

WHAT RECORDS ARE NEEDED?

A complete set of business income and expense records are required for the auditor to reconcile payroll and determine premium.

- **Payroll book** showing:
 - Individual pay records
 - Overtime totals by employee and by classification
 - Payroll by type of work performed
- **Records of Income:**
 - Sales/receipts records
- **Records of Expenses:**
 - Checkbook
 - Cash disbursements book
- **General ledger**
- **Contracts** (construction)
- **1099s**
- **Tax returns** including:
 - Company income tax
 - Quarterly payroll tax forms 941, NYS45
- **Original certificates of insurance** for subcontractors.

Audits should be conducted at your place of business rather than at your accountant's office to ensure accuracy of classifications applied.

NYSIF auditors are always willing to make time to discuss your audit, related issues and to resolve any potential differences.

ABOUT CONFIDENTIALITY

NYSIF keeps the contents of your records confidential. We anticipate and appreciate your cooperation in the audit process.



Make Audits Work For You

New York State Insurance Fund



Prepare For Your Audit

Keep Records

Separate Your Payrolls

Track Overtime

Validate Certificates

CONTACT INFORMATION

If you need more information, or are interested in attending an audit seminar, contact your NYSIF office.

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New York State Insurance Fund

David A. Paterson, Governor
Robert H. Hurlbut, Chairman
James J. Wrynn, Executive Director

5/09

POLICYHOLDER SERVICES

Thank you for choosing NYSIF as your workers' compensation carrier. We will make every effort to ensure that you receive the lowest possible rates and the best service in the business.



PREPARING FOR YOUR AUDIT

You will be notified in writing or by phone approximately two weeks prior to a scheduled audit date. Please advise us of the location and availability of records needed to perform your audit. Someone familiar with your books and business activities must be present to work with our auditor. Contact us to reschedule if the date is not convenient.

WHY HAVE AN AUDIT?

- To determine the total amount of payroll subject to premium charge.
- To determine the nature of your business and ensure your employees are classified correctly.
- To verify the division of payroll for each employee's job classification.
- To assist you in setting up accurate records so that you will pay the lowest possible premium.

Take The Audit Seriously Missed audit appointments and late filing of audit reports cause the most problems for employers. **Don't ignore scheduled appointment notices; file reports timely; don't encourage estimated audits.**

Avoid Surprises Immediately notify us, in writing, of material changes to your operations. **Changes in ownership, covered locations and entities, and size and nature of the operations may greatly influence your audit billing.**



Workers' compensation & disability benefits specialist

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GOOD RECORD KEEPING

Proper preparation of records can help keep your workers' compensation costs down. Here's how:

PAYROLL SEPARATION SAVES MONEY

- Separate payroll totals for each classification, and you may be able to take advantage of lower-rated classifications.
- Separate overtime from regular payroll for each employee and classification. You can deduct the extra portion of overtime pay above hourly rates from the gross pay when calculating payroll. Provide your source payroll records to verify.
- A 1998 law allows payroll limitation for the construction industry. Depending on the type of work you do, your company may qualify. See NYSIF's *The Construction Employment Payroll Limitation Program* pamphlet for specifics. Contact NYSIF auditors for further information.

- Providing contracts and invoices confirming the nature of construction operations is essential to take advantage of any lower-rated classification and/or payroll limitation.

GOVERNING CLASSIFICATION, MISCELLANEOUS EMPLOYEE & INTERCHANGE OF LABOR RULES

Your audit has a basic classification, called the **Governing Classification**, which represents the part of your business that constitutes the greatest payroll. However, clerical, outside salespersons, and drivers are likely to require separate classifications.

Certain miscellaneous occupations within your business do not receive their own individual classifications. These miscellaneous workers, including foremen, maintenance, and shipping and receiving clerks, may perform duties incidental to more than one classification. Their entire payroll is placed in the governing classification.

A worker, other than a miscellaneous employee, who interchanges duties in more than one operation will be placed in the highest-rated classification pertaining to any part of those operations. There are some exceptions to the Interchange of Labor Rule in fields such as construction, logging, and installation and servicing away from the employer's premises. When exceptions apply, a worker whose payroll is properly separated will qualify for more than one classification.

Note: Separation of payrolls based on percentages or estimates is not permitted. Separation must be shown by worker hours, pay rate, overtime, gross payroll and by classification.

BUSINESS OWNERS MAY BE COVERED

Covered corporate officers, and individual owners and partners who request coverage, are classified like any other workers.

The classifications of these officers are determined by the actual duties performed. Their payrolls are subject to weekly minimums and maximums set by the New York Compensation Insurance Rating Board and revised periodically. Under the 1998 payroll limitation law, covered owners/officers engaged in

construction work may be subject to a lower maximum than that referenced in the preceding sentence. Our auditors will apply the appropriate payrolls at the time of audit.

A corporation with a maximum of two officers who are also the sole shareholders may elect to exclude one or both of the officers from coverage. Each officer must own at least one share of stock. The existence of any additional officers or shareholders will void the exclusion. To take advantage of this exclusion, obtain and file form U-619, *Notice of Election To Exclude Sole Shareholders or Executive Officers From Coverage*.

An individual owner of a sole proprietorship, and partners in a partnership, are excluded from coverage on a workers' compensation policy. However, the proprietor and each partner may request coverage by filing forms U-626, U-627, *Notice of Election To Bring New York Sole Proprietors, Partners and Members of Limited Liability Companies Under Coverage*.

Find these forms at nysif.com by clicking **Forms** then **Workers' Compensation Underwriting Forms**.

UNPAID RELATIVES MUST BE COVERED

All unpaid relatives working for your business are covered under workers' compensation laws.

Relatives cannot waive their rights to be covered. The only exception is unincorporated farms where the spouse and children under 18 are not covered unless they execute an "express contract of hire," requesting coverage. Payroll is assigned and billed based on comparable wages and classifications of non-relatives working in the business.



RESPONSIBILITY FOR UNINSURED CONTRACTORS

Avoid liability and higher premiums. Obtain original certificates of workers' compensation insurance coverage from subcontractors before work is started. If you don't have proof of a subcontractor's insurance, you are responsible for their coverage.

- Certificate validation protects you and fights fraud by denying dishonest contractors an unfair competitive advantage.
- Retain a certificate in your files for each subcontractor for review by our auditor.
- Log onto nysif.com and locate **Validate a Certificate** to validate the certificate of any NYSIF insured subcontractor.

ADDITIONAL CHARGES

You may be subject to additional charges for non-monetary benefits or contract labor that may include, but are not limited to:

- **Farms, apartment houses and hotels**—Additional payroll will be added for the fair rental value of any house or apartment provided in lieu of pay to employees.
- **1099 labor**—Personal services or consulting provided to your business may be considered chargeable payroll for which appropriate charges will be added.
- **Casual labor**—Workers not on payroll who are paid by cash or check will be charged.