DISCUSSION DOCUMENT FOR AUDIT COMMITTEE

Completed Closed Audits
Dante Robinson, Chief of Internal Affairs

Payroll Reporting Integrity PAO 642

Objective/Scope

Look into using State Fund policy information to create policy profile data analytics that can highlight abnormalities worthy of further premium investigations.

Methodology

Internal Audit developed an audit methodology using data analytics to identify policies that may have been under reporting payroll. 48,000 active, non-audited policies were reviewed. All policies were tested against three conditions: 1. Policy reported a claim, but had no reported payroll; 2. Policies from construction and transportation industries had minimal paid premium, but had a large number of "certificate of insurance" issued; and 3. Policies where payroll reported under clerical and sales classifications exceeded that of the policy's governing class.

Finding:

The analysis of policy data identified 66 policies for possible audit. Internal Audit shared the results and methodology with Field Services, suggesting how the analysis created could be beneficial to Premium Audit Services in identifying policies that may have underreported their payroll. Internal Audit offered support to the business unit to assess and integrate this analysis process with their current methodology.