



**MONTANA ASSOCIATION OF SCHOOL BUSINESS OFFICIALS**

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***Preparation for a Workers' Compensation Payroll Audit***

*(By Shawn Bubb - Director of Insurance Services  
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Who likes to be audited? Go ahead raise your hand! For many folks just the mention of the word brings on a bad flashback, a wince, or a shudder. For many others though the experience is a rewarding one reinforcing positive work habits and results in feelings of gratification for recognition of a job well done. In business it is normal operating procedure to receive an audit of some type during the school year. While there are many that can occur, I am providing you with some preparation tips for a workers' compensation payroll audit should you have the opportunity to participate in one.

**Types of Audits** - Not all audits are the same. There are essentially two types of audits: a physical audit and a telephone audit.

**Physical Audit** - In the physical audit you will receive a letter from an auditor asking you to contact them to schedule a time and date when they can come to your place of business to do an in-person review of your records and talk to you about your operations and workers' compensation payroll reporting for the audit period.

**Telephone Audit** - Now you are really living right. These audits are quite a bit simpler and take less time than a physical audit. These audits will consist of an introductory letter to schedule the telephone audit time and date much like the process of scheduling in the physical audit. Next, the auditor will call you and ask you questions to verify amounts reported, the type of class codes people were reported in, and perhaps questions about the source documents of your payroll numbers. Thus, even though a telephone audit is usually less time consuming, you should still have the documents listed below ready to help you answer the auditor's questions.

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**Keep Organized Records** - This is the key to having a smooth and successful audit. An auditor really just wants to verify that the amount of payroll you reported is complete and reported in the correct class code for all employees' payroll during the audit period. As payroll records are the basis for any workers' compensation audit, keeping organized records for all your employees is critical. Most of the computer software programs in use today do a

great job at splitting payroll into the classification codes used for most schools' exposures. For K-12 schools, payroll is most commonly split into two primary class codes:

- 8868 - Superintendents, principals, teachers/coaches, counselors, business manager/district clerks, nurses, aids, and clerical or other administrative positions
- 9101 - Custodian/maintenance, bus drivers, playground only aids, crossing guards, and all other

**What Documents to Have Handy** - Here are the key sources of information you should have available for review when the auditor calls you or comes to your place of business to review the records and talk with you about your operations:

- Original payroll sources (payroll journal or payroll register);
- A copy of the actual quarterly payroll reports you provided to your workers' compensation insurance carrier (MSGIA/WCRRP payroll report form);
- Federal and State quarterly wage and tax withholding reports (Federal Form 941 and State Unemployment);
- Documentation of allocation of your expenses (General Ledger, General Journal, or Cash Disbursement journal);
- If independent contractors were hired by the school during the audit period, a copy of the following items are good to have on hand to prove they were in fact an independent contractor (IC) and not an employee:
  - Their certification of workers' compensation from their insurance company (if they had their own workers' compensation policy);
  - IC exemption certification (issued by the Department of Labor);
  - Signed contract(s) for service with the IC;

- Invoices or bills related to each payment for each IC; and
- Any other supporting documents such as business cards, proof of advertising (yellow page ad) etc., for the IC to show they are really in business.

With some simple preparation these audits can go very smoothly. So don't fret when the inevitable happens and you become the chosen one for a workers' compensation premium audit review.



### *Membership Weblink Pages*

In this year's MASBO Membership & Information Directory, many schools now have their home page listed. These home page listings are a useful tool to explore Montana schools. The sites are user friendly, creative, informative and a great way to spend some time. However, not all schools have home pages. If you have a home page, but it is not listed in the directory, please send your home page weblink to Robert Bayuk at [rbayuk@masbo.com](mailto:rbayuk@masbo.com). The 2009 MASBO Directory will contain the updated listing of home pages. Also, if your home page has

changed, please submit this information to Robert as well.

## ***Montana Moved Down on Nest-Egg Ladder***

According to the BLR Ezine, A.G. Edwards has compiled a "nest-egg" Index of each state. This information assembled is from each states residents personal savings and investing behavior. They also factor in participation in retirement plans, personal debt levels and home ownership. Connecticut was # 2 in 2006 and has now moved up to #1.

Last in the nation for both years is Mississippi. Montana fell from 39<sup>th</sup> in the nation last year to the 41<sup>st</sup> position. To see the complete list go to <http://compensation.blr.com/display.cfm/id/155692>

### **Calendar of Events**

**November 7-9** New Clerk Workshop - Billings

### ***Attn: Excel Office 2007 Users***

According to the Government Computer New magazine, there is a flaw in Microsoft Office Excel 2007. It will calculate certain numbers correctly but displays an incorrect number. If you multiply two numbers that equal 65,535 (like 850 x 77.1) it will display 100,000. However if you multiply that cell by 2, you will get the correct answer of 131,070. Excel calculates the answer correctly but displays an incorrect number. Please go to the following link to fix the problem.

<http://support.microsoft.com/default.aspx/kb/943075/>

## ***New I-9 Forms***

On Wednesday, November 7, 2007, the USCIS released a revised Employment Eligibility Verification Form (I-9), which is now available for use. It is a federal requirement that US employers complete an I-9 form for all employees within the first three days of employment, and retain the form for one year after termination of employment *or* three years, whichever is longer. While employers may start using the form immediately, it will officially become effective when posted in the federal register at a later date.

The new form can be found at <http://www.uscis.gov/files/form/I-9.pdf>

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"MASBO IS DEDICATED TO TRAINING AND SUPPORTING THE PEOPLE RESPONSIBLE FOR BUSINESS OPERATIONS OF MONTANA SCHOOLS. THE GOAL IS TO ENABLE MEMBERS TO MANAGE THE BUSINESS IN ORDER TO SUPPORT EDUCATION FOR MONTANA CHILDREN"