

Date: February 27, 2026
To: PACIF Members
From: PACIF Workers' Compensation Audit Team
Re: VLCT PACIF Workers' Compensation 2025 Payroll Audit

Dear PACIF Member:

It is once again time to submit documentation for your annual workers' compensation payroll audit using our Values Collection process, which consists of a unique link for each member to upload the required information. Your link will expire after 30 days.

Please note that this year there are 2 categories of audits depending on your municipality's prior year audited workers' compensation contribution.

- Simplified audits will allow qualifying members to enter your 2025 audited (actual) payrolls for each class code and then upload 1099s, if applicable.
- Standard audits will provide members with a page to upload the required documents, which the Underwriting team will then use to complete a full physical audit.

Please review all the guidance in this memo and submit the appropriate documentation as requested in the Values Collection within 30 days (**due Monday March 30, 2026**).

SIMPLIFIED AUDITS (For Members with Prior Year WC Contribution Less Than \$5,000)

Upon completion of your 2024 audit, your municipality had a workers' compensation contribution of less than \$5,000. As a result, your municipality qualifies for a simplified process for submitting payroll and 1099 information for the 2025 calendar year.

The following information applies to Calendar Year 2025:

- 1. Enter Audited (Actual) Payroll** – On the Values Collection page, click on each payroll class code (in blue text) that appears in the grid and enter the audited (actual) payroll that applied to that class in 2025 and click either “Save and Close” or “Save Changes”. If the actual payroll was \$0, please enter \$0 rather than leaving it blank. If you need to add a payroll class code that does not appear in the grid, be sure to click on the “+ New Payroll” link in the upper right corner of the payrolls grid. Do NOT change the class code within an existing line item.
- 2. 1099s & Supporting Documents** – If you issued any 1099s in 2025, please select Yes in the dropdown on the Values Collection screen. A link will then be provided to upload your 1099s and documentation for each non-employee who was paid to do work for your municipality, and you are requesting be excluded from payroll. For details, please scroll to page 3 or visit our website page for the [PACIF Toolkit for Documenting Subcontractors and Sole Proprietors](#).

STANDARD AUDITS (For Members with Prior Year WC Contribution \$5,000 or Greater)

Sections have been provided within the values collection link to upload each of the required document types needed to complete a full audit. The following documents apply to Calendar Year 2025:

1. **Employee Payroll Records** (including OT) – provide payroll showing gross wages for each employee, including overtime. Overtime must be broken out. If you attach copies of W2s, please conceal the Social Security numbers to protect your employees’ personal information.
 - a. NEMRC - If your payroll is on the NEMRC system, please generate two reports.
Report #1: “Employee Wage Summary Report” that shows Detail by Name
Report #2: “PayTypes Report” - Under “Range”, select “All”, under “Order” check “Name”, also check the “All Pay” tab, uncheck the bottom three boxes (“fringes, reimbursements and deductions”).
For each report, either print the report or export the data to an Excel file. *(see attached NEMRC Instructions document for detailed step-by-step including screenshots)
 - b. Quickbooks - If you use Quickbooks, generate the report titled “Payroll Expenses” or “Payroll Summary” report.
 - c. Other - If you are using payroll cards or any type of manual system, please make sure that each **employee’s job description, rate of pay and overtime** are clearly marked and legible.
2. **941s - Employer’s Quarterly Federal Tax Return** – provide copies of all 941s for calendar year 2025. Be certain all quarters are for 2025 and that line 5c (Taxable Medicare wages & tips) is legible.
3. **1099s (& Supporting Documents)** – 1099s and any documentation for each non-employee who is paid to do work for your municipality, and you are requesting be excluded from payroll. 1099 Proofs are acceptable as long as they include the Recipient’s information and the Nonemployee compensation. For additional details please scroll to the next page or visit our website page for the [PACIF Toolkit for Documenting Subcontractors and Sole Proprietors](#).
4. **Elected/Appointed Officials** – List of all municipal officials for calendar year 2025 clearly indicating each as elected or appointed. An annual municipal report that contains this information will also be accepted.

1099 requirements

- 1099s - Copies of 1099s (or proofs) that were issued for contractor work in calendar year 2025. For each one, indicate the type of services rendered either on the 1099s or a separate document.
 - **Please break out any applicable purchase of goods from labor costs as we never want to include this in payroll (example – if a contractor delivers gravel please break out their labor vs the cost of the gravel.)**
 - **You no longer need to submit any supporting documents for the following types of 1099 contractors as these are always excluded from municipal payroll:**
 - Attorney, Engineer, Architect, Plumber, Electrician, CPA, HVAC, Purchases, Lease/Rent.
- COI - A Certificate of Insurance showing proof of the individual or company's General Liability coverage and Workers' Compensation coverage (if applicable) during the period the work was performed. General Liability coverage should include the Named Member (your municipality) as an additional insured.
- Contract - A valid and executed contract between the Named Member and the Contractor clearly indicating a description and period the work was performed.
- NEWA - A completed and executed copy of the most recent Non-Employee Work Agreement v3.0 for the period the work was performed.
- Established/Advertised Business - marketing material such as a business card, website, social media page or active Secretary of State filing that identifies the contractor as holding themselves out for work for the general public.

Note that paid labor for certain 1099 entities may be charged as employee payroll on your audit if you cannot provide all items listed under #4.

Please compile and provide the required information within 30 days. Whenever possible, we ask that the required documents be provided electronically via this Values Collection process.

If you have any issues or need to request an alternate process, please email the team at underwriting@vlct.org for assistance. **Please DO NOT send any documents that may contain PII (personally identifiable information) such as social security numbers, personal addresses or birth dates via email as this is not a secure option.**

We truly appreciate your assistance in completing the audit in a timely manner.

Sincerely,

Your VLCT PACIF Workers' Compensation Audit Team

Kelly Knotek, *Underwriting Manager*

Vicky Abare, *Senior Underwriter*

Denise Ricker, *Underwriter*

Sherry Allen, *Underwriting & RMS Assistant*