

# COSTWATCH

Third Quarter 2020

The AuditRate Newsletter



## Your Workers' Comp Audit Will Look Different Due To COVID-19 And How To Prepare For It

The global pandemic has created an unbelievably stressful time for businesses and those charged with leading them. As states mandated work-from-home initiatives, both essential and non-essential businesses were forced to make major alterations to both their workplace and job duties. The scenarios varied from office closings, workforces furloughed (either with or without pay) and employees reassigned both in their job location and/or duty. These adjustments to the "normal course of business" could have a drastic impact on your workers' compensation audit.

What does this mean a business has to do differently in regard to their audit? The simple answer is: Prepare! The old saying "the better you prepare, the better the outcome", has never been more true.

### What should I prepare?

The simplest answer is prepare your payroll records as if two audits were being conducted. **Your first set of records should reflect operations prior to any of the changes due to the pandemic.** This is the same information that you have always provided to the auditor to complete the past workers' compensation audits.

**Your second set of payroll records will need to be prepared for the time period in which you instituted changes caused by COVID-19.** These changes need to be brought to the attention of the auditor. Examples include furloughed employees, changes in operations, changes to individual employee duties and employees who are/were telecommuting.

Another factor that complicates these audits is the fact that they

are all being done remotely. Now, the insured is asked to send the auditor all of the information needed to complete the audit. Two problems arise from this. First, it is going to be difficult for an insured to put together all the information required for the auditor to complete the audit correctly while running their business at the same time. Second, face-to-face interaction during an audit encourages discussion about the audit. Without that interaction, questions that often get asked don't. And that results in errors.

To answer questions specific to your business and how you should set up your audit, contact Michelle Marten or John Przybylski, [MMarten@AuditRate.com](mailto:MMarten@AuditRate.com) or [JPrzybylski@AuditRate.com](mailto:JPrzybylski@AuditRate.com). 

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## SOME GOOD DEEDS GO UNNOTICED

The AuditRate Team recently reviewed the workers' compensation insurance program of a commercial printing company. While auditing their classifications, they discovered an entire department of employees was misclassified.

To prepare for the audit, the Client had clearly separated each group of their employees by department in their payroll records, thus setting up the auditor for success. However, the auditor completely missed this and grouped departments together. Most auditor's knowledge of classifications does not extend beyond the five or six words that appear on the policy. In actuality, there are three pages dedicated to describing the types of operations that are actually covered plus any special conditions that should be considered.

In this particular instance, there is a special exception for the group of employees under the Clerical classification, and that exception was not properly handled. By addressing this with the insurance company, the AuditRate Team succeeded in moving the employees from the higher rated Printing code to the proper, lower rated Clerical code for the current year plus the previous three years. AuditRate obtained a refund from the carrier totaling around \$16,000, and the Client learned how to prevent this mistake from happening in the future. 

## DID YOU KNOW?

The AuditRate process is simpler than you think to get started. Provide the AuditRate Team with authorization to review your past payments, policies and policy calculations. They analyze your rates, classifications, audits, premium adjustments, experience rating factors, and other factors which influence the premiums you pay. To find your savings, simply gather the following information:

- ✓ At least three years of workers' comp and general liability policies
- ✓ Copies of the workers' compensation and general liability final audit reports including the auditor's worksheets
- ✓ Payroll and/or sales source documents including 941, 940, 1099, profit/loss statement, general ledger report, etc which was provided to the auditor at the time of the audit

Interested in setting up a complimentary audit? Contact John Przybylski at 312-335-2152 or [JPrzybylski@AlperServices.com](mailto:JPrzybylski@AlperServices.com).