

## 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 and Bank Statements
  - Cash disbursements book
- General ledger
- Contracts (construction, temporary agencies)
- 1099s
- Tax returns including:
  - Company income tax
  - Quarterly payroll tax forms 941, NYS45
- Original certificates of insurance for subcontractors and wrap-up jobs.

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.

## CONTACT INFORMATION

For more information, or to attend an audit seminar, contact your NYSIF office.

**Albany** [Box301Albany@nysif.com](mailto:Box301Albany@nysif.com)  
1 Watervliet Avenue Ext. 518-437-8982  
Albany, NY 12206-1649

**Binghamton** [Box302Binghamton@nysif.com](mailto:Box302Binghamton@nysif.com)  
Glendale Technology Park Bldg.16 607-741-5055  
2001 Perimeter Road East  
Endicott, NY 13760

**Buffalo** [Box303Buffalo@nysif.com](mailto:Box303Buffalo@nysif.com)  
225 Oak Street 716-851-2092/9147  
Buffalo, NY 14203

**Nassau** [Box305Nassau@nysif.com](mailto:Box305Nassau@nysif.com)  
8 Corporate Center Dr., 2nd Fl. 631-756-4219/4224  
Melville, NY 11747-3166

**Rochester** [Box308Rochester@nysif.com](mailto:Box308Rochester@nysif.com)  
100 Chestnut St., Suite 1000 585-258-2071/2070  
Rochester, NY 14604

**Suffolk** [Box306Suffolk@nysif.com](mailto:Box306Suffolk@nysif.com)  
8 Corporate Center Dr., 3rd Fl. 631-756-4436/4437  
Melville, NY 11747-3129

**Syracuse** [Box307Syracuse@nysif.com](mailto:Box307Syracuse@nysif.com)  
1045 7th North Street 315-453-6513  
Liverpool, NY 13088

**White Plains** [Box309WhitePlains@nysif.com](mailto:Box309WhitePlains@nysif.com)  
105 Corporate Park Dr. 914-253-4866/4865  
Suite 200  
White Plains, NY 10604

**New York City** 199 Church St., New York, NY 10007  
Upper Manhattan [Box314UM@nysif.com](mailto:Box314UM@nysif.com)  
(West Side North of W.4th St./East Side North of E.80th St.)

Lower Manhattan [Box313LM@nysif.com](mailto:Box313LM@nysif.com)  
(West Side W.4th St. & below/East Side E.80th St. & below)

Brooklyn/Staten Island [Box311BK-SI@nysif.com](mailto:Box311BK-SI@nysif.com)

Bronx/Queens [Box304BX-QNS@nysif.com](mailto:Box304BX-QNS@nysif.com)

Safety Groups [Box315SafetyOffice@nysif.com](mailto:Box315SafetyOffice@nysif.com)

## NEW YORK STATE INSURANCE FUND

# Make Audits Work for You



**PREPARE FOR YOUR AUDIT**  
**KEEP RECORDS**  
**SEPARATE YOUR PAYROLLS**  
**TRACK OVERTIME**  
**VALIDATE CERTIFICATES**



Andrew M. Cuomo, Governor  
Kenneth R. Theobalds, Chairman  
Eric Madoff, Executive Director

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## POLICYHOLDER SERVICES

Thanks for choosing NYSIF as your workers' compensation carrier. We make every effort to ensure that you receive the lowest possible rates for your policy.



## AUDIT SCHEDULING

NYSIF notifies you approximately two weeks prior to an audit. **Go to [nysif.com/padonline](http://nysif.com/padonline) to use NYSIF PASS to schedule or reschedule a convenient audit date.** Advise us of the location and availability of records needed to perform your audit. Someone familiar with your records and business activities must be present during the audit.

## TAKE THE AUDIT SERIOUSLY

Don't encourage estimated audits by ignoring appointment notices. Missed audit appointments and late filing of audit reports are not advisable.

## 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.

## AVOID SURPRISES

Immediately notify NYSIF in writing of material changes to your operations that may affect audit billing, such as the size and nature of operations, covered locations and entities. **NYSIF PAYGO minimizes audit adjustments by basing premium on actual payroll each pay period. Visit [nysif.com/paygo](http://nysif.com/paygo) to enroll.**

## 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 online pamphlet for specifics. Find more at Auditing and Payroll Records under Workers' Compensation at nysif.com or 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, 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 lower



maximums 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 Partners, Members or Self-Employed Persons Under the Coverage of The New York State Workers' Compensation Law*.

**Find these forms at [nysif.com](http://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 the 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.