### Summary

This notice serves to document that CEPD was misclassified by ADP in 2020 as a private employer, resulting in unnecessary FUTA tax payments. The issue has been escalated, and ADP is filing the necessary 940 amendments to correct CEPD's tax status as a governmental entity.