

CHECKLIST | WORKERS' COMPENSATION AUDIT

Presented by Independent Brokers Agency, LLC

Date:

Review conducted by:

Unlike the estimated premium originally used to calculate your workers' compensation insurance premium, an annual premium audit determines the accurate costs for the policy period. There can be vast differences between the estimated and actual premiums, so the audit process is extremely important. To bypass audit errors that tend to inflate workers' compensation premiums, utilize this checklist.

BEFORE THE AUDITOR ARRIVES	COMPLETED
Set up an appointment with the auditor and obtain a name and phone number in case you need to change your appointment. If you do need to cancel and reschedule, do so promptly.	<input type="checkbox"/>
Assign an employee as the auditor's primary contact person. <ul style="list-style-type: none"> • This individual should be familiar with all of the company's departments and employees. • This individual should have knowledge of the payroll records that the auditor will be examining. 	<input type="checkbox"/>
The contact person should review the prior year's billing statements and auditor's worksheets (if requested in the past) to understand the issues that may arise again.	<input type="checkbox"/>
Make sure that your records document the actual gross payroll spent by each employee in different workplace exposures if employees are involved in a variety of operations. <ul style="list-style-type: none"> • Do not estimate payroll. Gross payroll should be provided with monthly and quarterly or year-to-date totals by employee and department. The type of work performed and the job duties by each person must be shown. This includes officers, members, sole proprietors and partners. • If your records do not break down payroll by different workplace exposures, the auditor will classify it under the most expensive classification applicable. 	<input type="checkbox"/>
Have workers' compensation documentation including certificates of insurance for 1099 independent or subcontractors showing that they have their own insurance (if applicable). <ul style="list-style-type: none"> • If you do not have this information, get it before the auditor arrives. Otherwise, the auditor will charge your company the premium charge for this exposure. 	<input type="checkbox"/>
Review payroll documents to highlight overtime pay for the auditor so he/she can discount it back to normal pay (allowed in most states' workers' compensation rules). <ul style="list-style-type: none"> • The auditor does not have the time to perform the premium portion of your overtime pay, so records should be easily readable so he/she can do their job efficiently. 	<input type="checkbox"/>
Review the classification codes assigned to your job contacts. Some individual jobs may be subject to different codes. If the auditor cannot locate this information, he/she will need to review your invoices.	<input type="checkbox"/>

This checklist is merely a guideline. It is neither meant to be exhaustive nor meant to be construed as legal advice. It does not address all potential compliance issues with federal, state or local standards. Consult your licensed commercial property and casualty representative at Independent Brokers Agency, LLC or legal counsel to address possible compliance requirements. © 2008, 2012, 2019 Zywave, Inc. All rights reserved.

WHEN THE AUDITOR ARRIVES	COMPLETED
Give the auditor a well-lit, comfortable place to do his/her work, preferably onsite. If you must conduct the audit offsite, make sure your contact person is available for questions.	<input type="checkbox"/>
Provide payroll records (as mentioned previously), which include payroll tax records (state and federal), your cash disbursement journal/checkbook, job contacts and general ledger.	<input type="checkbox"/>
<p>Once the audit is complete, ask for a copy of the auditor's worksheets.</p> <ul style="list-style-type: none"> • This document is not normally provided but will be upon request. • These documents provide you with information concerning how the audit was conducted, how payroll numbers were derived and what codes were used. 	<input type="checkbox"/>
Designate someone from the company to receive the audit worksheets, as the worksheets contain confidential payroll information.	<input type="checkbox"/>

AFTER THE AUDIT PROCESS	COMPLETED
<p>Review the audit billing statement carefully and compare that document to your original policy.</p> <ul style="list-style-type: none"> • Balance the total audited payroll figures to the documentation provided. Check for any significant changes between the total payroll shown on the policy and the actual figures provided. • Compare the payroll by classification code on the policy to that on the audit. The payroll by classification codes shown on the audit should not contain any significant fluctuations in comparison to the policy. • Compare the experience modification factor on the original policy to the one shown on the audit. Make sure the auditor applied the factor for the audited period. • Review the rates charged for each classification code. There should be no significant changes between the rates on the audit versus the original rates on the policy. • There should be no changes to the Schedule Credit or Debit from the original policy. 	<input type="checkbox"/>
Contact the auditor to discuss any questions that arise or make any necessary revisions.	<input type="checkbox"/>