## Alicia Cochran

**From:** Peter Murray <pmurray@snpcpa.com>
**Sent:** Thursday, April 05, 2018 4:47 PM
**To:** Alicia Cochran
**Subject:** Local 338 Payroll Audit Program
**Attachments:** 338 Payroll Audit Analysis.pdf

Alicia,

I wanted to follow up on the Local 338 Pension and Health Funds payroll audit program. At the last Trustees Meeting, we requested an increase in our hourly rates for the Payroll Audits, which have not been increased since 2010. The Trustees tabled our request and asked us to provide some additional information on the payroll audit program, and to review some ways to reduce the cost. I've attached an analysis of all the payroll audits conducted since we began the program. Here are some key stats:

- Since 2010, there have been 30 payroll audits at a cost of $75,380.
- The total audit findings since 2010 is $233,602. In other words, the payroll audit program has generated $158,222 more than it cost in audit fees.
- The three largest employers in terms of number of employees (Crowley, Friesland and Mondelez) account for 35% of the payroll audit costs, but less than 2% of the audit findings.
- LP Transport has been audited 3 times, and all three times, there were significant findings.
- One audit of First Student accounted for $111,193 of the total audit findings.
- Historically, each employer has been audited on a two-year cycle.

Based on the data, I would suggest the following to improve audit efficiency and reduce costs associated with the audit program:

- For any employer with more than 40 employees, allow us to sample one quarter of payroll, and if there are insignificant findings, stop the audit. This should reduce the audit costs on the three largest employers, which historically have had little or no audit findings.
- Any employer that had zero findings in the previous audit would be audited on a 3-year cycle (currently 2 year cycle for all employers). Over the course of several years, this will reduce the total number of audits performed.
- The Trustees may also wish to consider a threshold for which they charge the employer for the cost of the audit. For example, if the audit findings exceed 10% of the reported contributions, then the employer would be responsible for the audit costs. (or a dollar threshold, whichever the Trustees thought was appropriate)

Feel free to let me know if you have any questions or need any additional information.

Thank you,

Peter

| Employer Name | Audit Start Date | Audit End Date | Billed Date S&P | Audit Findings | Cost | Hours |
|---|---|---|---|---|---|---|
| College of New Rochelle | 1/1/2012 | 12/31/2013 | 12/12/2014 | 2,688.75 | 1,783.00 | 21.55 |
| College of New Rochelle | 1/1/2007 | 12/31/2009 | 7/22/2010 | - | 2,033.50 | 24.75 |
| College of New Rochelle | 1/1/2014 | 12/31/2015 | 1/16/2017 | - | 2,173.30 | 27.53 |
| Crowley Food Inc. - La Farge | 1/1/2014 | 12/31/2015 | 3/15/2017 | - | 4,982.05 | 64.28 |
| Culinart, Inc. | 9/1/2012 | 12/31/2013 | 1/5/2015 | 11,029.03 | 4,356.55 | 52.88 |
| First Student Inc. | 1/1/2012 | 12/31/2013 | 1/5/2015 | 111,193.23 | 3,598.05 | 40.08 |
| Friesland Campina | 1/1/2010 | 12/31/2013 | 12/11/2014 | - | 881.25 | 9.65 |
| Friesland Campina | 1/1/2014 | 12/31/2015 | 1/11/2017 | - | 1,973.50 | 25.80 |
| HP Hood / Crowley Foods Inc. - La Farge | 1/1/2012 | 12/31/2013 | 4/17/2015 | - | 2,381.75 | 28.25 |
| HP Hood LLP/Crowley Foods, Inc. | 1/1/2012 | 12/31/2013 | 4/17/2015 | - | 2,544.25 | 31.00 |
| HP Hood LLP/Crowley Foods, Inc. | 1/1/2007 | 12/31/2009 | 10/6/2010 | 1,065.91 | 7,494.75 | 69.10 |
| Inergy Services | 1/1/2012 | 5/22/2013 | 7/18/2014 | 4,688.28 | 1,653.50 | 18.05 |
| Kraft Foods | 1/1/2010 | 6/30/2013 | 3/14/2014 | - | 3,586.00 | 44.40 |
| L.P. Transportation, Inc. | 1/1/2012 | 12/31/2013 | 12/10/2014 | 19,470.61 | 1,905.50 | 21.55 |
| L.P. Transportation, Inc. | 1/1/2014 | 12/31/2015 | 12/16/2016 | 24,547.36 | 2,615.80 | 31.68 |
| L.P. Transportation, Inc. | 1/1/2008 | 12/31/2010 | 1/25/2012 | 16,733.27 | 6,753.50 | 78.35 |
| Mondelez Global LLC | 1/1/2014 | 12/31/2015 | 1/11/2017 | 1,970.49 | 2,728.30 | 33.88 |
| Montefiore New Rochelle | 1/1/2014 | 12/31/2015 | 3/10/2017 | 850.86 | 2,119.55 | 25.18 |
| Paraco Gas | 1/1/2014 | 12/31/2015 | 12/7/2016 | 1,491.33 | 1,399.55 | 16.98 |
| Paraco Gas | 1/1/2012 | 12/31/2013 | 7/7/2014 | 3,848.63 | 1,693.50 | 19.40 |
| Precast Concrete Sales Co. | 1/1/2012 | 12/31/2013 | 7/7/2014 | - | 941.00 | 11.00 |
| Precast Concrete Sales Co. | 1/1/2014 | 12/31/2015 | 11/18/2016 | 280.36 | 1,882.30 | 23.33 |
| Sodexo, Inc. | 1/1/2012 | 8/24/2012 | 7/15/2014 | - | 1,583.50 | 17.35 |
| Sodexo, Inc. | 1/1/2007 | 12/31/2009 | 8/3/2010 | 1,858.68 | 2,513.50 | 23.10 |
| Sound Shore Medical Center | 1/1/2008 | 12/31/2010 | 9/21/2011 | 669.05 | 2,631.00 | 30.85 |
| Town of Harpersfield | 3/26/2007 | 12/31/2009 | 10/6/2010 | 30,600.74 | 1,848.50 | 17.85 |
| Town of Stamford | 1/1/2012 | 12/31/2013 | 12/11/2014 | 615.17 | 895.50 | 10.30 |
| Town of Stamford | 12/29/2005 | 12/31/2009 | 10/6/2010 | - | 1,178.50 | 11.60 |
| Westchester Local 860 | 1/1/2012 | 12/31/2013 | 11/24/2014 | - | 1,316.75 | 15.45 |
| Westchester Local 860 | 1/1/2014 | 12/31/2015 | 12/22/2016 | - | 1,932.05 | 24.43 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Total number of audits completed | 30 | | | 233,601.75 | 75,379.75 | 869.60 |
| Average cost | 2,513 | | | | | |
| Average audit findings | 7,787 | | | | | |

| **Analysis by employer** | # of Audits | Findings | Cost | Avg Cost Per Audit | # of EE's @6/30/17 | Fund |
|---|---|---|---|---|---|---|
| College of New Rochelle | 3 | 2,689 | 5,990 | 1,997 | 20 | Pen & Wel |
| Crowley | 4 | 1,066 | 17,403 | 4,351 | 94 | Pen |
| Culinart, Inc. | 1 | 11,029 | 4,357 | 4,357 | 21 | Pen & Wel |
| First Student | 1 | 111,193 | 3,598 | 3,598 | 12 | Wel |
| Friesland Campina | 2 | - | 2,855 | 1,427 | 56 | Pen |
| Inergy Services | 1 | 4,688 | 1,654 | 1,654 | Inactive | |
| Mondelez (Kraft) | 2 | 1,970 | 6,314 | 3,157 | 57 | Wel |
| LP Transport | 3 | 60,751 | 11,275 | 3,758 | 24 | Pen & Wel |
| Montefiore New Rochelle/Sound Shore | 2 | 1,520 | 4,751 | 2,375 | 18 | Pen |
| Paraco Gas | 2 | 5,340 | 3,093 | 1,547 | 8 | Pen & Wel |
| Precast Concrete | 2 | 280 | 2,823 | 1,412 | 5 | Wel |
| Sodexo | 2 | 1,859 | 4,097 | 2,049 | Inactive | |
| Town of Harpersfield | 1 | 30,601 | 1,849 | 1,849 | Inactive | |
| Town of Stamford | 2 | 615 | 2,074 | 1,037 | Inactive | |
| Westchester Local 860 | 2 | - | 3,249 | 1,624 | 1 | Pen |
| | 30 | 233,602 | 75,380 | 2,513 | 316 | |