



Audit Preparation Checklist

Use this checklist to prepare for your annual Insurance Audit.

DOCUMENTS & INFORMATION NEEDED:

It will be easier to complete your audit paperwork if you have these documents on-hand or have gathered them throughout the year, as you come across them. Additional details for each item can be found under the “**DESCRIPTIONS**” section on the next page.

Tip: Make an extra copy (or two) of your audit paperwork before you begin, so the final copy you turn in will be legible & clear to your auditor.

- YOUR COMPANY INFORMATION
 - LEGAL ENTITY status of your business
 - Federal ID # / TIN
 - State Unemployment ID #
 - Contact Info
- OWNERS, OFFICERS, & PARTNERS of the business
 - GROSS WAGES of each
 - WORK PERFORMED by each
 - PERCENT OWNERSHIP of each
- EMPLOYEES of the business
 - GROSS WAGES of each
 - OVERTIME WAGES & HOURS for each
 - WORK PERFORMED by each
- PAYROLL REPORTS
 - Federal IRS 941 Quarterly
 - State Unemployment Quarterly
- GROSS RECEIPTS
- STATES in which your business performed work
- OPERATIONS of the business
- SUBCONTRACTORS used
 - Copies of CERTS, if applicable
 - PAYMENTS made to them; separate out materials & labor if possible
 - Copies of INVOICES paid
- KNOWLEDGE OF YOUR TRADE & BUSINESS
 - Description of Business Operations
 - Answers to questions specific to your trade
 - If sales or payroll changed 20% over last year, explanation why

Tip: Check out our “**Best Practices for Paperwork**” to help you set up a system for all the paperwork you receive throughout the year.



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DESCRIPTIONS:

1. **LEGAL ENTITY** status of your business. Ex: Corp, Partnership, LLC, Individual, etc.
 - a. Did this change during the audit period (Ex: from a sole proprietorship to an LLC)?
2. The **OWNERS, OFFICERS & PARTNERS** of the business
 - a. List all effective during audit period; if there was a change, document when
 - b. List of each person's work performed during the audit period. A brief description is sufficient.
 - c. Total gross wages for each person during the audit period.
 - d. Percent of ownership for each person during the audit period.
3. List of all **EMPLOYEES**, excluding those listed above.
 - a. Employee name, general description of work performed during audit period, total gross wages earned during audit period.
 - b. Calculating wages:
 - i. Separate out overtime hours and wages
 - ii. Know the number of weeks worked (during the audit period)
 1. Is the employee FT or PT (The IRS defines Full Time as employed on average at least 30 hours per week or 130 hours per month?) Note: It is possible to be Full Time but still seasonal
 - iii. List of employees who worked less than 20 hours per week on average
 - iv. List of employees who worked less than 26 weeks total
 - v. List of employees who earned less than \$12,000 in wages
4. **PAYROLL REPORTS:**
 - a. Federal IRS 941 Quarterly Reports (for quarters ending during audit period)
 - b. State Unemployment Quarterly Reports (for quarters ending during audit period)
5. **GROSS RECEIPTS** (revenues / sales) before deductions, during the audit period
 - a. Note: Your audit period likely spans two calendar years. You will need to know gross receipts for the portions of these two years. See Exhibit A for calculation examples.
6. List of all **STATES** in which your business performed work
7. Description of business **OPERATIONS**; as well as answers to questions specific to your trade.
8. List of all **SUBCONTRACTORS** used during audit period
 - a. Remember, some could be in current year, so this will not likely match what you used for 1099 reporting the prior year
 - b. Do these contractors have employees?
 - c. What did you pay them?
 - d. Did they provide materials? If so, what was the cost of materials (only?)
 - e. Type of work performed
 - f. Copies of their Certificates of Insurance. Note: You may need two different "certs" for them, depending on when your audit period is.
9. **COMPANY INFORMATION** for your business
 - a. Federal ID # (TIN, tax ID number) – do not use SSN
 - b. State Unemployment ID #
 - c. Business Phone, Business Fax (if any), Business Website (if any), Business email address
 - d. Name of person completing form, Phone # of person completing form
 - e. Availability to call for follow-up questions
10. If there was an increase/decrease/change of 20% (payroll or sales) or more during the policy period, please provide a comment as to why.