

# EXHIBIT F

# CRCC AUDITS

Effective Audits initiated 6/08

## “AGREED-UPON PROCEDURES”

(APPROVED: BOARD OF TRUSTEES MEETING – MAY, 2008)

# *Chicago Regional Council of Carpenters*

## *Trust Funds*

### Employer Compliance Audit

#### Agreed-Upon Procedures

April, 2008

### PROCESSES

#### **I. GENERAL:**

- a. Review the audit initiation request document(s) and CRCC's Employer File Inquiry reports for the specified period.
- b. Review the Collective Bargaining Agreement and Addendum(s) to determine the applicable hours subject to contributions.
- c. Compare the Federal Employer Identification Number (FEIN) and organizational type (i.e. proprietorship, partnership, corporation, etc.) reflected in CRCC's Employer data base to documents reviewed and/or discussions with the employer representative. Address any differences in the report.
- d. Identify the records to be reviewed.
- e. Discuss with the Trust Fund's Office any questionable issues that may arise such as: scope limitation(s), piece-rate bonus/incentive wages paid to individuals performing jurisdictional work, items addressed in the audit initiation request and other unusual or special circumstances.
- f. If hours worked are not available or do not appear credible, alternate procedures may need to be applied, and should be discussed with the Trust Fund's Office.
- g. The "Cap Hours" for individuals include Cook, Lake and DuPage Counties' minimum of 175 plus hours reported to other geographic jurisdictions. If the total monthly hours worked equal or exceed 250, the benefit hours should not be capped unless directed otherwise by the Trust Fund's Office. No cap is applied to discrepancies stemming from entities (subcontractors).
- h. Calculate discrepancy dollars by multiplying the discrepancy hours listed in the report findings by the appropriate contribution rates.
- i. Liquidated damages should be computed at 1.5% compounded monthly on each month that discrepancy dollars are owed, not to exceed 20% of the total discrepancy dollars owed.

#### **II. PAYROLL:**

- a. Review copies of tax and/or related documents to determine the completeness of the payroll records and to identify the individuals employed by the company.
- b. Compile a list of individuals the company reported to the CRCC Trust Funds during the engagement period. Identify discrepancies that exist between the hours worked by individuals (not considered as management or superintendent) and the hours reported to the CRCC Trust Funds. Include the discrepancy hours in the report findings.

- c. Compile a list of individuals the company reported to other Carpenter Trust Funds during the engagement period. From that list, identify discrepancies that exist between the hours worked by individuals (not considered as management or superintendent) and the hours reported to the other Carpenter Trust Funds. Use the criteria specified by the CRCC Trust Funds (see Criteria for Individuals) for inclusion of under and over reported hours of an individual. In months where individuals are reported exclusively to other Carpenter Trust Funds, do not include any credit discrepancies in the report findings, unless instructed otherwise by the CRCC Trust Fund's Office.
- d. Eliminate individuals listed on this employer's contribution report(s) submitted to other Union Trade trust funds, provided those individuals were not reported by this employer to any Carpenter Trust Fund in or around the engagement period and it was reasonably determined that non-jurisdictional work was performed.
- e. Identify individuals who were not listed on this employer's contribution reports, but meet criteria specified by the CRCC Trust Funds (see Criteria for Individuals) for inclusion. Include their hours in the report findings and provide the Trust Funds with each individual's address, phone number, hourly wage rate, and job description (if available).
- f. Identify individuals who were not listed on this employer's contribution reports, do not meet criteria specified by the Trust Funds (see Criteria for Individuals) for inclusion, but do meet criteria that may warrant further consideration by the Trust Funds. Capture the employees' quarterly gross wages and provide the Trust Funds with a list of these individuals, as well as, their addresses, phone numbers, hourly wage rates, and job descriptions (if available).
- g. Identify individuals who meet criteria specified by the Trust Funds (see Criteria for Individuals) for participation in the 160 hour program. Do not include their hours in the report findings, but specify those month(s) reported at less than 160 hours. Provide the Trust Funds with each individual's address, phone number, hourly wage rate or note if "salaried." Also indicate if the individual was reported, works with tools of the trade, identify and note any familial relation (if known), and note potential employee misclassification in the Trust Funds' data base.
- h. If the above procedures are not applicable, individuals may be eliminated based upon other criteria specified by the Trust Fund's Office (see Criteria for Individuals).

### III. DISBURSEMENTS:

- a. Peruse the disbursement records to identify payees that are known, acknowledged or appear to perform bargaining unit work and request the Employer provide a description of the goods or services provided for each company.
- b. Review Federal Forms 1096 and Forms 1099-Misc (if available) and compare recipient names to the aforementioned payees.
- c. Identify those payees who appear to meet criteria specified by the Trust Funds and record the payments issued to the payees during the engagement period. Some of the payees may be eliminated based upon criteria specified by these Trust Funds (see Criteria for Individuals and Entities).
- d. Request sample invoices from the employer representative to determine the type of work performed for each payee. Additional invoices should be requested for all payments to each payee performing jurisdictional work, or who is not clearly defined and/or excludable. Payments for jurisdictional work should be included in the report findings. Payments for non-jurisdictional work should be excluded from the report findings. Jurisdictional work should be assumed if no invoice is provided.

*Perform the below procedures on payments to payee that have not been excluded*

Individuals:

- e. Identify individuals paid through disbursements that meet criteria specified by these Trust Funds (see Criteria for Individuals) for inclusion in the report findings. If hours are not specified, determine reportable hours based upon Trust Fund criteria (see Calculation of Hours – Individual). Also provide the Trust Funds with each individual's address, phone number, hourly wage rate, and job description (if available).
- f. Identify unreported individuals paid through disbursements that do not meet the criteria for inclusion in the report findings, but do meet criteria that may warrant further consideration by these Trust Funds (see Criteria for Individuals). Provide the name of each individual on a list to the Trust Funds, as well as, the individual's address, phone number, hourly wage rate, and job description (if available).

Entities:

- g. Identify entities that may have performed bargaining unit work and were not signatory to the Collective Bargaining Agreement at the time payment was issued. Include in the report findings the hours worked within the Trust Funds' geographic jurisdiction (if identifiable). If hours are not reflected on the invoices, hours should be determined based upon criteria specified by the Trust Funds (see Criteria for Entities). Also provide the Trust Funds with the entities' name, address, phone number and a brief description of the goods/services provided (if available).
- h. Identify entities signatory to the Collective Bargaining Agreement that may have performed bargaining unit work within the Trust Funds' geographic jurisdiction and did not report individuals in or around the months that payments were issued. Address each company in the report narrative, note the total amount paid, provide a description of the services, and enclose the invoice(s) (if available).
- i. Identify those potentially related entities not signatory to the Collective Bargaining Agreement at the time that payment was issued. These companies may be included in the report findings or their records pursued. Contact the Trust Fund's Office for further discussion.

## CRITERIA

### CRITERIA FOR INDIVIDUALS

#### Include in the report findings:

- Unreported hours of individuals this employer reported to the CRCC and other Carpenter Trust Funds.
- Unreported hours of individuals identified or acknowledged as performed bargaining unit work.
- Unreported hours of individuals earning bargaining unit scale.
- Unreported hours of individuals earning the same wage rate as another individual (identified or acknowledged) as having performed bargaining unit work.
- Unreported hours of electronic record individuals (not listed on a contribution report submitted by this employer) that earned a wage rate above bargaining unit scale of a first year apprentice (as of the engagement period start date) AND the individual's last reported month was equal to or less than three (3) years from the start of the engagement period.
- Unreported hours of electronic record individuals (not listed on a contribution report submitted by this employer) that earned a wage rate above bargaining unit scale of a first year apprentice (as of the engagement period start date) AND no reporting history with these Funds; however, the individual's initiation date was equal to or less than one (1) years from the start of the engagement period.
- Over reported hours of an individual that the employer acknowledges was to gain or maintain eligibility should be included in a separate report.
- Over reported hours of an individual in a month with reported contributions to the CRCC Trust Funds [by this employer] AND wages/compensation during that same period.
- Over reported hours of an individual in a month with reported contributions to the CRCC Trust Funds [by this employer] and NO wages/compensation during that same period. A separate credit report is generally issued if the reason for the over reporting CANNOT be identified.

#### Individuals that warrant further consideration by the CRCC Trust Funds:

- Electronic record individuals who earned a wage rate below bargaining unit scale of a first year apprentice (as of the engagement period start date) AND are not clearly excludable.
- Individuals who earned a wage rate above bargaining unit scale of a first year apprentice (as of the engagement period start date) OR one week's wages (40 hours times journeyman scale as of the engagement period start date) AND are not clearly excludable.

#### Individuals excluded or eliminated:

- No record individuals who earned a wage rate below bargaining unit scale of a first year apprentice (as of the engagement period start date) OR one week's wages (40 hours multiplied by journeyman scale as of the engagement period start date).
- Those individuals whom the auditor can reasonably determine to be non-jurisdictional based upon careful and prudent consideration of the facts, circumstances, and sound professional judgment.
- Those individuals whom the auditor can clearly identify as non-jurisdictional

Individuals who may participate in the 160 Hour program:

- Corporate officer, stockholder, or manager working with the tools of the Carpenter trade.
- Family members and/or spouses of corporate officers, principals, proprietors, owners, and partners that work with the tools of the trade and supervise employees or subcontractors.
- Individuals working with the tools of the trade and are salaried or guaranteed a specified number of hours.
- Any individual not performing bargaining unit work but had previously worked as a journeyman carpenter and has had prior contribution paid by a signatory employer.

Calculation of Hours:

- Hours may be determined based upon dividing gross wages by the individual's wage rate (stated or apparent) or jurisdictional scale (if unknown or determinable).
- Divide wage or payment differences by the individual's wage rate (stated or apparent) or jurisdictional scale (if unknown or determinable) to determine hours when records are incomplete (i.e. sum of gross wages or payments do not agree with tax documents).

**CRITERIA FOR ENTITIES**

Entities included in the focus group:

- Signatory companies who received payments prior to the effective date of their agreement.
- Signatory companies who reported NO individuals in or around the months which payments were issued.
- Other signatory companies who were specifically named in the audit request or worked for a specialty trade employer as a subcontractor
- Non-signatory companies identified or acknowledged as performed bargaining unit work.
- Non-signatory companies who are not otherwise clearly excludable.
- Potentially related non-signatory companies

Entities eliminated:

- Potentially unrelated non-signatory companies who the employer indicated have performed non-jurisdictional work (with no reasonable auditor suspicion to the contrary) and have been issued total payouts of less than \$2,000 during the engagement period.

Calculation of Hours:

- **No invoice provided:** Divide the payment amount by the entities' labor rate [listed on current or previous invoices] or journeyman scale (if unknown).
- **Invoice reflects labor only or labor dollars:** Divide the labor dollars for jurisdictional work or payment amount (if unknown) by the entities' labor rate [listed on current or previous invoices] or journeyman scale (if unknown).
- **Invoice made no mention of materials:** Divide the payment amount for jurisdictional work (if known) by the entities' labor rate [listed on current or previous invoices] or journeyman scale (if unknown).
- **Invoice reflects material and labor but no breakdown:** Multiply the payment by the appropriate labor factor (see below list ) and then divide by the entities' labor rate [listed on current or previous invoices] or journeyman scale (if unknown).

<u>Type of Work</u>	<u>Labor Factors</u>
Floor refinishing, sanding or staining	75%
Carpeting or Overhead Garage Door Installation	15%
Caissons	40%
Exterior Insulated Finished System (EIFS)	33% **
Any other jurisdiction work	33%

\*\* Include 50% of these hours in the discrepancies since this work is half carpentry and half plastering