



# Commonwealth of Massachusetts

## Executive Office of Labor and Workforce Development

# Fair Share Contribution Auditing

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# Why Audit?

- ▶ Auditing is an established tool used by taxing authorities to validate self-reported data (e.g., IRS, DOR, DUA–UI Revenue)
- ▶ Auditing is an important program component
  - One in every five dollars of FSC liability results from audit findings
  - Four out of ten audits result in a liability change
  - One out of twenty audits results in a refund to the employer
- ▶ Employer rights are protected through M.G.L. Chapter 151A Administrative Appeals Process & Judicial Review
- ▶ Collection activity is stayed until the appeals process is final

# Audit Procedure

- ▶ Audit Selection
- ▶ Notification
- ▶ Documentation Checklist
- ▶ Additional Time Provided to Employer Following Audit to Submit Documentation
- ▶ Determinations
- ▶ Appeals
- ▶ Customer Service to Employers

# Audit Selection

## Examples of Employers Selected for Audit

- Non-Filing Employers
- Inconsistencies in Self Reported Data that Employers File On-Line with DUA
- Incomplete Employer Online Filings
- Employee Complaints (No Offer of Health Insurance by employer)
- Employers in Industries with High Liability Patterns, Especially Where Employer-Filed Data is Outside the Industry Norm
- Random Selection

# Audit Notification

- ▶ Audit authorized under Massachusetts General Laws (Chapter 149, S188 & Chapter 151A, S45).
- ▶ Audit notification letter sent by certified mail to the DUA legal address of record.
- ▶ An Audit Documentation Checklist and Power of Attorney template is also enclosed with this notification.
  - Power of Attorney required for agent to represent employer
  - Employer has ultimate responsibility for agent actions
- ▶ An employer is asked to respond within 10 calendar days to schedule an appointment.
  - DUA accommodates employer's schedule within reasonable time frames

# Documentation Checklist

- ▶ Documentation Checklist sent certified mail to the employer before the audit
- ▶ Helps the employer gather the necessary information to verify the employer online filing
- ▶ Explains the reasoning for the documentation requested
- ▶ Provides examples of the types of documentation that could be used to verify the employer's FSC online filing.
- ▶ Asks the employer to fax a summary of payroll records five days prior to audit ( hours worked per yr / quarter per employee ).  
Payroll data reviewed in advance to reduce duration of on-site audit.

# Types of Documentation Reviewed at the Audit

- ▶ **Group Health Plan/Administrator Documentation**
  - Agreement/Contract (Terms and Conditions) between the employer and the insurance carrier, dated and signed by both parties, which contains full time employee eligibility requirements.
  
- ▶ **Verification of Offer to FT Employees of Group Health Coverage**
  - Documentation validating an offer of an employer sponsored group health plan to all full-time employees who were employed at least ninety days during the base period indicated.
  - (Documents may be Employee Benefits Handbooks, standard documents issued to all FT employees, HIRD forms, etc.)
  - A Collective Bargaining Agreement between the employer and the employee union.
  
- ▶ **Group Health Carrier Invoice & Payment Documentation**
  - Confirms that plan was in effect during the period being audited.
  - Enrolled employees are identified on carrier invoice.

# Types of Documentation Reviewed at the Audit

- ▶ **Payroll Records (Summary and Detail)**
  - Employer payroll records for the base period indicated on the checklist. (shows hours worked toward FTE count; employment dates; payroll deduction amounts for HI premium costs; etc.)
- ▶ **Employer Worksheets**
  - Employer's own worksheets used to prepare for FSC online filing.
- ▶ **MA Dept. of Revenue (DOR) Quarterly WR 1 Forms**
  - Individual employee wage records previously submitted to DOR each quarter (cross-matched against payroll records).

# Additional Time Provided to Employer Following Audit to Submit Documentation

- ▶ If documents are unavailable at the time of the audit, the employer is given an additional ten calendar days after the audit to forward documentation.
- ▶ After ten calendar days, a determination is made by DUA based on all available information.

# Determinations Following an Audit

- ▶ Determinations resulting from the audit are sent to the employer by certified mail.
- ▶ The determination letter shows the pass/fail status of each test, with reason & reference to laws and regulations.
- ▶ If liability is found, the penalty set by statute will be applied from the original payment due date.
- ▶ DUA offers payment plans for employers who may not be able to afford full payment immediately.

# Auditor Training & Procedures

- ▶ Auditors trained by seasoned auditor with many years of experience and excellent customer service skills
- ▶ Audit procedures and standard forms are used by all auditors.

# Appeals

- ▶ The employer may request a DUA hearing within ten calendar days after issuance (by certified mail) of the Determination of Liability. The postmark on the envelope containing the appeal determines timeliness.
- ▶ The employer may appeal adverse DUA hearings decisions to Superior Court.
- ▶ If the employer prevails in appeal, overpayments by employer will be refunded.
- ▶ If the appeals decision is not in the employer's favor, late payment penalties required in statute must be applied to overdue payments. The DUA has no statutory authority to waive penalty payments.

## Assistance Provided to Employers by DUA

- Staff provides customer assistance by telephone at 617-626-6080.
- Filing Assistance Center located in Boston DUA Office where staff will provide in-person help to employers;
- Employers requiring access to PC w/ good response time may also visit Springfield DUA office.
- Detailed information & instructions available on website: [mass.gov/fairshare](http://mass.gov/fairshare)
- Employers who specifically request filing assistance at their place of business are accommodated.