

MAY 2015

Volume XXV, No. 5

WATCH OUT FOR THESE COMMON BUSINESS SCAMS

There are a couple of schemes that are actively targeting small businesses in Florida, and we want to make our members aware of them. Both schemes try to make you believe you need to do something that you are actually not required to do.

Certificate of Status:

Two companies, United Business Services and United Certificate Services, are sending notices by mail to Florida businesses offering to sell you a Certificate of Status for your Florida company for a fee that is usually around \$47. **Please note:** You can obtain a Certificate of Status from the Florida Division of Corporations for under \$10. You may not even need a Certificate of Status – it is an official document from the Florida Secretary of State certifying that your company is in good standing with the State of Florida. But there is no law in Florida that requires you to have a copy of this document.

Annual Minutes:

A company called Compliance Services is sending businesses in Florida notices offering to file “Annual Minutes” for a fee of \$125. **Please be aware:** While it is true that Florida law requires corporations to keep minutes of its shareholder or board meetings, you do not have to pay anyone to prepare your corporation’s minutes. In addition, minutes from your corporate meetings do not have to be filed with any agency of the State of Florida.

The mail from Compliance Services is usually in a green envelope and might say “Important – Annual Minutes Requirement Statement” on the front of the envelope. Inside is a form titled “Annual Minutes

Requirement Statement” that looks like an official government document and asks for \$125 to prepare minutes for your corporation.

While this mail looks like an official government form, it is from a private company not affiliated in any way with the government. This mail has confused some FUBA members into thinking that they are taking care of their Annual Report requirement by paying this company \$125. If you give this company \$125 for minutes, please know this does not take the place of filing the Annual Report for your corporation or LLC, which was due by May 1st to the State of Florida.

If you send either of these companies money and receive nothing in return, you can file an official complaint with the Florida Attorney General’s Office at myfloridalegal.com. Click on “File a Complaint” under the heading “Quick Links.”

IS YOUR BUSINESS INSURED THROUGH FUBA WORKERS’ COMP?

If your company’s workers’ compensation policy is issued through FUBA Workers’ Comp, we are providing this information to help answer any questions you may have about your policy’s audit. We know payroll audits are very detailed and the process can be confusing for policyholders.

Because the premium for your workers’ compensation policy is based on the estimated payroll for your business, once your policy expires, we are required to audit your business records to determine what the payroll actually was during the policy period. The audit is simply a look-back assessment of the total payroll for all officers, employees, subcontractors, and casual laborers for your business during the policy period. The audit also makes sure all officers, employees and

subcontractors are properly classified according to the job they perform.

How to Avoid Audit Surprises

Adding new employees or changing your employees' job duties can affect your premium. You should inform your agent of all changes throughout the policy period so that we can make any necessary adjustments to your policy. Also make sure that you collect proof of an active workers' compensation policy or a valid exemption for each subcontractor that you use.

Records Needed for Your Audit

The auditor will need to see detailed records from your company to verify your payroll. These records include: payroll records, payroll journals, RT-6's (unemployment tax returns, previously known as UCT-6's), general ledgers, check stubs, profit/loss statements, overtime records, and a list of all subcontractors used during the policy period, as well as proof of insurance or exemptions for all subcontractors.

Additional Information for Businesses in the Construction Industry: Florida's workers' compensation law makes contractors responsible for paying workers' compensation premium on any subcontractors they hire, unless the subcontractor has either his/her own workers' comp policy or a valid exemption from workers' comp issued by the State of Florida.

If you are a contractor and you use subs, it is your responsibility to verify this information by getting either proof of a valid workers' compensation policy (through a Certificate of Insurance) or proof of a valid exemption. If you discover that your sub is out of compliance with workers' comp requirements (i.e., their exemption has expired or their policy has been cancelled by their insurance company), you should insist that they correct the problem before you allow them back on the jobsite. **Please note:** If you cannot provide either an exemption or proof of insurance for your subcontractors, you will be charged workers' compensation premium on the amount you paid them.

If you hire a one-man subcontractor with an exemption: It has been our experience that in the construction industry, work done by subcontractors often requires more than one worker to perform the work. For this reason, we closely scrutinize our policyholders in the construction industry who make large payments to exempt individuals.

If you hire an exempt, one-person sub to do a job and that one-person sub has help from non-exempt workers, you will have to pay additional premium for those workers, and we as your insurance company can be liable for any workplace injuries for these workers.

While we will honor valid exemptions held by subcontractors that you hire, we will also require documentation proving that the exempt sub worked alone. In cases where you cannot show that the exempt sub worked alone and yet he/she was paid a large amount of money, we will charge a reasonable premium to cover our liability for this exposure. If a payment to an exempt sub with no reported employees exceeds \$75,000 in a given policy period, it will trigger the need for additional documentation, which includes:

- A Profit and Loss Statement for the policy period from the subcontractor;
- A General Ledger for the policy period from the subcontractor, if necessary; and
- A detailed breakdown of actual labor and material cost, if materials were included in your payments to the subcontractor.

The easiest way to avoid problems when you have made payments to exempt subs is to communicate with us and your premium auditor as much as possible. We will always work with you to the best of our abilities.

If you are one of our policyholders and have any questions about your premium audit, please call our Audit Department at 888-262-4483.