



PIPE TRADES SERVICES MN

HEALTH & PENSION FUNDS

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PTSMN PAYROLL AUDIT PROCEDURES

All signatory employers shall be audited periodically for the purpose of verifying compliance with the Collective Bargaining Agreements, Trust Agreements and policies adopted by the PTSMN Boards of Trustees.

The administrator shall perform audits on approximately 33% of the contributing employers each year and shall maintain records and correspondence regarding the selection, scheduling and performance of audits.

A random process shall be used to select employers for audit. Special audits will also be performed when requested by the trustees or on the recommendation of fund counsel or fund auditor. New employers should be audited prior to the end of the first year contributing to the Fund in order to assure the employer understands and is in compliance with the agreements and policies. Employers with no issues found on audit may, in the discretion of the Trustees, be deferred for an audit cycle. PTSMN may engage an external auditing firm with experience performing payroll audits to complete audits pursuant to these procedures.

The following procedures shall be applied in each case unless, in the judgment of the auditor, a variation from the standard procedure is necessary to determine whether the employer has satisfied its contribution obligations.

1. The auditor shall send a letter to the employer requesting that the employer schedule a time for an audit to be performed.
2. If the employer refuses to allow an audit, the auditor shall notify the PTSMN Fund Office in writing and request Fund Counsel to send a demand letter to the employer, advising that failure to cooperate with the requested audit shall result in a Federal District Court lawsuit. If the employer does not comply with the audit demand, Fund Counsel shall commence a lawsuit in Federal District Court to obtain a Court Order compelling the production of payroll records and to recover any delinquency disclosed by the audit, as well as liquidated damages, interest, attorney fees and costs.
3. If the audit is allowed, the auditor shall request that the employer provide all relevant payroll records, including but not limited to, individual earning records, timecards, Quarterly 941's, Quarterly MUTA reports, W-2's, W-3's, 1096's, check registers, monthly remittance reports and any other records deemed necessary to complete the audit, including general ledgers, job sheets, time cards and similar records to verify that actual hours worked are captured.

4. The auditor shall note on his or her working papers the records that have been provided by the employer and what time period those records cover.
5. The auditor shall determine the classification of work performed by each employee by examining the records provided, and, if necessary, questioning the employer and/or the employee.
6. Employees not performing covered work shall be excluded from further consideration. The auditor shall include on his or her work papers the reasons for excluding an individual from consideration and the source of that information.
7. The auditor shall then determine the actual numbers of hours worked for which contributions are due. That determination shall be made directly from payroll records. If such records do not provide a sufficient basis to determine the actual number of covered hours, the auditor shall perform a reasonable estimate of covered hours based upon existing data. The basis for the estimate and the manner of its computation shall be noted in the auditor's work papers. In the absence of reasonable alternatives, the auditor shall divide gross pay by the appropriate wage scale in the Collective Bargaining Agreement in order to determine the number of covered hours. If the results of this procedure appear unreasonable, the auditor shall attempt to determine whether mitigating factors exist to explain the findings.
8. The auditor shall then compare the total covered hours to the total hours actually reported to the fund by the employer. Any discrepancies discovered through the audit shall be invoiced by the auditor on a preliminary invoice to the employer. The auditor shall discuss any such discrepancies with the employer and request that the employer make immediate payment of the delinquent amounts, as well as applicable liquidated damages. The employer has the option to pay delinquent amounts on the day of the audit and to avoid liquidated damages as long as the audit findings are not in excess of \$10,000 and the findings are inadvertent mistakes on behalf of the employer.
9. If immediate payment is not made, the auditor shall prepare and forward to the employer a payroll audit invoice. The auditor shall provide the employer with notice that unless the invoice amount is paid within 30 days from the date of the notice, legal action will be commenced to collect the invoice amount, as well as attorneys' fees and costs. The employer may appeal the audit findings to the Board of the PTSMN Service Association within 30 days of the payroll audit invoice.
10. If payment is not received within the 30-day period, the Fund Office shall refer the case to Fund Counsel for appropriate action.
11. The results of each audit performed shall be provided to the Trustees on a regular basis.