



## LIAISON ALERT

## MARCH 2025

### ALL ABOUT PAYROLL COMPLIANCE AUDITS

All NEBF Covered Employers may be required to undergo periodic payroll compliance audits. Here is some more information about the audit process and how it affects a Covered Employer.

#### **Why is the NEBF required to perform payroll compliance audits?**

The NEBF Trustees have a fiduciary duty under federal law to make sure that the NEBF receives all contributions that are owed to it. This means that the Trustees need to make sure that the correct amounts are reported by and received from Covered Employers. If the NEBF Trustees neglect this fiduciary responsibility, they can be personally liable. Regular payroll compliance audits are used to help fulfill this fiduciary duty and to ensure that funds are available to pay benefits to NEBF participants and their beneficiaries when they come due.

#### **Who conducts a payroll compliance audit?**

Payroll compliance audits are conducted by the NEBF or a third-party auditor. The majority of audits are conducted as “piggyback” audits in collaboration with the local funds. This approach provides consistency while minimizing disruption to normal business operations.

#### **How will a Covered Employer know that it has been selected for an audit?**

A Covered Employer will be notified that it has been selected for an audit via letter sent from the NEBF.

#### **What records must a Covered Employer produce?**

A Covered Employer will need to provide the auditor with the following for the years covered by the audit:

- Annual W-2s and W-3s for all employees
- Annual 1099s and 1096s for all payees
- Payroll registers listing all employees’ individual earnings detailing hours, wages, and job classification

During the audit, this information is reviewed and compared against the contribution and participant activity reports that the NEBF has on file.

#### **How will the NEBF keep a Covered Employer’s data secure?**

The NEBF has policies and procedures in place to ensure that it holds Social Security numbers and other payroll information in the strictest confidence. Covered Employers will be required to upload the requested records to the NEBF’s secure site, which can be accessed by the auditor only for the very limited purpose of determining whether a Covered Employer owes contributions on its Covered Employees.

#### **What is a Closing Interview?**

A Closing Interview with the auditor takes place prior to finalization of the audit report. The Covered Employer will receive a copy of a draft report to review, and during the Closing Interview, the Covered Employer will have the opportunity to address any discrepancies, provide additional information or clarification, and dispute any findings that it disagrees with before the audit is closed and the audit report is finalized.

#### **How can a Covered Employer assist with a smooth audit process?**

We strive to minimize interruption to the Covered Employer. Timely response and document submission during these audits help the process progress correctly, fairly, and as expeditiously as possible.

#### **Where can a Covered Employer go with additional questions about the audit process?**

If you or a Covered Employer has questions about the audit process, please feel free to contact our Audit & Collections Department at 301-556-4300 or CCTeam@NEBF.com.

## CONTACT US

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