It's All in the Details:

Reviewing payroll reports

Virginia Department of Housing and Community Development (DHCD)
Program Administration and Assistance Office
Richmond, Virginia

February 12, 2013
12 Noon – 1 PM

Speakers

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Webinar Format

- The presentation will last approximately 40 minutes with periodic pauses for Q & A.
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- The conference code number is **475 623 3278**.
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- Address your questions to the host through the chat box that will appear on your screen during the presentation. Technical questions will be addressed right away.
- We'll pause and take content questions at designated points during and after the presentation.

Brief Survey

- Using the survey feature on your Webex webinar screen, please answer the simple survey:

  What is your level of experience with reviewing payrolls?

  a) I have never reviewed payrolls
  b) I have reviewed them for a few projects
  c) I have reviewed them on many projects

Agenda

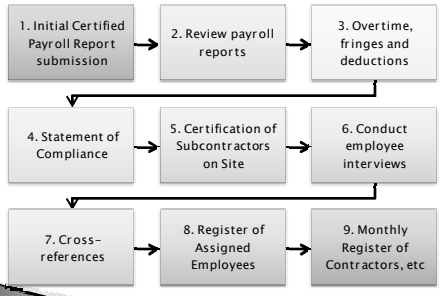
- Review payroll reports
- Conduct employee interviews
- Compare interview forms with payroll reports
- Common challenges and troubleshooting tips

Process

Recap

- Contract has been awarded to the lowest responsive, responsible, non-debarred bidder and Notice of Award issued, copying DHCD,
- The pre-construction conference has been held,
- The Notice to Proceed with Construction has been issued to the contractor, copying DHCD, and
- Construction has started.

9 Key Steps



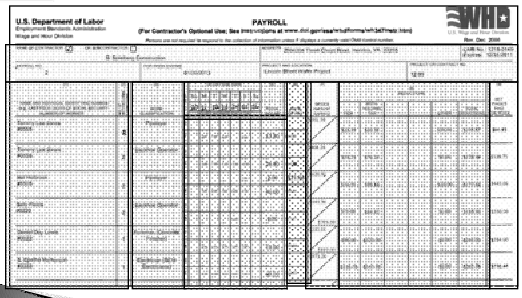
Step 1 Initial paperwork submitted

- Certified Payroll Report,
- Certification of Subcontractors on Site,
- Register of Assigned Employees (RAE),
- Apprenticeship Program Documents,
- Monthly Register of Contractors, Subcontractors and Suppliers,
- Authorizations of Payroll Deductions, and
- Requests for additional job classifications

Step 1 Responsibility of general contractor

- Responsible for the full compliance of all employers, including subcontractors and any lower-tier subcontractors, with observing all federal labor standards provisions
- Because of the contractual relationship between the general and any subcontractors, the subcontractors should generally communicate through the general, including submitting payroll paperwork or requests for additional wage classifications through the general contractor

Step 2 Review Payroll Reports


U.S. Department of Labor
Employment Standards Administration
Wage and Hour Division

PAYROLL

(For Contractor's Optional Use; See www.dol.gov/esa/whd/forms/wh347instr.htm)

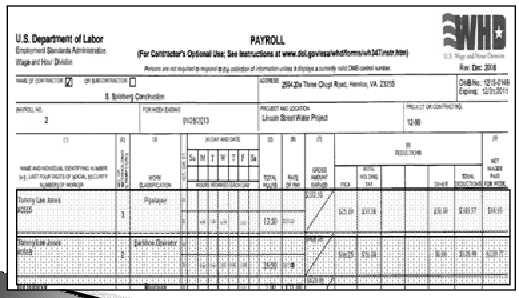
Rev. Dec. 2008

Persons are not required to respond to the collection of information unless it displays a currently valid OMB control number

NAME OF CONTRACTOR OR SUBCONTRACTOR	ADDRESS	PAYROLL NO.	FOR WEEK ENDING	PROJECT AND LOCATION	PROJECT OR CONTRACT NO.
B. Salisbury Construction	Attleboro Town Office Road, Hopkins, MA 02035	2	01/05/2013	Lincoln Street Water Project	1010

| (1) NAME, ADDRESS, SOCIAL SECURITY NO., WITHHOLDING EXEMPTIONS, CLASSIFICATION | (2) NO. DEPENDENTS | (3) WORK CLASSIFICATION | (4) HOURS WORKED DAILY OVERTIME | (4) HOURS WORKED DAILY OVERTIME | (4) HOURS WORKED DAILY OVERTIME

Step 2 Split classifications


U.S. Department of Labor
Employment Standards Administration
Wage and Hour Division

PAYROLL
(For Contractor's Optional Use; See instructions at www.dol.gov/esa/whd/forms/wh347instr.htm)

Rev. Dec. 2008

NAME OF CONTRACTOR: S. Spielberg Construction

ADDRESS: 2884 Zip Three Chopt Road, Henrico, VA 23235

OMB No.: 1215-0149
Expires: 12/31/2011

PAYROLL NO.: 2

FOR WEEK ENDING: 01/26/2013

PROJECT AND LOCATION: Lincoln Street Water Project

PROJECT OR CONTRACT NO.: 12-99

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
NAME AND INDIVIDUAL IDENTIFYING NUMBER (e.g., LAST FOUR DIGITS OF SOCIAL SECURITY NUMBER) OF WORKER	NO. OF WITH-HOLDING EXEMPTIONS	WORK CLASSIFICATION	HOURS WORKED EACH DAY (Su M T W T F Sa)	TOTAL HOURS	RATE OF PAY	GROSS AMOUNT EARNED	DEDUCTIONS: FICA	DEDUCTIONS: WITH-HOLDING TAX	DEDUCTIONS: Other	DEDUCTIONS: TOTAL DEDUCTIONS FOR WEEK	NET WAGES PAID FOR WEEK
Tommy Lee Jones 123-45-6789	3	Pipelayer	8 8 8 8 8	40.00	32.00	$1,280.00	$79.36	$191.00		$270.36	$1,009.64
Tommy Lee Jones 123-45-6789	3	Backhoe Operator	8 8 8 8 8	40.00	37.00	$1,480.00	$91.76	$222.00		$313.76	$1,166.24

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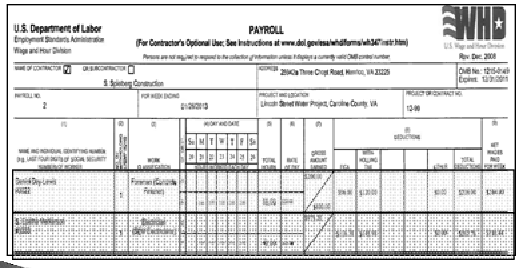
Step 2 Split classifications


U.S. Department of Labor
Employment Standards Administration
Wage and Hour Division

PAYROLL
(For Contractor's Optional Use; See Instructions at www.dol.gov/esa/whd/forms/wh347instr.htm)

Rev. Dec. 2008

NAME OF CONTRACTOR: S. Spielberg Construction

ADDRESS: 2884Zip Three Chopt Road, Henrico, VA 23226

OMB No.: 1215-0149
Expires: 12/31/2011

PAYROLL NO.: 2

FOR WEEK ENDING: 01/26/2013

PROJECT AND LOCATION: Lincoln Street Water Project, Caroline County, VA.

PROJECT OR CONTRACT NO.: 12-99

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
NAME AND INDIVIDUAL IDENTIFYING NUMBER (e.g., LAST FOUR DIGITS OF SOCIAL SECURITY NUMBER) OF WORKER	NO. OF WITH-HOLDING EXEMPTIONS	WORK CLASSIFICATION	HOURS WORKED EACH DAY (Su M T W T F Sa)	TOTAL HOURS	RATE OF PAY	GROSS AMOUNT EARNED	DEDUCTIONS: FICA	DEDUCTIONS: WITH-HOLDING TAX	DEDUCTIONS: Other	DEDUCTIONS: TOTAL DEDUCTIONS FOR WEEK	NET WAGES PAID FOR WEEK
David Day-Lewis 456789	0	Foreman (Carpenter Finisher)	10 10 10 10 10	50.00	38.00	$1,900.00	$116.82	$285.00		$401.82	$1,498.18
Sir Cedric Hardwicke 456789	1	Journeyman (Skilled Craftsman)	10 10 10 10 10	50.00	40.00	$2,000.00	$124.00	$300.00		$424.00	$1,576.00

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Step 2 Apprentices and trainees

- Registered in an apprenticeship program recognized by the Virginia Department of Labor and Industry
- Copy of program's wage schedule must be submitted to CCO
- Need to verify apprentices and trainees are being paid according to the wage schedule
- Need to verify that the ratio of apprentices and trainees to journeymen is according to the approved program

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Step 2

Helpers

- The wage classification "helper" must be listed on wage decision; otherwise:
  - If helper is being used to mean a trainee in an informal training program, he or she must be classified as a laborer
  - If work is not manual in nature and the worker uses tools or equipment normally associated with a journeyman, he or she must be paid the journeyman's wage rate

Step 2

Piece-work workers

- Paid by work completed, not by hours worked
  - Piece-work earnings divided by the total number of hours worked equals the effective hourly rate
  - Do weekly earnings sufficiently satisfy the wage rate requirement based on actual hours worked, including any overtime?
  - If not, the employer must make up the difference

Step 2

1099 workers

- 1099 workers are considered independent contractors so FICA, federal taxes and state taxes are not deducted from their wages
- Every person who performs the work of a laborer or mechanic is "employed" regardless of any contractual relationship and must be paid as much as the wage rate on the wage decision for trade performed
- Form 1099 can be submitted in lieu of payroll report; if not, a fully completed payroll report must be submitted, showing workers are receiving the *effective hourly wage rate* of trade performed

Step 3 Overtime

- Overtime hours are all hours worked on the project in excess of 40 hours in any work week
- Overtime must be paid at no less than 1½ times the regular rate of basic pay as stated on the wage decision *plus* the straight-time rate of any required fringe benefits

Step 3 Calculating overtime

Wage decision:
$10 basic wage + $6 fringe benefits = $16 total wage obligation

Overtime rate:
1½ times the wage decision's basic hourly wage rate ($10 * 1.5 = $15) plus straight-time rate of required fringes ($6) = $21 per hour

Pop Quiz

Wage decision:
$20 basic hourly wage rate + $5 fringe benefits = $25/hr

Overtime equals:
A. $35.00 ($20 * 1.5 = $30) + $5
B. $37.50 ($25 * 1.5)

Step 3 Types of required fringes

- Wage Decision may require:
  - No fringes ($20 wage rate)
  - Set fringe as a percentage of base pay ($20 + 5% = $21)
  - Set fringe as a flat amount ($20 + $5 = $25)

Step 3 Fringes – Easy Variation

Page 2 of 7

Hanging & Form Work).....$ 21.51 7.27+2%

ELEC1340-010 12/01/2010

	Rates	Fringes
ELECTRICIAN.....	$ 24.58	12.50%+5.30

ENGI0147-024 05/01/2012

- $21.51 + 7.27 + 2% (43¢) = $29.21
- $24.58 + 12.5% ($3.07)+ $5.30 = $32.95

Step 3 Fringes – Electricians

WARREN COUNTY

	Rates	Fringes
ELECTRICIAN.....	$ 26.87	3%+13.10+a

a. PAID HOLIDAYS: New Year's Day, Inauguration Day, Martin Luther King Jr.'s Birthday, Memorial Day, Independence Day, Labor Day, Veterans' Day, Thaksgiving Day, the day after Thanksgiving and Christmas Day.

- $26.87 + 3% (81¢) + 13.10 = $40.78
- Plus paid holidays at $40.78

Step 3 Deductions

1. Contractor must show all deductions taken from ***gross*** pay
2. Do not need employee authorization for FICA, income taxes, or court-ordered garnishments
3. Do need written itemized authorization for voluntary non-standard deductions

Step 3 Deductions

- Resubmitted ***only*** if type of deductions changes or the amount increases

Appendix 50 **AUTHORIZATION OF PAYROLL DEDUCTIONS**

I, Tommy Lee Jones (Employee's Name), hereby authorize S. Sandberg Construction (Company's Name) to deduct the following amount(s) from my weekly earnings in the following categories:

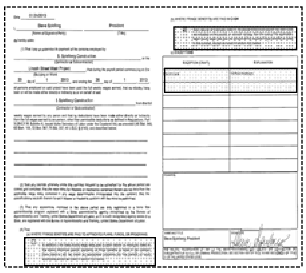
Purpose	Amount	Authorization Expires
1. Health Insurance	$34.00	January 20, 2014
2. Intensive Care Insurance		
3. Cancer Insurance		
4. Uniforms		
5. Christmas Fund	$15.00	January 20, 2014
6. Savings Account		
7. Other (Specify)		
TOTAL	$50.00	

Tommy Lee Jones
Signature

Tommy Lee Jones
Type or Write Name

December 15, 2012
Date

Step 4 Statement of Compliance



- Must be attached to every payroll report
- Signed by owner, officer or authorized individual with an ***original*** signature in ink
- Shows how fringes will be paid

Step 4

What are allowable fringes?

- If Box A is checked, contractor must submit a list of the fringes and their value:
  - Sick, vacation and holiday leave
  - Health, dental, disability or life insurance
  - Retirement plans
  - Does not include unemployment and worker's compensation costs
  - Does not include ***employee*** contributions to insurance or retirement plans

Step 4

Calculating fringes

Wage decision:

$12 basic wage + $2.50 fringe benefits = $14.50 total wage obligation

Employer provides medical insurance:

$200/month or $2,400/yr ($200 x 12)

Fringe value:

$2,400/yr ÷ 2,080 (40/hrs x 52/wks) = $1.15/hr so the contractor still owes the worker $1.35 in fringes

Questions and Comments?

Use the chat feature to ask questions and communicate with everyone!

Step 5 Certification of Subcontractors on Site

Appendix **47.B** **Certification of Subcontractors on Site**

(To Be Submitted as Part of Weekly Payroll Report)

I, Stephen Spielberg, the general contractor, hereby certify that all employees denoted on attached payroll reports for the week ending 1/26/2012 represent all employees that worked on CDGF 12-99 project for Caroline County (insert Grantee's Name), including employees of all subcontractors.

Stephen Spielberg, President
Name and Title

2/1/2013
Date

Names of Subcontractors That Worked on Project for This Pay Period.

1. Dreamworks Contracting
2. Caroline Excavation Company
3.
4.

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Step 6 Conduct Employee Interviews

- Once a month
- Each trade at least once
- 25% of total workers

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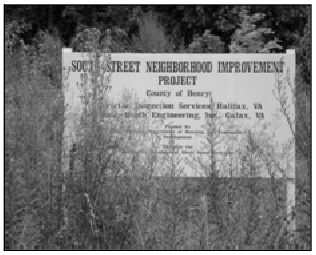
Step 6 First visit to site

- Is the DHCD Project Sign up?
- Is it visible from the roadway?



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Step 6 Posting of Wage Decision

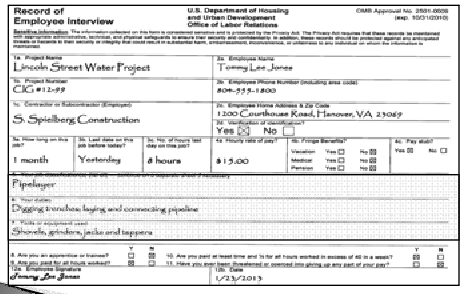
- Is the Wage Decision posted along with DOL and OSHA posters?
  - Accessible to workers?
  - Protected from elements?

Step 6 Site observations

- Observe worker
- Note what the worker is doing and what tools and equipment are being used
- Take photos *(Optional)*

- Do the types and numbers of workers generally coincide with type of projects and payroll reports?

Step 6 Conducting the Interview



Record of Employee Interview

U.S. Department of Housing and Urban Development
Office of Labor Relations

OMB Approval No. 2501-0008
(exp. 10/31/2010)

Privacy Information. The information collected on this form is considered sensitive and is protected by the Privacy Act. The Privacy Act requires that these records be maintained with appropriate administrative, technical, and physical safeguards to ensure their security and confidentiality. In addition, these records should be protected against any anticipated threats or hazards to their security or integrity that could result in substantial harm, embarrassment, inconvenience, or unfairness to any individual on whom the information is maintained.

1a. Project Name: Lincoln Street Water Project	2a. Employee Name: Tommy Lee Jones
1b. Project Number: CIC #12-99	2b. Employee Phone Number (including area code): 804-555-1800
1c. Contractor or Subcontractor (Employer): S. Spielberg Construction	2c. Employee Home Address & Zip Code: 1200 Courthouse Road, Hanover, VA 23069
	2d. Washington or Oregon resident? Yes ☒ No ☐

3a. How long on this job?	3b. Last date on this job before today?	3c. No. of hours last day on this job?	4a. Hourly rate of pay?	4b. Fringe Benefits?	4c. Pay stub?
1 month	Yesterday	8 hours	$15.00	Vacation Yes ☐ No ☒ Medical Yes ☐ No ☒ Pension Yes ☐ No ☒	Yes ☒ No ☐

5. Your job title: Pipelayer

6. Your duties: Digging trenches, laying and connecting pipeline

7. Tools or equipment used: Shovels, grinders, jacks and tappers

	Y	N		Y	N
8. Are you an apprentice or trainee?	☐	☒	10. Are you paid at least time and ½ for all hours worked in excess of 40 in a week?	☒	☐
9. Are you paid for all hours worked?	☒	☐	11. Have you ever been threatened or coerced into giving up any part of your pay?	☐	☒

12a. Employee Signature: Tommy Lee Jones
12b. Date: 1/23/2013

Step 6 Recording observations

13. Duties observed by the Interviewer (Please be specific)

Operating bulldozer

14. Remarks

Asked why he was operating bulldozer. Just moving it. Doesn't use it in day-to-day activities.

15a. Interviewer name (please print)	15b. Signature of interviewer	15c. Date of interview
James Spader	James Spader	1/23/2013

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Step 7 Back in the office

Payroll Examination

16. Remarks

Payroll okay.

17a. Signature of Payroll Examiner	17b. Date
Gloria Reuben	2/8/2013

Previous editions are obsolete

Form HUD-11 (08/2004)

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Step 8 Register of Assigned Employees

Register of Assigned Employees Month Covered: January, 2013 Date Completed: February 1, 2013

Submit initial list of workforce prior to start of construction, update throughout construction to show changes

(a) County: Caroline County Grant #: 12-99 Project Name: Lincoln Street Water Project
HIRING GOALS 30% LOCAL LMI (Section 3) 27.0% MINORITY 6.9 % FEMALE
Prime Contractor S. Spielberg Construction Contracted Amount $730,000
(b) Subcontract Contract Amount $

a. NAMES OF EMPLOYEES b. SOCIAL SECURITY NUMBERS	c. TRADE & JOB CLASSIFICATIONS d. JOB TITLE & SKILLS	e. (1) DATE EMPLOYED (2) DATE TERMINATED (3) DATE PROMOTED (4) DATE TRANSFERRED	a. MINORITY	b. GENDER
a. Daniel Day-Lewis	c. Foreman (Concrete Finisher)	e (1) : 11/5/2009 : or e(2)	___yes	___female
b. Heroico	d. $20.00	f: None	XXX no	XXX male
a. Hal Holbrook	c. Pipelayer	e (1) : 1/2/2010 : or e(2)	___yes	___female
b. Caroline	d. $14.44	f: $18.00	XXX no	XXX male
a. Tommy Lee Jones	c. Pipelayer	e (1) : 2/1/2010 : or e(2)	___yes	___female
b. Hanover	d. $15.00	f: $50.00	XXX no	XXX male
a. Tommy Lee Jones	c. Backhoe Operator	e (1) : 2/1/2010 : or e(2)	___yes	___female
b. Hanover	d. $17.67	f: $50.00	XXX no	XXX male
a. Sally Fields	c. Backhoe Operator	e (1) : 2/1/2010 : or e(2)	___yes	XXX female
b. Heroico	d. $17.67	f: None	XXX no	___male

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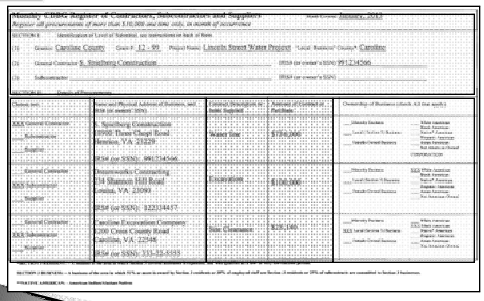
Step 9

Monthly Register of Contractors, Subcontractors and Suppliers



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Pop Quiz

Do you tell the contractor in advance when you will be on site to conduct employee interviews?

TRUE OR FALSE?

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Common payroll challenges

- Certified payroll reports not submitted weekly
- Statement of Compliance and/or Certification of Subcontractors on Site are not submitted or not filled out completely
- Box A on the Statement of Compliance is checked but itemized list of fringes and associated values are not submitted

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Additional payroll challenges

- Not receiving original CPR (payrolls can only be scanned or faxed to meet weekly deadline; must be followed up with originals in the mail)
- General contractor does not forward copies of the WD to subcontractors or forwards the wrong one in a dual wage situation

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Additional payroll challenges

- Wage classification listed on payroll report is not listed on wage decision
- More than one wage classification is listed for worker
- Underpayment of worker
- Overtime and/or fringe benefits are not paid

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Additional payroll challenges

- Non-standard deductions are not listed and/or not authorized
- Errors in math
- Register of Assigned Employees not submitted or not updated as needed
- Monthly Register of Contractors, Subcontractors and Suppliers not submitted monthly

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Challenges for the Grantee

- Employee interview forms are not compared to the appropriate payroll report and/or comparison is not noted on interview form
- Discrepancies between payroll and employee interview are not followed up on by CCO
- Insufficient number of interviews done

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Enforcing FLS

Call payroll clerk re: situation, resolution and deadline

Send follow-up email to payroll clerk if no satisfactory response

Send follow-up letter(s) signed by contract compliance officer and/or grantee

Review correction certified payroll report(s0 and proof of any necessary wage restitution

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Withholding pay

Withhold payment, especially if wage restitution is not made within 30 days

General contractors are always responsible for their subcontractors' compliance

If violations are not resolved by contract closeout, report to DHCD

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Keys to Success

- Give the general contractor all the facts needed for a successful project at the pre-construction conference
- Set the tone with the first payroll
- Keep on top of the paperwork
- Attend the weekly construction conferences
- Do not be afraid to ask questions

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Questions and Comments?

Use the chat feature to ask questions and communicate with everyone!

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Thank You for Participating

- Recording of the webinar will be posted on DHCD's website on the CDBG Training Archive page: http://www.dhcd.virginia.gov/index.php/cdbg-training-archive.html
- You will shortly be receiving an e-mail with the hyperlink to the webinar evaluation form. ***Thank you in advance for taking the time to give us your valuable feedback.***

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