

NYSIF *Audit Glossary*

Audit (NYSIF premium)

A review of the accounting books, electronic accounts and tax records of a policyholder to determine the accuracy of the premium. The audit includes a review of business operations to ensure the correct payroll classifications.

Audit Period

This time frame generally refers to the policyholder's 12-month policy period, but could change, depending on audit plan or other factors, such as cancellation.

Classification Code

A four-digit number assigned to an insured that identifies all or a portion of an insured's operations for rating purposes. For example, code 9072 refers to the type of work: Restaurant Fast Food & Drivers.

Casual Labor

An individual other than a verified business, who provides direct labor to a policyholder's operation, and receives payments that are not reflected in the policyholder's payroll records.

Contracting

- **Owner:** The actual owner of the property being constructed.
 - **Owner Builder:** The owner who conducts the construction operation. The owner may hire direct employees and/or outsource work to contractors.
 - **Contractor:** A party to a contract who agrees to construct for a stipulated fee.
 - **General Contractor:** A contractor hired to construct the whole or principal portion of a structure.
 - **Subcontractor:** One who takes a portion of a contract from the general contractor.
 - **Construction Manager:** A party to a contract who agrees to monitor the progress of a construction project, including hiring subcontractors and ensuring adherence to construction schedules and building plans. This party usually does not pay the subcontractors or any other party responsible for the project.
- Note:** Most contractors hire regular employees to perform this function rather than use outside parties.

Deposit Premium Review (DPR)

Mostly applicable to new policies, this preliminary review of a policyholder's records and operations determines whether the payrolls and classification codes on the policy are reasonably accurate. This review will not be as detailed as the audit conducted at the end of the policy period and will help the policyholder to prepare for the annual audit.

Employee

One who, for a wage or salary, performs services for another under a contract of hire, acting under the direction and control of the person by whom she/he is hired. In certain situations, a volunteer may be covered as an employee. Please contact your underwriter for more details.

Executive Officer(s)

A president, vice president, secretary, treasurer, or other officer appointed in accordance with an organization's charter or bylaws.

Federal 941

Also known as the Employer's Quarterly Federal Tax Return, this form is used by employers to report wages, tips, and other compensation as well as federal withholdings from most types of employees.

Governing Classification

A classification that describes the operations of the employer and usually produces the greatest amount of payroll.

Gross Sales/Revenue

The total sales of all products and services reported by a business during a period, excluding any returns, discounts, or rebates.

Gross Wages

The total amount an employee is paid before any deductions. These deductions include taxes and other payroll withholdings.

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Independent Contractor

One who undertakes a specific job and retains control of the means, method and manner of performance.

Labor Sales Ratio

A business' expenditure on labor as a proportion of its gross sales.

New York Compensation Insurance Rating Board (NYCIRB)

An association of workers' compensation insurers licensed by the Superintendent of **Department of Financial Services (DFS)** as the rate service organization (RSO) for workers' compensation in New York. Among other functions, it administers experience rating and classifications of employers for determining premium.

New York Construction Classification Premium Adjustment Program (NYCCPAP)

NYCCPAP was established to address premium differences between high wage and low wage paying employers having similar construction operations. Premium credits based upon the hourly wage rate paid by the employer and the distribution of classifications shown on the employer's policy are developed by **NYCIRB** and applied to the insured's premium.

NYS-45

New York State law requires liable employers to report their payroll and pay unemployment insurance contributions to the Department of Labor each calendar quarter. They are required to do this on the Quarterly Combined Withholding, Wage Reporting and Unemployment Insurance Return (Form NYS-45), which must be filed online. This applies even if the wages are not subject to contributions or withholding under the Personal Income Tax Law.

Payroll Limitation Law: Construction

This law was enacted to apply a maximum payroll limitation for eligible construction classification codes for workers' compensation insurance premium determination. It does not apply to the construction of one or two-family residential housing.

Premium Audit Scheduling System (PASS)

NYSIF's 24/7 online **Premium Audit Scheduling System** allows NYSIF policyholders due for a premium audit to schedule or reschedule an audit appointment for a convenient date, time, and audit location.

Remuneration/Payroll

Money paid to and/or substitutes for money provided to labor by an employer for services rendered.

Risk

The entity, property or other exposure to be insured. This term is also used to signify uncertainty about financial loss.

Short Rate Cancellation

Termination of a NYSIF WC policy before its normal expiration date, which, in turn, causes a refund of premium less than that which would ordinarily be due to the insured for the proportion of time that coverage was in force.

SIF Manual Premium

Premium determined by multiplying the payroll for each applicable class code by the rate associated with the code.

Site Inspection

An in-person review of a policyholder's operations at its business location(s) to determine and/or verify the classification code(s) and payroll exposure applicable to the business.

Sole Proprietorship

Individual ownership of a business or other institution.

Wages

The rate at which employers compensate workers for services provided. Wages include the reasonable value of board, rent, housing, lodging or similar advantage received.