



zerochaos

Customer:
A Large Gaming Company

Corporate Profile:
Annual revenue 2012: \$264M
Headquartered in California
1,800 employees

THE ZEROCHAOS THEORY:

Creating a bright future by recreating the past.

The ZeroChaos Theory Results

While this scenario could have been disastrous for the customer, ZeroChaos helped them to both avoid the significant penalties and ensure that future engagements would both meet the standards for an independent contractor engagement and be documented properly. Our solution:

- Establishes compliance protocols, customized to your business size, needs and culture
- Performs Independent Contractor compliance evaluation recommendation using web-based process
- Executes document collection, review and maintenance
- Handles invoice and payment processing
- Issues 1099s on your behalf

Background:

When this large gaming company received an unemployment insurance claim for a worker it had engaged as an independent contractor, it rightfully denied the claim, noting that the worker had been issued an IRS Form 1099 and was ineligible for unemployment benefits. This denial, however, triggered an audit by the California Employment Development Department (EDD) with a “look back period” that covered a time when the company lacked a central repository for contracts and documentation. With no evidence to justify 1099 payments for the majority of its workers, the organization was facing a penalty of more than \$800,000!

The Challenge:

- ▶ If the Human Resource Manager did not produce evidence to support independent contractor classifications for the audited workers, the company was facing significant fines.
- ▶ The company lacked a centralized repository of information for contracts and contractor documentation.
- ▶ No protocols or policies for handling EDD or other types of audits had been put into place.

ZeroChaos Solution:

- ▶ ZeroChaos interviewed hiring managers, located and interviewed former independent contract workers and employees and collected numerous affidavits, re-creating the evidence necessary to support the audit. .
- ▶ ZeroChaos tirelessly reconstructed hundreds of worker files containing copies of required supporting documentation.

The Results:

- ▶ ZeroChaos succeeded in getting fines and penalties reduced from \$800K to \$60K.
- ▶ An audit-proof 1099 contractor compliance program was implemented to protect against future auditor scrutiny.