

**WHY ARE YOU AUDITING ME WHEN I
CONSIDER ALL MY WORKERS EITHER
INDEPENDENT CONTRACTORS OR
SUBCONTRACTORS?**

Under Pennsylvania UC Law, an individual being paid by you for work performed is presumed to be your employee unless you show that the individual is free from your direction and control and is performing the work as part of his/her independently established business (Section 4(1)(2)(B)). The auditor must verify that the above two conditions exist for each individual you consider an independent contractor or subcontractor.

**CAN THE AUDITOR ANSWER QUESTIONS
REGARDING THE DEPARTMENT OF
LABOR & INDUSTRY?**

Auditors must be knowledgeable in Pennsylvania UC Law. Therefore, they should be able to answer most UC questions. If you have questions about other offices within the Department of Labor & Industry, the auditor can provide you with information on who to contact.

**WHAT IF I HAVE OTHER QUESTIONS
REGARDING THE AUDIT?**

You can contact the auditor directly at the number shown on the audit appointment letter, or write to:

Office of Unemployment Compensation
Tax Services
651 Boas Street, Room 911
Harrisburg, PA 17121-0750

DISCRIMINATION PROHIBITED

The federal and state legal guidelines governing the department's operation of the Pennsylvania UC program mandate equitable, non-discriminatory treatment of all employers. No person dealing with the department will be discriminated against on account of race, color, religious creed, sex, age, national origin, handicap/disability, etc.

*Auxiliary aids and services are available
upon request to individuals with disabilities.
Equal Opportunity Employer/Program*

Pennsylvania Unemployment Compensation

PREPARING FOR YOUR UC AUDIT

Office of
Unemployment Compensation
Tax Services



pennsylvania

DEPARTMENT OF LABOR & INDUSTRY

OFFICE OF UNEMPLOYMENT COMPENSATION TAX SERVICES

www.dli.state.pa.us

INTRODUCTION

This brochure addresses the most frequently asked questions from employers who receive notice of a Pennsylvania unemployment compensation (UC) audit. Please read this information carefully since it will assist you when preparing for the audit, let you know what to expect during and after the audit, and supply you with a contact address if you have additional concerns.

WHY WAS I SELECTED FOR AUDIT?

Each year, several thousand employers are selected for audit. Some employers are selected randomly from the entire list of employers covered under the Pennsylvania UC Law. Others are selected to verify that wages are being reported correctly. In some instances a specific discrepancy may be known to exist or certain industries with a high degree of reporting errors may be selected. The auditor can tell you specifically why you were selected at the time of audit.

WHAT IS THE PURPOSE OF THIS AUDIT?

Pennsylvania UC audits are performed to verify your reported payroll and exclusions taken for UC purposes, to ensure that benefits have been charged correctly to your account, and to answer any questions you may have regarding the UC Law. If you are not currently covered under Pennsylvania UC Law, an audit may be performed to determine if you should be a covered employer for UC purposes.

HOW LONG WILL THIS AUDIT TAKE?

The length of time depends on the size of the employer, the condition of the employer's records, and the number of problems encountered. If you are a small-to-medium-sized employer, the audit will probably be completed in a day or less. If you are a larger employer, the audit may take considerably longer.

WHAT IF I CANNOT PROVIDE RECORDS ON THE SCHEDULED AUDIT DATE?

Contact us immediately by phone if you cannot be available on the date scheduled and cannot arrange

to leave the records with another responsible individual. We will reschedule the audit if necessary. Please provide us with several alternate dates when you will be available so that rescheduling can be done promptly.

MUST I BE PRESENT AT THE TIME OF AUDIT?

You may designate a responsible individual to provide the records to the auditor. However, there is a questionnaire which must be completed as part of the audit. The individual you designate, therefore, should understand your records. If you must leave them with someone who is not familiar with your records, you should contact the auditor by phone in advance of the audit to arrange to complete the questionnaire.

If you want the auditor to deal directly with your accountant, bookkeeper, or other representative, you should contact the auditor by phone in advance of the audit and provide the name, address, and phone number of the designated representative.

If we do not hear from you prior to the audit appointment date, the auditor will assume that your records will be available on the date and at the address shown on the audit appointment letter.

WHAT PERIOD OF TIME WILL THE AUDIT COVER?

Usually the audit will cover one year unless issues are discovered that could affect other years. The appointment letter lists the time period for which records must be provided. Please have all requested records available in case they are needed. If the audit is expanded beyond the one-year period, the auditor will inform you of the additional records required.

WHAT RECORDS WILL THE AUDITOR EXAMINE?

The list of records we would be examining is attached to the audit appointment letter. Not all employers maintain all these records, but those you do maintain should be made available.

Remember that Pennsylvania UC Law requires all employers to keep adequate records for reporting payroll (Section 206(a)).

WHY IS THE AUDITOR EXAMINING RECORDS, FORMS, AND DOCUMENTS IN ADDITION TO PAYROLL RECORDS?

To verify that payroll was correctly reported for UC purposes, the auditor may look at a variety of documents and records. Payments to workers are made differently and through different accounts from employer to employer. These payments may be considered payroll for UC purposes. Thus, the auditor must look at all records that may contain payroll information.

CAN I REFUSE TO PROVIDE RECORDS TO THE AUDITOR?

Under Pennsylvania UC Law (Section 206(a)) you are required to provide records to the auditor for examination. If you refuse to do so, the records can be subpoenaed (Section 201(a)). Also, you can be fined up to \$1500 or face imprisonment of up to 30 days for failure to produce or permit the inspection or copying of records (Section 802).

WHEN WILL I KNOW THE AUDIT RESULTS?

The auditor will discuss his/her findings with you or your representative and, if applicable, give you a summary of the proposed audit adjustments before leaving your place of business or the location at which your records are kept. Once the auditor's manager approves the audit, a letter is mailed to you with the approved audit findings.

WHAT IF I DON'T AGREE WITH THE AUDIT RESULTS?

At the conclusion of the audit, the auditor will discuss his/her findings with you. If you disagree with the auditor's findings, you may request a written determination from the department. The auditor will also explain the assessment process (Section 304) and your appeal rights.