



December 10, 2009

To; All Contractors

From: John J. Kuser  
Executive Director

Re: **WORKERS COMPENSATION INSURANCE AUDITS**

State of California Industrial Welfare Commission (IWC) Order No. 16-2001, which governs wages, hours and working conditions for occupations in the construction industry, requires that contractors keep accurate time records for each employee "... when an employee begins and ends each work period. Meal periods, split shift intervals and total daily hours worked shall also be recorded. Meal periods during which operations cease (for all employees) and authorized rest periods need not be recorded".

Effective January 1, 2008, the State Insurance Commissioner authorized payroll audits by insurance carriers of workers compensation policies incepting after January 1, 2008 with an emphasis on time card record keeping. In a "dual wage" environment where the lower wage rate (eg: apprentice) is "charged" a higher premium than a higher wage rate (eg: journeyman) then all employees could, as a result of an audit, be "charged" a higher premium should the contractors time records not reflect the provisions of IWC Order No. 16-2001.

The issue of not recording meal period times could be a source of dispute that could result in contractors paying higher premiums than they should. Absent accurate records, how does a contractor prove that all employees on every job every day take a uniform meal period?

In order to comply and avoid "issues" with auditors legal counsel suggests individual time cards be kept for each employee that reflect the actual start time, the actual meal

period and the actual end time for each day worked. Individual time cards should be signed by the employee, which is also a requirement under the CBA with DC16. For example: start 8am

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end 12pm  
lunch 12pm to 12:30pm  
start 12:30pm  
end 4:30pm

While these regulations went into affect almost two years ago, problems have just begun to surface as more and more contractors are now being subjected to audit. Maintaining accurate time records also serves to protect contractors from false claims for unpaid wages.

Should you have any questions do not hesitate to contact the NCPFC office.

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