



**Pennsylvania Compensation Rating Bureau**

The Widener Building • 6th Floor

One South Penn Square • Philadelphia, PA 19107-3577 • (215) 568-2371 • FAX (215) 564-4328

**PENNSYLVANIA TEST AUDIT PROGRAM  
BULLETIN #25**

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**TEST AUDIT APPEALS**

As per Bureau Circular No. 1285, the results of an insurance carrier appeal are presented to the membership for their information.

**"C" ULTRA SOUND**

The insured was a professional medical corporation engaged in the practice of cardiology. The carrier issued a voluntary statement to the insured. The completed voluntary statement listed five executive officers, each of whom had remuneration that exceeded the maximum executive payroll limitation. The Bureau's physical audit noted that one of the individuals in question did not become an executive officer until approximately sixty days prior to the policy's expiration. Therefore, the executive maximum was only applied by the Bureau for a limited number of weeks resulting in a test audit difference.

The carrier appealed the Bureau audit difference questioning the Bureau's procedure of performing physical audits on voluntary reports that the carrier accepts from the insured for premium determination purposes. The carrier representative noted that a carrier cannot complete physical audits for all of its insured accounts. The carrier stated that in their company, the individual auditor who processed the voluntary report was held accountable for information supplied on the report by the insured, including any resultant test audit difference. The carrier suggested that the Bureau should reply on voluntary forms whenever the carrier issues a voluntary statement.

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

1. The original purpose of the test audit program was to verify the accuracy of payrolls reported to the Bureau on unit statistical reports, regardless of whether the information comes from an estimated statement, a physical audit or a voluntary report.

2. Pennsylvania does not have a mandatory premium threshold that requires a carrier audit to complete a physical audit above that threshold. The test audit program has a threshold of \$2,500 for completing physical audits.
3. The Bureau issues the test audit assignment to the auditor at the same time the request for audit worksheets and invoices are sent to the carrier. Therefore, when completing test audits, the Bureau staff would not know the method the carrier used to complete their audit.