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State of California

# DWCNewsline

Division of Workers' Compensation  
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## Notice of rulemaking and public hearing for update to audit regulations

The Division of Workers' Compensation (DWC) has proposed regulations to update its audit procedures and administrative penalty schedule. The proposed regulations seek to produce more efficient audits of workers' compensation claims administrators and establish new procedures and penalty provisions for recent statutory and regulatory obligations. The proposal is posted on the DWC Web site at [http://www.dir.ca.gov/dwc/DWCPropRegs/Audit\\_Regulations/Audit\\_regulations.htm](http://www.dir.ca.gov/dwc/DWCPropRegs/Audit_Regulations/Audit_regulations.htm) and has been forwarded to the Office of Administrative Law for publication in the California Notice Registry. A public hearing on the regulations has been scheduled for:

**Date: Dec. 15, 2008**

**Time: 10 a.m. to 5 p.m., or until conclusion of business**

**Place: Elihu Harris State Office Building – auditorium**

**1515 Clay Street**

**Oakland, CA 94612**

Members of the public may comment on the proposed regulations until 5 p.m. on Dec. 15, 2008.

DWC's Audit Unit conducts periodic and target audits of insurers, self-insured employers, and third-party administrators to determine if they have met their obligations under California's workers' compensation laws. Administrative and civil penalties are assessed for statutory and regulatory violations that are discovered during the course of an audit. The proposed regulations seek to ensure that DWC's audit procedures, which have not been updated since 2003, stay current with new statutory obligations resulting from workers' compensation reform legislation, most notably Senate Bill 227 and Senate Bill 899. Amendments include incorporating the supplemental job displacement benefit into audit procedures, updating target audit criteria and clarifying the definition of commonly used auditing terms. The proposed regulations further seek to assess administrative penalties for the failure to authorize medical treatment following the filing of a claim, and for the failure to pay or object to a medical bill if the treatment was authorized through a utilization review program.

The proposed audit regulations are authorized by Labor Code sections 129 and 129.5. The proposed changes are found in the California Code of Regulations, title 8, sections 10100.2 through 10115.2. These regulations were previously posted to the DWC's online forum for public comment in October 2007.

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