

**State of California**  
**DEPARTMENT OF INDUSTRIAL RELATIONS**  
**Division of Workers' Compensation**

**NOTICE OF MODIFICATION TO TEXT OF  
PROPOSED REGULATIONS**  
**(Subject Matter: Workers' Compensation – Audit Regulations  
Title 8, California Code of Regulations Section 10111.2)**

**NOTICE IS HEREBY GIVEN** that pursuant to Labor Code Sections 59, 129, 129.5, 133, and 5307.3 and Government Code Section 11346.8(c), the Administrative Director of the Division of Workers' Compensation proposes to modify the text of the following proposed amendments to Title 8, California Code of Regulations:

Section 10111.2      Full Compliance Audit Penalty Schedule; Target Audit Penalty Schedule

**PRESENTATION OF WRITTEN COMMENTS AND DEADLINE FOR SUBMISSION  
OF WRITTEN COMMENTS**

Members of the public are invited to present written comments regarding these proposed modifications. **Only comments directly concerning the proposed modifications to the text of the regulations will be considered and responded to in the Final Statement of Reasons.**

Written comments should be addressed to:

Marcela Reyes, Regulations Coordinator  
Department of Industrial Relations  
Division of Workers' Compensation  
Post Office Box 420603  
San Francisco, CA 94142

The Division's contact person must receive all written comments concerning the proposed modifications to the regulations no later than 5:00 p.m. on **Wednesday, August 20, 2003**. Written comments may be submitted by facsimile transmission (FAX), addressed to the contact person at (415) 703-4720. Written comments may also be sent electronically (via e-mail), using the following e-mail address: [dwcrules@hq.dir.ca.gov](mailto:dwcrules@hq.dir.ca.gov).

**AVAILABILITY OF TEXT OF REGULATIONS AND RULEMAKING FILE**

Copies of the original text and modified text with modifications clearly indicated, and the entire rulemaking file, are currently available for public review during normal business hours of 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding legal holidays, at the offices of the Division of Workers' Compensation. The Division is located at 455 Golden Gate Avenue, 9th Floor, San Francisco, California.

Please contact the Division's regulations coordinator, Ms. Marcela Reyes, at (415) 703-4600 to arrange to inspect the rulemaking file.

The specific modifications proposed include changes to the text of the proposed amendments Title 8, California Code of Regulations, Section 10111.2 (Full Compliance Audit Penalty Schedule; Target Audit Penalty Schedule) A copy of the proposed modified regulation is attached to this Notice.

## **FORMAT OF PROPOSED MODIFICATIONS**

### **Proposed Text Noticed for 45-Day Comment Period:**

Deletions from the codified regulatory text are indicated by strike-through, thus: ~~deleted language~~.

Additions to the codified regulatory text are indicated by underlining, thus: underlined language.

### **Proposed Text Noticed for This 15-Day Comment Period on Modified Text:**

Deletions from the amended regulatory text as proposed in May 2003, are indicated by double strike-through under-line, thus: ~~~~deleted language~~~~.

Additions to the regulatory text as proposed in May 2003, are indicated by a double underline, thus: added language.

## **SUMMARY OF PROPOSED CHANGES**

### **Modifications to section 10111.2 Full Compliance Audit Penalty Schedules; Target Audit Penalty Schedule**

Proposed section 10111.2 sets forth the audit penalty schedules in compliance with the new requirements of Labor Code section 129.5. Based on comments concerning the penalty for each underpayment of an indemnity payment, Section 10111.2(a)(8) has been modified. Compensation is now clarified as "temporary disability, permanent disability, death benefits or VRMA." The penalty schedule for late paid self-imposed increases has been deleted from subdivision (a)(1) and added back into (a)(8). The penalty for each late payment of self-imposed increase is set forth in incremental amounts. The reference to Labor Code Section 4650(d) in (a)(1) and (a)(8) is stricken so as to include self-imposed increases required by the Labor Code and case law.