

## Premium Audits

Premium audits or reviews of employers' records allow private and public, state-funded employers to make sure they're paying their fair share of premiums. Audits help ensure Ohio provides employers with a fair business climate for workers' compensation.

### How audits can help your bottom line

BWC performs thousands of employer premium audits each year.

Audits help us verify we have employers classified correctly according to their industry type and operations. An audit also can help you become aware of allowed exemptions, such as corporate officer and construction-reporting limitations.

### Scheduling an audit

We may audit any employer. Once we select an employer to audit, we send the employer a letter explaining we will conduct a premium audit, what to expect and what records to have available. The letter will instruct you to fill out contact information, and to mail or fax it back to us. A representative will then contact you to schedule the audit.

Also, if you have over reported your payroll or believe it is misclassified according to operations, you may request an audit. Make audit requests through your local BWC customer service offices' employer services staff or by writing to BWC Underwriting & Premium Audit Department, 30 W. Spring St., 22nd floor, Columbus, OH 43215-2256, or call **1-800-644-6292** or visit [www.bwc.ohio.gov](http://www.bwc.ohio.gov).

### Preparing for an audit

It depends upon the complexity of your account, but in most cases, two hours is sufficient for an audit. You should prepare for an audit by developing a breakdown of which employees are reported to each classification. If you have an accountant, you may want to include him or her in the process.

Have available payroll records; state and federal tax forms and schedules; the Ohio Department of Job and Family Services quarterly tax filings; and federal unemployment forms 941 and 940. BWC also may ask you to provide other records, including corporate minutes, and business contracts and invoices.

### Auditing process made easy

To perform a premium audit, our premium auditors will meet you at your place of operation. Auditors can also meet you at your accountant's office or at a BWC customer service office.

You and a representative from BWC decide upon a mutually convenient meeting time and location.

The premium audit process consists of a review of your financial records to confirm all wages are correctly reported to the proper classifications. To accomplish this, the auditor will verify the duties of your employees. He or she may also take a tour of your facility to ensure we assigned proper classifications. If the audit is conducted at your accountant's office, it is very important that someone from your business is available to answer questions the auditor may have about your operations or about specific employees' duties.

The auditor will compare what you reported to other reporting agencies, such as state and federal unemployment to what you reported to us. Finally, the auditor will review the claims assigned to your policy.

You need to inform us of any operational change(s). Failure to notify us of operational changes can result in either an overpayment or underpayment of premium. The auditor also checks to see that anyone paid as an independent contractor is actually an independent business and not an employee. Issuing a federal form 1099 does not mean that the recipient is an independent contractor for workers' compensation reporting purposes.

If the audit indicates findings, you will receive instructions for proper reporting procedures. We will also provide a letter of instruction for future reporting.

The auditor shares findings with you at the end of the audit, and you sign that you understand those findings. Signing the instructions doesn't mean you agree or disagree with the results. Audit findings aren't finalized at the time of the because audits go through a quality review process to ensure consistency. Therefore, the auditor is unable to provide you with a specific amount owed or amount to be refunded. Your monthly statement/ invoice will indicate that the audit has been processed and the financial results of the audit.

### Estimated annual premium changes

BWC modifies an employer's estimated annual premium (EAP) based on an audit. An employer's EAP increases or decreases due to manual changes in an audit or from significant changes in payroll found in an audit.

If you have questions about premium audits, log on to [www.bwc.ohio.gov](http://www.bwc.ohio.gov), or call **1-800-644-6292**.