

Audit Preparation Checklist

To save time, utilize this checklist to prepare for your annual audit.

Missouri Employers Mutual and Previsor Insurance follow the rules and regulations for determining workers compensation premiums established by the National Council on Compensation Insurance (NCCI) and approved by state insurance regulators.

To ensure we obtain the correct records before an audit, your auditor will contact you regarding a specific list of documents needed for your audit. To help you prepare, the following is a list of documents that may be requested.



PAYROLL RECORDS

For policies with employee payroll who file 941s

- Payroll summary, journal or book that includes:
 - Employee name
 - State where work is performed
 - Gross wages per individual
 - Can include any pre-tax deductions; salary, hourly, commission, bonus, piecework, overtime pay, vacation, holiday, sick, incentive pay, housing, and car allowance, whether payable in money or otherwise.
 - Section 125 cafeteria plan
- Employer's quarterly reports | IRS [Form 941](#) and state unemployment reports
 - Quarters should match or overlap the policy period
 - If Form 941 is not available and the policy period runs for a calendar year, one of the following may be used:
 - Tax returns for unemployment | IRS [Form 940](#)
 - Tax returns for agricultural employees | IRS [Form 943](#)
 - Wage and tax statements | IRS [Form W-2](#)
 - IRS [Form W-3](#)

For policies without employee payroll who do not file 941s

- Schedule C | IRS [Form 1040](#) (Sole Proprietorship)
- Or other tax forms based on business type:
 - Partnership | IRS [Form 1065](#)
 - Corporation | IRS [Form 1120](#)



SUBCONTRACTORS AND OTHER LABOR

For any non-employees (1099 or non-W-2 workers)

- IRS [Form 1099](#)
- IRS [Form 1096](#) can be used for calendar year policies
- Vendor summary report
- Contract labor or subcontractor name
- Description of work performed
- State in which work was performed
- Dates when work was performed
- Total amount paid for labor and materials
- Any cash payments for labor
- Workers compensation Certificate of Insurance (COI) for subcontractors
 - The COI should cover the period when work was performed. You may need multiple years of certificates.
- Certified payroll for OCIP (owner controlled insurance programs) and CCIP (contractor controlled insurance programs) policies



POSSIBLE DEDUCTIONS

Premiums may be reduced by deducting certain items from your overall payroll. Please list the following items separately:

- Overtime
- Auto allowance
- Expense reimbursement – if incurred by an employee for the business of the employer
- Payments for active military duty
- Severance or dismissal pay – except for accrued vacation pay
- Third-party sick pay
- Tips
- Uniform allowance



RECORD KEEPING TIPS

- Classifications are assigned to the business, not by department or individual employee duties.
- Department totals are allowed – clerical and salesperson(s) should be shown individually with duties identified.
- Separate payroll by state
- Construction operations
 - NCCI allows construction contractors' payroll to be split between specific codes to benefit from the applicable rates for each code.
 - If there is an interchange of labor, payroll must be shown separately by hours and dollar amount for the various construction trades (i.e., plumbing, electrical, excavation, etc.).
 - Percentage wages are not allowed per NCCI.
 - The following classification codes cannot be split:
 - Clerical | Code 8810
 - Executive Supervisor | Code 5606
 - Outside Salesperson | Code 8742



Questions? Contact your auditor or Premium Consultation at premiumconsult@mem-ins.com.