

How do I prepare for an audit?

By Debra Tomaselli CPCU ARM, Insurance by Ken Brown, Inc.

Dear Mark: Per our conversation, I am scheduled to be in your area on March 1 at approximately 2:00 pm. Please allow a 30 minute window as I will be making multiple stops on that date—signed the Auditor.

Do you ever wonder how you can make the auditing process simpler? What paperwork do you need to have on hand when the auditor arrives?

“Be prepared.” That is the mantra of one local auditor. Since General Liability and Workers’ Compensation policies are audited annually, your organization will benefit from presenting the proper data when the auditor arrives. Having the appropriate reports ready and waiting streamlines the process for everyone involved.

So what information is required? What paperwork should you, as a business owner, have available for the auditor’s appointment?

First and foremost, payroll records are needed, indicating individual earnings by job classification and state. These records should include a breakout of officer’s payroll and overtime costs. This information can benefit you since corporate officers are subject to minimum and maximum payrolls and overtime costs are discounted. Without these details, all figures would be considered payroll and you may miss out on a discount.

Secondly, the auditor needs to see your quarterly tax reports (941) and state unemployment reports (UCT-6). These validate the figures and are a necessary part of the process.

You will also want to provide records of subcontractor costs. In addition to providing the figures paid to subcontractors, you will need certificates of insurance from each of them. These certificates should reflect that the subcontractor was insured during the dates they were working for you and they should indicate proper limits of insurance, which in most cases would be limits of liability equal to yours. Otherwise, their costs may be included as payroll.

Additionally, amounts paid to sub-agencies, like day laborers or contract laborers, are needed. Casual laborers are considered direct employees and classified under the governing class of business on Workers’ Compensation and General Liability policies.

When the auditor arrived, Mark shook hands and they chatted a minute before Mark handed over a concise packet of information, including payroll reports, quarterly tax records, unemployment reports, certificates of insurance and overtime statements. He remained available to answer questions as the auditor sat at a desk and recorded the necessary information. The process was simple and effective. Before long, the auditor was waving goodbye and on her way.

Auditors want you to know they are there to help. Communication is key. Don’t be afraid to call to discuss any questions or concerns.