

Audits Made Easy

What is an Audit?

A payroll audit is a review of an insured's payroll records and operations by an independent auditor.

Why is an Audit Necessary?

Workers Compensation insurance premiums are based on estimated payroll amounts provided at the beginning of each policy period by the insured. An audit is done to determine the actual payroll for the insured in order to ensure an accurate premium. If the actual payroll is *lower* than the estimated payroll, the insured receives a premium credit. If the actual payroll is *higher* than the estimated payroll, the insured will be required to pay additional premium.

When and Where Will the Audit Take Place?

A payroll audit is done shortly after the end of the policy term or at cancellation. This is typically done at the insured's facility or over the telephone.

How is an Audit Completed?

An independent auditor will directly contact the insured by phone or written notification prior to the date of the audit appointment. The audit appointment is pre-selected by the auditor. **If the appointment needs to be rescheduled by the insured, the auditor must be contacted.** The auditor is open to scheduling appointments prior to or after normal business hours in order to accommodate the insured's schedule if necessary.

***NOTE:** If an outside accountant or bookkeeper maintains the payroll information, contact your bookkeeper and the auditor immediately. The auditor will need to contact that individual in order to do the audit. In addition, alternative phone numbers, such as a mobile phone number or a fax number, are extremely helpful to the auditor in completing the audit.

What Information is Needed?

Specific information relating to payroll paid during the policy term by the insured should be provided at audit.

Please see the Payroll Audit Checklist located on the back of this brochure for a complete list of records needed during an audit.

What Happens After an Audit?

iSurety will issue a Payroll Audit Processed statement to the insured and agent. This statement calculates the premium difference, if any, by comparing the estimated payroll to the actual payroll. The insured will also receive a copy of the audit worksheets detailing payroll information.

What If I Don't Agree With the Audit Results?

If there are any questions about a completed audit, please contact either your insurance agent, or an iSurety representative in the Underwriting Department at (336) 869-3000 or Underwriting@iSurety.com immediately.

iSurety's goal is to complete timely and accurate audits in order to assess and collect premium that represents the proper risk exposure – no more and no less. We are committed to providing the highest level of service to our customers while conforming to uniform industry standards.



Payroll Audit Checklist

To assist you in gathering the necessary records for your payroll audit, review this checklist. Please make available all records applicable to the policy period. The following records may apply:

- North Carolina unemployment returns, such as Employer's Quarterly Tax and Wage Report
- Federal Form 941
- Federal Form W-2
- Federal Form W-3 Summary
- Federal Form 1099
- Federal Form 1096 Summary
- Federal Tax return
- Individual payroll records, and break-out of overtime, if any
- List of clerical employees and corporate officers
- General ledger, check register, and/or cash disbursements
- Verifiable payroll breakdown for each classification
- Certificates of Insurance for any subcontractors used verifying Workers Compensation coverage applicable to the insured's policy period
- Job cost records/contracts/work invoices showing type of work performed

The following are examples of payroll items:

- Employee wages
- Pay for holidays, vacations, sick time, bonuses and commissions
- Overtime (straight time rate)
- Payments made to uninsured subcontractors
- Miscellaneous/day labor
- Tax-deferred payments such as cafeteria or 401K plans

If you have any questions concerning your audit, please contact an iSurity underwriter at 336-869-3000 or Underwriting@iSurity.com. We will be happy to assist you.

