



The Premium Audit Process

Montana 
State Fund
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What should I prepare for the Audit?

Below is a list of the documents commonly required during the premium audit process. These records should reflect the appropriate policy period being audited. **Additional information may be required** depending on your type of business and audit. *Tip: By reviewing and preparing the listed documents before the audit, you will expedite the audit process. If you need to send the information to your auditor, please contact them for instructions on how to send it securely.*

Original payroll source:

- Payroll summaries by reporting period
- Payroll Journal
- Individual Earnings Records such as time cards or time logs

Federal and State quarterly wage and tax withholding reports:

- Federal Form 941 or 943
 - State unemployment
- Tip: Start with the most recently filed quarterly report that is closest to or includes your policy expiration date, and the three prior quarterly reports.*

Business owner, officer, partner, or LLC manager ownership percentage and earnings documentation

Documentation that represents the allocation of your expenses by account name:

- Cash Disbursement Journal
- General ledger
- Check register
- Most recent 1099's
- Most recent tax returns, if requested

Certificates of workers' compensation coverage or proof of ICEC status on all hired contractors paid during the policy period.

Workers' compensation payroll recap and or Montana State Fund Payroll Reports with supporting documentation.

Why a Premium Audit?

The purpose of an audit is to ensure you pay fair and accurate premium for your business operations during the policy period. When you purchased your policy, premium was estimated based upon the type of work and the anticipated payroll you expected to have. A premium audit is conducted at the end of the policy period to obtain the actual business operations and records to determine your final premium. The result - whether a return in premium, additional premium due, or no change to your premium - is your assurance that you paid the correct amount.



Types of Audit

There are two types of audits. An on-site audit, also known as a physical or field audit, involves a visit to your business location by our representative to review your operations and records. A phone audit involves a review of operations and records over the phone. In both cases, you will be notified in advance to arrange the audit appointment. During the process it is essential to have someone familiar with your overall operations present to answer the auditor's questions and/or complete any necessary forms. You may have the audit performed with your accountant or other third party, however they must be familiar with your operations, staff duties and be able to accurately answer the auditor's questions.

Why is so much documentation required?

A comprehensive review of your business records ensures a quality audit. The requested documentation supplies the information necessary to verify compliance with your Montana State Fund policy contract, and assures your business paid the correct amount of premium. Premium data and claim costs are also used to meet statistical data reporting requirements for future industry rate calculations.

Are you hiring independent contractors?

If you enter into an agreement with others to perform duties for you, you are required to maintain and provide the auditor access to the following records for each of them:

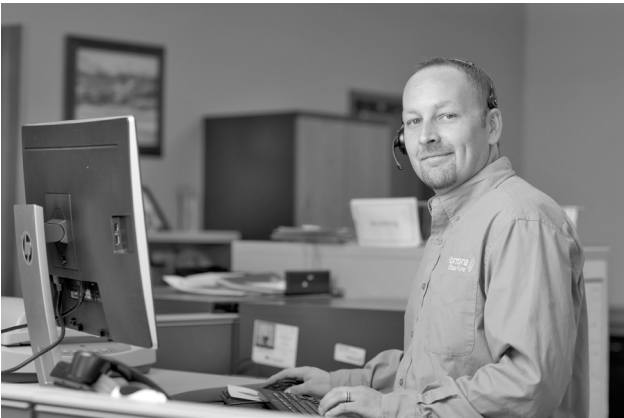
- A certificate of workers' compensation coverage *or*
- An Independent Contractor Exemption Certificate (ICEC) issued by the Montana Department of Labor and Industry.

If you do not have documentation confirming others you paid to perform duties lawfully secured their workers' compensation obligations, any payments made to these workers may be treated as wages when calculating your policy premium.

To obtain additional information regarding Independent Contractors and your responsibilities as the hiring agent, go to: [***erd.dli.mt.gov/work-comp-regulations/montana-contractor***](http://erd.dli.mt.gov/work-comp-regulations/montana-contractor) or contact the Montana Department of Labor and Industry (DLI) at 406-444-9029. The web site contains search options to assist you with confirming current workers' compensation insurance coverage and/or ICEC status.

Questions?

If you have questions regarding an upcoming audit, please contact the Premium Auditor. Their contact information is provided in the audit notification letter. You may also contact a Customer Service Specialist at Montana State Fund 800-332-6102. Additional premium audit information is available on our web site at *montanastatefund.com*.



Auditor Contact Information

For your records, make note of the following information after you have been contacted by your auditor:

Auditor Name: _____

Phone Number: _____

Email: _____

Date & Time of Audit: _____

