

**THE AUTOMOBILE MECHANICS' LOCAL 701  
RETIREMENT ACCOUNT PLAN**

**REVISED COLLECTION POLICY AND PAYROLL AUDIT PROCEDURES**

The Board of Trustees hereby resolves as follows:

**A. Fund Administrator's Collection Report**

1. The Fund Administrator will report to the Board of Trustees at its quarterly meetings the following information whenever possible:
  - (a) A listing of the Employers that have not been referred to Collection Counsel, but are known to be thirty (30) days or more delinquent or have failed to submit Contribution Reports for any period; and
  - (b) The aggregate estimated amount of contributions and/or liquidated damages owed by each such delinquent Employer.

**B. Collection Procedures**

1. For every delinquent Employer, including an Employer that fails to submit monthly Contribution Reports for any period or owes deficiencies found in a payroll compliance audit, the Fund Office will attempt to make the following administrative collection efforts whenever feasible:
  - (a) Send an initial delinquency notice to the Employer within two (2) weeks of the original due date;
  - (b) Send a second delinquency notice to every Employer that fails to respond to the initial delinquency notice. The second notice should warn the Employer that the matter may be referred to Collection Counsel after thirty (30) days and that the Employer will be held responsible for attorney's fees and litigation costs; and
  - (c) Attempt to call the Employer about the delinquency.
2. The Fund Office will refer all matters to Collection Counsel that meet any one of the following criteria:
  - (a) The Employer is thirty (30) or more days delinquent;
  - (b) The Employer has failed to remit a Contribution Report for any one contribution period; or
  - (c) For any other good cause, as determined by the Fund Administrator.

3. The Trustees allow for a Grace Period of five (5) business days from the specified date on which contributions are due under the applicable collective bargaining agreement. However, in no event shall the Grace Period extend the payment of contributions beyond the 15<sup>th</sup> day of the month in which they are due.
4. Pursuant to the authority vested under the Trust Agreement, a one-time charge of ten percent (10%) liquidated damages is assessed against all delinquent contributions, in addition to interest at the rate of one percent (1% ) per month from the original due date until the contributions are paid in full. Any liquidated damages that are collected shall be applied and used solely to offset the administrative costs incurred by the Plan by reason of the delinquency. Any interest that is collected shall be credited to the individual accounts of the affected individual Participants pro-rata based on the amount of the contributions owed.
5. In the event a delinquent Employer is referred to Collection Counsel, the Employer shall be held responsible for any and all reasonable attorney's fees and costs associated with collection.
6. The Board of Trustees shall not entertain any requests to extend the time for paying delinquent contributions.
7. Except as set forth below, any and all waivers and/or write-offs of unpaid contributions, liquidated damages, interest, attorney's fees and/or audit fees must be approved by the Board of Trustees:
  - (a) Automatic Waivers – Late Payment of Monthly Contributions.  
The Board of Trustees authorizes the Fund Office to automatically waive all of the liquidated damages related to the late payment of monthly contributions provided the Employer meets the following conditions:
    - (1) The Employer ultimately pays the late contributions within thirty (30) days of the original due date or as required by another mutually agreed upon arrangement;
    - (2) The Employer submits a written request for a waiver within thirty (30) days of the date a notice of assessment of liquidated damages is sent to the Employer;
    - (3) The Employer provides an adequate explanation of what extenuating circumstances precipitated the late payment; and
    - (4) The Employer has not been granted a previous waiver of liquidated damages during the prior rolling twelve (12) month period.
  - (b) Automatic Waivers – Unpaid Contributions Revealed by Audit.  
The Board of Trustees authorizes the Fund Office to automatically waive all of the liquidated damages resulting from unpaid contributions revealed

by a payroll compliance audit provided the Employer meets the following conditions:

- (1) The contributions revealed by the payroll compliance audit in question are less than \$2,500.00; and
  - (2) The Employer pays the contributions, and the resulting interest, within thirty (30) days of the date that the payroll compliance report is sent to the Employer by the Fund Office or as required by another mutually agreed upon arrangement.
- (c) Conditional Waiver – Late Payment of Monthly Contributions. Upon determining that an Employer is eligible for an Automatic Waiver as set forth in Paragraph (a) above, the Fund Office shall notify the Employer in writing of the conditional waiver and grant such waiver so long as the Employer remits any outstanding interest owed for the particular month within thirty (30) days from the date of the notice.

In the event the Employer fails to pay the outstanding interest within thirty (30) days from the date of the notice, the waiver shall automatically be rescinded and the Employer will owe the full amount of the liquidated damages.

- (d) Conditional Waiver – Unpaid Contributions Revealed by Audit. In the event that the contributions revealed by the payroll compliance audit in question are less than \$2,500.00, in the initial demand for payment of the monies revealed by the payroll compliance audit, the Fund Office shall inform the Employer of the Trustees' automatic waiver policy. Specifically, the Fund Office shall inform the employer that the liquidated damages will automatically be waived in the event the contributions and resulting interest are paid within thirty (30) days of the date of the demand.

### C. Payroll Compliance Audit Procedures

1. **6 Month Audit.** The Fund Office will seek to conduct a payroll compliance audit of every new contributing Employer within approximately six (6) months after the employer becoming signatory and has contributed to the Trust Funds for approximately six (6) months.
2. **Regular Audit.** Insofar as practicable, each contributing employer will be subject to a regular payroll compliance audit once every three (3) years. The Fund Office will furnish a list of all contributing Employers to the auditor and will update that list from time to time.
  - (a) The payroll compliance auditor will select contributing Employers from a list provided by the Fund Office, and updated from time to time, and send written notification of the payroll audit to the Employer and contact the Employer to schedule the audit. That letter will identify the audit period

and the documents needed to conduct the audit. The Fund Office will provide the payroll auditor with any other documents needed to conduct the audit, including the governing collective bargaining agreement, monthly remittance reports from that Employer and any additional information that may assist the auditor.

3. **Exit Audit.** The Fund Office will seek to conduct a payroll compliance audit of all Employers that cease contributing to the Trust Funds within a reasonable period of time following the cessation of contributions.
4. **Special Audit.** The Fund Administrator, in his/her discretion, may seek to conduct a payroll compliance audit of any Employer, at any time, and for any other reason not specifically enumerated above.
5. If the Employer fails to respond to the payroll auditor after reasonable attempts, the payroll auditor shall notify the Fund Administrator and Collection Counsel. Collection Counsel will send written notification to the Employer of non-compliance and if necessary, initiate litigation to compel the Employer's compliance.
6. Upon completion of each payroll audit, the payroll auditor shall provide a report and schedule of deficiencies, including any applicable liquidated damages and interest charges to the Fund Administrator. The Fund Office will then initiate collection in accordance with the Collection Procedures set forth above.
7. The payroll auditor will prepare a quarterly status report of the Employer payroll audits assigned, which shall include:
  - (a) A list of audited Employers;
  - (b) The date the necessary payroll data was received from the Fund Office;
  - (c) The date of the scheduled payroll audit;
  - (d) The date the payroll audit was completed;
  - (e) The aggregate amount of deficiencies for each Employer; and
  - (f) Any additional comments that indicate the status of each audit since the last status report.
8. **Audit Fees.** In the event a payroll audit discloses a contribution deficiency that exceeds 3% of the contributions required for that period, or in the auditor's opinion, the deficiency was caused by anything other than an inadvertent clerical error, the Employer shall be held responsible for the costs of the payroll audit, including all liquidated damages, interest charges and reasonable attorney's fees and costs, if applicable, unless otherwise waived by the Board of Trustees.

**D. Overpayment of Employer Contributions**

1. The Retirement Account Plan will not issue refunds or credits for overpayments that have already been withheld from a Participant's paycheck and deposited into a Participant's individual account. In the event a contributing Employer identifies and requests a refund for an overpayment of contributions that were the result of a mistake of fact and were not withheld from a Participant's paycheck, the Fund Administrator will verify the overpayment. After verifying the overpayment, the Fund Administrator will present the request to the Trustees for approval of a refund to the Employer as long as the following conditions are met:
  - (a) The overpayment of contributions must have occurred within the twelve (12) months immediately preceding the Employer's request for a refund;
  - (b) The overpayment of contributions was the result of a mistake of fact; and
  - (c) The overpaid funds remain in the Participant's individual account and have not been distributed.
2. Any refund will be made in compliance with ERISA, the Internal Revenue Code, and any applicable correction procedures.

The Board of Trustees hereby adopts this Policy to become effective this 13th day of June, 2025.

**UNION TRUSTEE**

  
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**EMPLOYER TRUSTEE**

  
  
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