

Administrator's Guide to Collections and Payroll Auditing

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International Foundation
OF EMPLOYEE BENEFIT PLANS 

Agenda

- Developing and implementing a strong delinquency policy
- Working with employers to improve reporting
- Increasing collections through payroll audits
- Communication between collection attorneys and the fund office
- Best practices with ACH and checks

Developing and Implementing a Strong Delinquency Policy

- Collections and delinquency policies—What to include
 - Procedures for collections
 - Timing of when an employer becomes delinquent
 - Payment postmarked or arrives at fund office
 - Grace period
 - Timing of notice letters
 - Counsel involvement? When?
 - Calculation of interest, liquidated damages
 - Reminder—IRA and prime rates change periodically
 - When collection cost (attorney/auditor) is passed onto the employer
 - Overreported or erroneous payment policy
 - Owner-operator/non-bargaining
 - Participation Agreement



IRS Interest Rates—Change Frequency

Interest rate on noncorporate overpayments and underpayments

Dates	Overpayments	Underpayments
Jul. 1, 2024 – Sep. 30, 2024	8%	8%
Apr. 1, 2024 – Jun. 30, 2024	8%	8%
Jan. 1, 2024 – Mar. 31, 2024	8%	8%
Oct. 1, 2023 – Dec. 31, 2023	8%	8%
Jul. 1, 2023 – Sep. 30, 2023	7%	7%
Apr. 1, 2023 – Jun. 30, 2023	7%	7%
Jan. 1, 2023 – Mar. 31, 2023	7%	7%
Oct. 1, 2022 – Dec. 31, 2022	6%	6%
Jul. 1, 2022 – Sep. 30, 2022	5%	5%
Apr. 1, 2022 – Jun. 30, 2022	4%	4%
Jan. 1, 2022 – Mar. 31, 2022	3%	3%
Oct. 1, 2021 – Dec. 31, 2021	3%	3%
Jul. 1, 2021 – Sep. 30, 2021	3%	3%
Apr. 1, 2021 – Jun. 30, 2021	3%	3%
Jan. 1, 2021 – Mar. 31, 2021	3%	3%
Oct. 1, 2020 – Dec. 31, 2020	3%	3%
Jul. 1, 2020 – Sep. 30, 2020	3%	3%
Apr. 1, 2020 – Jun. 30, 2020	5%	5%
Jan. 1, 2020 – Mar. 31, 2020	5%	5%
Oct. 1, 2019 – Dec. 31, 2019	5%	5%
Jul. 1, 2019 – Sep. 30, 2019	5%	5%
Apr. 1, 2019 – Jun. 30, 2019	6%	6%
Jan. 1, 2019 – Mar. 31, 2019	6%	6%

Source: <https://www.smbiz.com/sbrl004.html>

Working With Employers to Improve Reporting

- Clear directions on remittance reports or online reporting on how to complete the report
- Reaching out to the employer when something doesn't "look quite right" on the remittance report
- Training the employer's new staff
 - Either at the employer's location or fund office
- Periodic lunch and learns with a group of employers, *i.e.*, employer association
 - Common remittance report errors
 - Why payroll audits are conducted
 - Common payroll audit findings (what to avoid)



Increasing Collections Through Payroll Audits—Funds

- Communication and consistency
 - Fund should have:
 - Concrete collections policy that includes payroll audit process and procedures
 - Payroll audit cycle that includes all employers audited every three to four years
 - New employers—Within first year (courtesy review)
 - Employers exiting—Confirm additional contributions are not due
 - Delinquent employers may be audited more often
 - Periodic delinquency meetings with trustees, fund administrator, attorney and payroll auditor—The “A” team.

Increasing Collections Through Payroll Audits—Fund Office

- Provide current CBAs, MOAs, participation agreements, reciprocity agreements
- Provide auditor with a participation history report (contribution/remittance reports)
- Answer questions regarding payments
- Send correspondence to the employer
 - Audit notification letter (depending on policy)
 - Audit results letter
- Support the auditor with difficult employers
- Collections



Increasing Collections Through Payroll Audits—Payroll Auditor

- The payroll auditor should have and demonstrate:
 - An understanding of the CBA and plan documents, including understanding the collection policy established by the plan
 - An understanding of the industry and the participating employer
 - Where is the risk?
 - Construction, entertainment
 - » Non-union employees/subcontractors
 - » Cash for covered work
 - Trucking, warehouse, stores, and manufacturing, hospitality
 - » Leased employees/independent contractors
 - » Layoffs and LOA
 - » Full-time/part-time eligibility—Look back period
 - » Holiday and vacation

Increasing Collections Through Payroll Audits—Payroll Auditor

- Newer chapter in the AICPA Audit Guide on Payroll Audits (AU-C Section 610)
- Auditor should have work papers documenting their payroll audit methodology and audit program (steps)
 - Demonstrate that the participating employer provided all requested records
 - Show an understanding of how the participating employer’s payroll system operates
 - Does the employer report on paycheck date, work period date or calendar?
 - How is overtime reflected on the payroll?
 - What wages are in the “other” column?
 - Identify covered and non-covered employees
 - Must review the entire payroll not just the “reported employees”
 - Demonstrate that the procedures are designed to identify errors or deficiencies

Increasing Collections Through Payroll Audits—Payroll Auditor

- Best practice procedures by the payroll auditor to expedite collections
 - “Exit interview” at the end of fieldwork
 - “Preliminary” findings report for the employer to dispute prior to fund administrator involvement.
 - Detail report should separate reasons for exceptions for easier dispute discussion
 - Communication between the fund administrator and the auditor on open items auditor can't resolve (possible counsel involvement)
 - CBA interpretation
 - Employee classification
 - Overreported contributions
 - Communication with the “A” team
 - Trustees/fund administrator/attorney/payroll auditor



Collective Bargaining
Agreement

Communication Between Collections Attorney and Fund Office

- Prior to beginning payroll audit program
 - Allow legal to review pre-audit letters
 - Agree on audit period
 - Review selected employers
- Contact collections attorney promptly of
 - Any employers not responding to audit request
 - Any employer's refusal that fund office cannot resolve
- Post-audit
 - Collections assistance after one or two collection attempts
 - Review the amount of delinquency to determine next steps
 - Assemble documents for filing of suit—Time consuming = \$\$

Best Practices—ACH and Check Payments

- Best practices can enhance your payment process for all involved
 - Fund office
 - Contributing employers
- Maintain clear communication
 - Ensure all employers are informed of their options
 - Payment methods
 - Any special requirements or processes involved



Embrace Automation—ACH Payments

- ACH transfers can streamline the process
 - Speed of processing
 - Increase security and reduce fraud risks
 - Regular audits
 - Staff training to recognize and prevent fraud
 - Cost and convenience
 - Reconciliation and recordkeeping
 - Reduce the risk of returned checks

Best Practice for Check Handling

- Recording and documenting checks
 - Implement a process to ensure that checks are:
 - Recorded as they are received
 - Deposited promptly
 - Regular audits and reconciliations are being done timely

Communication Is Key

- Communication is a key factor between several entities
 - Fund office, employers and trustees
 - Internal communication within the fund office
 - **Must ensure open communication for a successful partnership**



Key Takeaways

- Establish, review and enforce your policy
- Start a good tracking log
- Develop a timeline for notices, responses, collections and follow-up
- Regular delinquency and status meetings with "A" team
- Communicate, communicate, communicate

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