



Pennsylvania Compensation Rating Bureau

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PENNSYLVANIA TEST AUDIT PROGRAM BULLETIN #24

TEST AUDIT APPEALS

As per Bureau Circular #1285, the results of an insurance carrier appeal are presented to the membership for their information.

"B" DYNAMICS INC

The insured was a manufacturing concern with the governing classification of Code 461, Machine Shop. In conducting the audits, the carrier auditor had dealt with the insured's former controller who allegedly gave the auditor deliberate misinformation concerning the duties of the plant manager. As a result, the plant manager's payroll was incorrectly assigned to Code 953, Clerical Office, on the carrier audit. The Bureau audits received information from the insured's new controller resulting in the plant manager's payroll being assigned to Code 461. Upon reauditing the insured, the carrier developed information identical to that of the Bureau's test audit. The new controller told the auditor that the previous controller "was less than truthful" in describing several aspects of the disputed employee's duties.

The carrier appealed the Bureau audit difference questioning the fairness of criticizing the carrier audit when the carrier felt it was being deliberately deceived by the insured.

In discussion, the Committee noted that an insured will respond to only the questions asked by the auditor. It is the auditor's responsibility to pursue a line of questioning to gather sufficient information to justify an allocation of payroll. The line of questioning should produce the precise job responsibilities of each employee, including all supervisory personnel.

In Executive Session, the Audit Committee voted to sustain the Bureau audit. The following points were made by Committee members:

1. There was a lack of documentation on the carrier's original audit. The carrier audit listed the individual employees to arrive at the total standard exception payroll but did not list job titles or duties of those various individuals.
2. The carrier audit listed two foremen but did not address the existence of a plant manager.
3. All parties agreed that the Bureau audit was technically correct. Therefore, a primary purpose of the Test Audit Program, the accuracy of premium audits, was being addressed.

RS/jh

8/2/93