Emerging Human Resource Issues

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Tax Fraud Overview, Insights and Learnings to Date:
Archdiocese of Seattle
June, 2014

Mary Santi, Chancellor
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What Happened and Our Initial Response

- Pushed out email using Safe Environment training database
- Notified FBI and IRS
- Hired forensic security firm
- Set up email address taxinformation@seattlearch.org
- Tab on website
Subsequent Response

- Identify and hire attorney
  - Direct forensic investigation
  - Work with law enforcement
  - Oversee strategy and implementation
- Change background check process
- Conduct investigation
- Determine notification requirements
- Hire call center
  - Create script
  - Establish reporting procedures
  - Determine escalation procedures
- Research and make decision regarding credit monitoring services
- Regional meetings
- Ongoing communication, updating website
  - FAQ’s
  - Instructions
Preventative Steps

- Periodic legal review of forms and procedures
- Forensic security review of systems and procedures
- Regular review of third party vendor systems and security
- Cybercrime insurance coverage
- Identify legal counsel to be deployed in the event of a breach
- Pray that your constituents and your organization are not victims!
Exempt vs. Non-Exempt
Employee vs. Independent Contractor:
Diocese of Palm Beach
June, 2014

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Job Descriptions

- The core functions and essential job duties reflected on the employee’s job description assists in determining exempt or non-exempt status

- The title does not tell you enough about the position to make this determination
There Are Consequences For Violating FLSA

- Cash settlements to cover back pay and overtime
- Hefty fines for the company
- Repeated, willful violators have been held personally liable and served prison time
What The Law Says

- FLSA establishes:
  - Minimum wage
  - 40-hour workweek
  - Overtime pay
  - Child labor rules

- Who gets overtime?
  - All employees paid on an hourly basis, also known as nonexempt employees
Who Gets Overtime And When?

- Overtime is paid at time-and-one-half the employee’s regular pay.
- Nonexempt employees are paid overtime after working 40 hours in a workweek (you must determine your work week and consistently apply that work week when counting hours. Example – Monday through Sunday.)
- Caution: You must pay overtime even if the employee doesn’t ask first.
Examples of Non-Exempt Employees

- Cooks & Housekeepers
- Maintenance workers
- Office Assistant
- Receptionist
- Secretary
- Administrative Assistant
Examples of Exempt Employees

- Business Managers
- Directors
- Maintenance Supervisor
- Pastoral Administrator
- DRE

Note: To qualify for this exemption, an employee must be paid on a salary basis at a rate not less than $455 per week
Summary

- Hourly employees are nonexempt, meaning you must pay them overtime.
- Salaried employees are exempt, depending on the jobs they actually perform.
- Nonexempt employees get overtime after 40 hours in a workweek.
- Make sure exempt employees stay exempt.
Employee vs. Independent Contractor

- Relationship of the worker and the business must be examined.
  - Degree of Control
    - Behavioral
    - Financial
    - Type of Relationship between the parties
  - Degree of Independence
Employee vs. Independent Contractor

Source: IRS Publication 15-A (2014)

Does the business have the right to direct and control how the worker does the task for which the worker is hired? What are the instructions that the business gives to the worker?

- **Training that the business gives to the worker.**
- **Financial control**
  - The extent to which the worker has [unreimbursed business expenses](#).
  - The extent of the worker's investment. An independent contractor often has a significant investment in the facilities or tools he or she uses in performing services for someone else.
  - The extent to which the worker makes his or her services available to the relevant market.
  - How the business pays the worker. An employee is generally guaranteed a regular wage amount for an hourly, weekly, or other period of time. An independent contractor is often paid a flat fee or on a time and materials basis for the job.
  - The extent to which the worker can realize a profit or loss.
  - Type of relationship. Facts that show the parties' type of relationship include [written contracts](#) describing the relationship the parties intended to create.

**IRS help.** If you want the IRS to determine whether or not a worker is an employee, file Form SS-8, Determination of Worker Status for Purposes of Federal Employment Taxes and Income Tax Withholding, with the IRS.
Benefits and Other Issues

What benefits or other programs would the individual have been able to participate in if they had been classified correctly?

- Medical, Dental, Life, Disability Coverages
- Pension or 403b program
- Workers Compensation
- Unemployment Compensation
- Completion of I-9 form and is in compliance with requirements
- Eligible for overtime pay?
- Employer should have been paying into Social Security
- Other?
Helpful Websites

- US Department of Labor: Wage and Hour Division: http://www.dol.gov/esa/whd/
Finding and Hiring Senior Level Catholics in a Secular World: Diocese of Orange
June 2014

Jule Benscoter, Human Resources Director
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Finding and Hiring Senior Level Catholics in a Secular World

- Challenges & Solutions – What Works & What Doesn’t
- Search Firms vs Internal Search – Pros & Cons
- Tools of the Trade
- Background Check
- References
- Predictive Index
Centralizing ACA Reporting Data in a Decentralized Environment

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1. On March 5, 2014, the IRS releases final regulations on employer and issuer 6055 and 6056 reporting requirements.

2. Section 6055 reporting – applies to all entities providing minimum essential coverage (“MEC”) and requires them to report healthcare coverage information to the IRS, as well as, provide a statement to all covered individuals.

3. Section 6056 reporting – applies to applicable large employers, which are generally employers with 50 or more full-time and full-time equivalent employees. These applicable large employers (“ALEs”) must report healthcare coverage information to the IRS and provide each full-time employee with a statement containing the same information as the IRS report.
Data Required for 6055

According to the final regulations, providers of MEC (the reporting entities) must report the following information to the IRS using Form 1095-B (or 1095-C as discussed below):

- the name, address, and employer identification number (“EIN”) of the reporting entity required to file the return (e.g., health insurance issuer),

- the name, address, and taxpayer identification number (“TIN”) (or date of birth for certain individuals as described below) of each responsible individual (primary insured, employee, etc.) covered under the policy or program,

- the name and TIN of each individual covered under the policy or program (those other than the primary insured),

- for each covered individual, the months for which, for at least one day, the individual was enrolled in coverage and entitled to receive benefits; and

- any other information required by the Secretary of the Treasury.

Additionally, for employer-provided coverage, the following is also required:

- the name, address, and EIN of the employer sponsoring the plan,

- whether the coverage is a qualified health plan through the Small Business Health Options Program (“SHOP”) and the SHOP’s unique identifier, and

- any other information required by the Secretary of the Treasury.
Data Required for 6056

The final regulations require that every Applicable Large Employer provide the following information on the Section 6056 return to the IRS with respect to each full-time employee:

- The name, address, and employer identification number ("EIN") of the ALE member,
- The name and telephone number of the ALE member's contact person (whether an employee or an agent of the ALE member),
- The calendar year that the return is for,
- A certification as to whether the ALE member offered its full-time employees (and their dependents) the opportunity to enroll in MEC under an eligible employer-sponsored plan by calendar month,
- The months during the calendar year during which coverage under the plan was available,
- Each full-time employee's share of the lowest cost monthly premium (self-only) for coverage providing minimum value that is offered to that full-time employee under an eligible employer-sponsored plan, by calendar month,
- The number of full-time employees for each month during the calendar year,
- The name, address, and taxpayer identification number ("TIN") of each full-time employee during the calendar year and the months, if any, during which the employee was covered under the plan, and
- Any other information as required by the Secretary of the Treasury
In a Decentralized Environment

- We often don’t know all employees (especially those not covered under the health plan)
- We often don’t know dependents who are not covered under the health plan
- We don’t know how many months during the year an employee has been offered affordable coverage
- We generally don’t collect dependent social security numbers (especially for those not covered under the health plan)
- Parishes and agencies often charge different levels of employee contribution
- What we don’t know may be more than we do
- So, how do we collect the data?
Solutions

- Have each location submit an excel spreadsheet every month and the HR staff can aggregate
- Establish committee with IT expertise
- Standardize payroll
- Centralize payroll
- Billing aggregator
Our Challenges

- 11,000+ employees
- 193 Parishes
- 100 Grade Schools
- 10 High Schools
- Catholic Charities working independent
- No Centralized Payroll
- Needed Demographic HRIS Data from both Lawson and QuickBooks
- Quarterly Repository – Not 100% Compliant
- Insure 22 Private Groups
Our Approach

- Formed a Task Force (Sept 2013)
- Assess current HRIS/Payroll and Develop a Plan of Action
- Mandate QB on our servers through Citrix
- Chase down stragglers
- HRIS RFP
- Examined a Consolidator/Aggregator
- Run Pilot
- Expand and Implement
Current Status

- Complete Pilot
- On the Horizon
  - Track Opt Outs
  - Collect Dependent Info
  - Produce Trial Reports
  - Produce Final Reports
  - Apply to other opportunities
  - Determine if our fix can be applied to our private groups – create a revenue stream
Headaches

- Lack of Reliable Government Info
- Lack of File Spec’s
- Layout ?’s
- Changing Governmental Timelines
- Fighting ‘Big Brother’ syndrome
- Fear of Change and the Unknown
Anticipated Results

❖ To Be Continued
Question and Answer