

# Your Workers' Compensation Policy Premium Audit

## Tips for Getting Ready for Your Premium Audit

### What documents and information do we need from you to perform your audit?

Here's what we'll need you to provide:

- **A source document** showing payroll information during your policy period. Please see the listing below "Payroll Information" that shows source documents we are looking for.
- **One or more payroll verification documents** used to validate reported payroll to the federal and state governments. Please see the listing below "Payroll Information" showing Verification Documents we are looking for.

The basic information that we need is below. It might be included in the source documents that you provide. Payroll information is for owners, officers and employees.

- **Payroll information which includes:**
  - Employee name
  - Description of work performed (which could differ from the job title)
  - State of employment
  - Gross wages per employee

### Payroll Information

Please provide payroll information for the audit period on all employees, owners, and officers. Be sure to include those who have been terminated.

- **Payroll Documents showing:**
  - Gross Wages
  - Tips
  - Overtime
  - Double time
  - Section 125
  - Other pre-tax deductions by employee for the current audit period

*Please note:* Audit period can be adjusted to the first of the month closest to your policy period, but no more than 15 days.

### Documents available from various payroll providers:

- |  |   |   |
|--|---|---|
| <ul style="list-style-type: none"><li>• <b>ADP</b><ul style="list-style-type: none"><li>- Payroll Summary</li><li>- Workers' Compensation Report</li><li>- Quarterly Wage and Tax Report</li></ul></li></ul> | <ul style="list-style-type: none"><li>• <b>Paychex</b><ul style="list-style-type: none"><li>- Workers' Compensation Report</li><li>- Employee Earnings Records</li></ul></li><li>• <b>PeopleSoft</b><ul style="list-style-type: none"><li>- Payroll Summary</li></ul></li></ul> | <ul style="list-style-type: none"><li>• <b>QuickBooks</b><ul style="list-style-type: none"><li>- Payroll Summary</li><li>- Workers' Compensation Report</li></ul></li></ul> |
|--|---|---|

You may use Check Register if no payroll summary can be provided.



## Verification Documents

- State Unemployment Wage Reports (vary by state)
- For California, the DE9C form is the required form
- If you have employees, please provide quarterly DE9C records

See exhibits for sample forms.

## Additional Reports upon Request

We may request other reports to determine additional exposures:

- Other Expense section on General Ledger
- Subcontractor Detail
- 1099s if the audit period is January 1 to December 31
- Certificates of Insurance showing Workers' Compensation coverage (see below for additional information)

## Tax Report Option 1

If you have employees, provide one of the following:

- Employers Quarterly Federal Tax Return (Form 941) – Preferred
- W-2/W-3 Wage and Tax Statement (this is best for calendar year audits due in December and January)
- State Unemployment Wage Reports (vary by state)

## Using a bookkeeping service?

- Most can provide payroll information that will be satisfactory for your premium audit

## Tax Report Option 2

If you don't make any filings under Tax Option 1, please provide:

- For Sole Proprietor, Profit or Loss (Form 1040) Schedule C Pages 1 and 2
- For Partnerships, U.S. Partnerships Return of Income (Form 1065) Page 1 and 1125-A
- For a Corporation, U.S. Corporation Income Tax Return (Form 1120) Page 1 and Cost of Goods Sold (Form 1125-A)

## Contracted Labor Information

Provide payment information for all contracted and sub-contracted labor used during your audit period.

Provide a report with:

- Contract laborer/subcontractor name
- Description of work performed
- State in which work was performed
- Date work started/ended within the policy term
- Total amount paid
- Cost of materials supplied

Provide Certificates of Insurance (COIs) for subcontractors with Workers' Compensation coverage.

## Additional Information About Your Audit

### What types of wages and benefits are subject to premium?

- Gross payroll is the basis for premium calculations. Net payroll is not used. The date used for gross payroll is the date the check was written, not the pay period. If a reduced salary is used to fund a pension, retirement or deferred compensation plan, it is still subject to premium.
- Report gross wages when filling out the online audit form. Enter total overtime and tips separately. You don't need to deduct tips or overtime because the auditor will handle all the calculations applicable to your state.

### Are contractors subject to premium?

- Independent contractor status is determined on a case-by-case basis. If independent contractors are used, you will be asked to supply some or all of the following information:
  - Business license
  - Certificate of Workers' Compensation insurance
  - Contractor's license number

### What qualifies as clerical (8810) and outside sales (8742) work?

- These codes generate the most payroll reporting problems.
- The use of class code 8810 (clerical) can be subject to specific restrictions. It requires clerical employees to be physically separated from all other working areas and their duties must be restricted to general office work and administrative in nature.
- Class code 8742 is for outside sales employees. It involves solicitation, collection activities and/or meeting clients outside the office, with the employee's remaining time spent working in the office performing clerical duties. If these employees have other duties such as product delivery, they will be classified accordingly.

### Exhibits

- *Verification Document Samples*  
*941 Quarterly Federal Tax Return - Preferred CA Required - DE9C*
- *Form 1099-MISC*