

Preparing the Audit

Prevent Workers Comp Overcharges



Workers' Compensation costs can be 30-50% of some employers' insurance costs. When your insurance policy first goes into effect, your premium is based on assigned classifications, estimated payrolls (referred to as remuneration) and an experience modification factor. At the policy's expiration, the insurance company conducts a payroll audit and converts estimated payrolls into actual payrolls and assigns those payrolls to a classification.

To simplify the audit process, it was designed so all mistakes or missing information go in favor of the Insurance Company. By preparing a complete and thorough audit package when your policy starts, you guarantee an accurate, mistake-free, time- and money-saving audit.

Remember, the chance you'll win the lottery is about 1 in 121 million—those are the same odds of you having a successful insurance audit if you're not prepared! Be there and be prepared for the Auditor's visit.

Getting Ready for the Auditor:

1. Schedule the audit for after lunch—mid to late afternoon—preferably Friday
2. Treat the Auditor as a welcome guest and provide Auditor with a quiet, well-lit space to work
3. Assign a knowledgeable, friendly staff member to work with Auditor and escort Auditor on a tour of your location if requested
4. Answer the Auditor's specific questions, but don't offer additional information. A written "basic" description of your business or operations is a valuable tool for limiting the scope and number of questions asked.
5. Telling the Auditor you will send additional info as needed is the proper response when you don't know the answer. Do not guess at any answer!!
3. Verify your math is accurate and balance to payroll records and to your prepared summary sheet
4. Review certificates of Insurance from sub-contractors separating labor and hard costs of supplies which should not be included for WC
5. Copy & secure Certificates of Insurance for all sub-contractors being sure their policy dates cover period they worked for you
6. Hand package to auditor with WC on top, your actual payroll report/run next; then your quarterly payroll reports; sub and sub cert information.
7. Ask Auditor to leave you a copy of his/her audit worksheet so you have it on hand to refer to if questions arise. This is an ABSOLUTE— YOU NEED A COPY!
8. Ask Auditor to explain their results/summary before they leave

Preparing Records for Auditor

1. Having a prepared summary showing the total payroll; summarized by class code is the best way to achieve positive audit results.
2. Subtract excluded remuneration: (officers' exemptions, overtime, rewards for invention or discovery, severance, etc.)
1. Get a copy of the Final Audit Billing
2. Verify deposit premiums and applicable credits, discounts, use of correct experience mod
3. If billing matches Summary page, close case; if not, review auditor's worksheet for discrepancies; negotiate to positive closure