



Pennsylvania Compensation Rating Bureau

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PENNSYLVANIA TEST AUDIT PROGRAM **BULLETIN # 57**

TEST AUDIT APPEAL DECISION

Per Bureau Circular No. 1395, the result of an insurance carrier appeal to the Audit Committee is presented to the membership for their information.

“P” Finishing Inc.

The carrier was appealing a test audit difference related to “P” Finishing’s October 1, 1997 policy. “P” Finishing, Inc. is engaged in three different operations. They are a distributor of metal finishing equipment and materials, a job shop for metal finishing and a blender of chemicals.

In March 1999 the Bureau performed a test audit of “P” Finishing’s 1997 policy and developed information leading to the assignment of an employee to Code 445, Hardware Mfg. because he reportedly engaged in chemical testing functions. The carrier had assigned the payroll of the employee to Code 953, Clerical Office. Since the employee earned a large salary, a reportable difference arose between the test audit and the carrier audit and a test audit criticism was sent to the carrier. The carrier subsequently appealed the difference. The carrier’s appeal centered around the different job descriptions of the disputed employee that were given to the carrier and the Bureau. Furthermore, the carrier stated that, since the Bureau audit was performed approximately five months after the policy’s expiration and the carrier audit was completed only 49 days after expiration, the carrier received a more timely, and presumably more accurate, description of the employee’s job duties than the Bureau.

The carrier conceded that the employee in question performed chemical tests but asserted that he did not perform these job duties on a regular basis. The description given to the carrier auditor by the informant was that the employee would only perform chemical testing “once in a while,” “as may be necessary” and “if the normal person is unavailable.” The carrier reported that the informant stated that the employee would only spend five percent of his time looking at chemical blends. The carrier believed that only five percent of the employee’s time spent in that work would not constitute a regular job duty and, therefore, he was properly assigned to the clerical classification.

The carrier disputed the Bureau's contention that the employee worked in the chemical lab area, as noted in the Bureau's diagram of the "P" Finishing's business premises. The carrier stated the employee actually worked in an office within the area marked in the diagram as "office" and that the existence of a sink, counter and test tubes in the employee's work area did not invalidate the definition of a physically separate clerical office as defined in the Manual.

Bureau staff replied that the Bureau was able to obtain a more detailed job description which justified the assignment of Code 445 for the employee in question. Further, the carrier used the employee's job title (Technical Director) as part of their job description. Finally, Bureau staff stated the employee's work area did not meet the restrictive definition of a clerical office but more closely resembled a quality control work area.

In executive session the Committee reviewed the facts presented in this appeal. The Committee noted the following:

- The employee in question was "P" Finishing's chemical blend expert and was engaged in the laboratory testing and quality control operation of the risk.
- A majority of the chemical formula analytical work was done on a computer, which is considered to be a standard practice for the type of work the employee was engaged in performing.
- The employee had a small research laboratory consisting of a sink, counter and test tubes in his office and the employee was engaged in the ordering of chemical formulas and the handling of chemicals at this work area.
- One employee was involved in the chemical blending process.
- The Committee determined the Bureau audit provided more detail about the employee's job description than the carrier audit, and the Committee believed the testing of chemical formulas was a regular part of the employee's job duties.
- The high salary earned by the employee was not uncommon for an individual who worked in that position and it was a common business practice for such an employee to be "hands-on" in the business operations even at that level.

In conclusion, after careful consideration the Audit Committee voted to sustain the Bureau's test audit and the assignment of the employee's payroll to Code 445, since the employee had regular job duties that fell beyond the restrictive definition of Code 953.