

Revised pages of draft handbook (July 1, 1993) and appendix B (November 1, 1994).

**ET HANDBOOK NO. XXX CHAPTER THREE
REVENUE QUALITY CONTROL**

STATUS DETERMINATION

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

1. Does the SESA have procedures to assure that Status Determinations can be traced to their information source?

Yes _____ No _____

2. Can the following items be identified through the audit trail for New Employer Determinations:

Yes No

a. Employer or employer representative who notified SESA of liability change? _____

b. SESA employee who recorded or authorized the determination? _____

c. Type of determination (new)? _____

d. Date of Status Determination? (either the date decision is made, mailed or put into the ADP system) _____

e. The supporting documentation for the determination? _____

3. Can the following items be identified through the audit trail for Successor Employer Determinations:

Yes No

a. Employer or employer representative who notified SESA of change? _____

b. SESA employee who recorded or authorized the determination? _____

c. Type of determination (successor)? _____

d. Date of Status Determination? (either the date decision is made, mailed or put into the ADP system) _____

e. The supporting documentation for the determination? _____

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PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

1. Does the SESA have systems procedures or internal controls to minimize the possibility of setting up duplicate accounts for the same employer?

Yes____ No____

VS: (Question 1)

2. Does the SESA have system procedures or internal controls to assure that all Status documents are acted upon by: (Enter N/A if State procedures do not allow determinations to be made with less than complete information.)

Yes___ No___ N/A___

- a. Tracking documents? _____
- b. Following up incomplete determinations? _____
- c. Following up potentially liable determinations ? _____
- d. *Other? _____

VS: (Question 2)

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SYSTEMS REVIEW QUESTIONS

VS: (Question 4 and 5)

6. Is the information from Status Determinations and other material changes to the employer records verified for accuracy (e.g., Is information on the employer record compared to source documents to assure accurate posting of Status Determinations, address changes etc?)

Yes_____ No_____

VS: (Question 6)

7. If any of the preceding evaluative questions are answered "No", does the SESA have a substitute or compensating control?

Yes___ No___ N/A___

If Yes, describe in the Narrative Section following the questions.

VS: (Question 4 and 5)

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ACCEPTANCE SAMPLE INSTRUCTIONS

NEW EMPLOYER STATUS DETERMINATIONS

Purpose/Intent

To confirm that the SESA's internal controls ensure accurate determinations by examining completed New Employer Status Determinations.

To determine that correct initial rates are being assigned to new employers.

To evaluate whether the SESA follows its procedures to obtain any necessary additional information.

To assess the accuracy of posting Status information to the employers' account records.

Scope

The scope of the review will focus on all new and reactivated Status Determinations made during the selected calendar year. (Accounts which are reactivated only to make corrections, do not meet the definition of "reactivation" and should not be included.)

Universe

The universe to be identified for the New Employer Status Determinations Acceptance Sample will include:

1. All Status Determination for New and Reactivated Employers, (e.g., employing units initially meeting the definition of "employer" in the State unemployment compensation law or previously terminated employing units again meet the definition of employer) made during one complete calendar year. Exclude temporary or "pending" accounts.
2. 60 cases will be selected from this universe.

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ACCEPTANCE SAMPLE INSTRUCTIONS

*Sampling Procedures 3.
cont.*

The review should be completed by April 30, following the calendar year selected.

***NOTE:** Sometimes an account is selected in the new sample which was set up based on less than complete information. If it is discovered when the SESA follows its investigative procedures that the account should have been a successor, continue to review it with the new sample. Do not consider a case unacceptable if the agency was not aware that there was a successorship when the account was established acceptable.

If the System is automated, the Reviewer must work closely with the ADP unit to ensure a thorough understanding of what, when and how the samples should be selected.

Appendix A describes what action needs to be taken for sampling in both manual and automated systems.

Reviewing Samples Assemble the following information for each of the New Status Determinations selected for review:

1. Status information in the employer account record.
2. The original source of information and any other documentation from the SESA's records. (Documentation can consist of a registration form, field auditor's report notations to the file explaining the source etc) Compare all source documents with the information on the employer's account record.

Compare all source documents with the information on the employer's account record.

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ACCEPTANCE SAMPLE INSTRUCTIONS

- Reviewing Samples cont.*
3. Accuracy of Initial Rate Assignment as Time of Review - includes questions to evaluate if a correct initial rate has been assigned. (Initial rate means the first rate assigned to the account. i.e., If liability began five years ago, the rate assigned for the first year of liability would be the "initial rate".)
 - Section 1B (Account Maintenance) has only one part:
 1. Accuracy of Posting - includes questions to evaluate if the Status Determination was posted correctly in accordance with SESA requirements.

Drawing Conclusions For Section 1A, (Status Determination and Rate Assignment Accuracy), the following questions are evaluative:

- # 2a Correct initial liability decision based on incomplete information
- # 3 Procedures followed to obtain required information
- # 5 Sufficient documentation to support determination
- #6 Correct liability date
- #7 Correct Status Determination
- #10 Sufficient Documentation to support rate
- #11 Correct initial rate assigned

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ACCEPTANCE SAMPLE QUESTIONNAIRE 1A

Accuracy of Initial Liability Decision

- 1. Does the SESA have a law or written procedure permitting a liability decision to be made when the required information is less than complete? (The practice of setting up actual accounts rather than temporary or "pending" accounts with minimum info.)

Yes_____ No_____

If yes, answer question #2. If no, go to question #3-

- 2. Was an initial liability decision made in this particular sample case with incomplete information?

Yes_____ No_____

If yes:

- a. Based upon the information available at the time, did the SESA make the correct new employer initial liability decision?

Yes_____ No_____

Accuracy of New Employer Determination at Time of Review

- 3. Is there evidence that the SESA procedures were followed to obtain any additional information that may have been necessary to support a Status Determination?

Yes_____ No_____ N/A_____

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ACCEPTANCE SAMPLE QUESTIONNAIRE 1A

4. Has the SESA obtained all the information it requires to be posted to the employer account record?
Yes_____ No_____

5. Is there sufficient documentation at the time of review to support the Status Determination made?.
Yes_____ No_____

NOTE: If question # 2a. was answered yes, and further investigation has shown the account to be a successor, answer question # 5 "yes" and continue answering the questions in this questionnaire.

6. Was the correct liability date established? Yes_____ No_____

7. Was a correct Status Determination made in accordance with State law and written policy?
Yes_____ No_____

Accuracy of Initial Rate Assignment at the Time of Review

8. If SIC codes are used to assign initial tax rates to new employers, did the SESA use the correct employer SIC Code?
Yes_____ No_____ N/A_____

9. If other data are required for assigning proper tax rates, did the SESA apply the data correctly?
Yes_____ No_____ N/A_____

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ACCEPTANCE SAMPLE QUESTIONNAIRE 1A

10. Is there sufficient documentation at the time of the review to support the rate assigned? (Answer N/A only if the case being reviewed is a reimbursing employer and State law provides that no rate should be assigned.)
Yes_____ No_____ N/A_____

11. Did the SESA assign a correct initial rate in accordance with State law and written policy?

Yes_____ No_____

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ACCEPTANCE SAMPLE QUESTIONNAIRE 1B

	<u>Yes</u>	<u>No</u>	<u>INA</u>	<u>N/A</u>
l. Type of Organization (Partnership, Corp. etc.)?		___	___	___
m. _____? (Other material data element SESA requires to be posted)	___	___	___	___
n. _____? (Other material data element SESA requires to be posted)	___	___	___	___

13. Based upon the conclusions drawn from question #12, was all the information deemed material by SESA law and written policy accurately recorded in the employer account record? (A "No" answer to data element deemed to be material means question #13 must be answered "no" and the case will fail.)

Yes_____ No_____

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ACCEPTANCE SAMPLE INSTRUCTIONS

Sampling Procedures The following steps must be taken to establish the universe and select the sample accounts:

1. Identify all Successor Status Determinations made during the calendar year selected for the review.

2. Select 60 sample cases three months after identifying the universe. (1 will be the earliest date the samples can be selected.) This three month time lapse before cases are identified is necessary to give SESAs which set up accounts with less than complete information an opportunity to obtain any additional required information.

***NOTE:** SESAs which indicate that they do not have such a procedure by answering question # 1 "no" may select and review the sample cases immediately following the identification of the universe.

3. The review should be completed by April 30, following the calendar year selected.

***NOTE:** Sometimes an account is selected in the successor sample which was set up based on less than complete information. If it is discovered when the SESA follows its investigative procedures that the account should have been a "new" employer, continue to review it with this questionnaire. Do not consider the case unacceptable if the agency lacked sufficient information to categorize the account as "new" when established.

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ACCEPTANCE SAMPLE INSTRUCTIONS

Reviewing Samples Section 2A consists of three parts:
cont.

1. Accuracy of Initial Liability Decision - Questions to evaluate if a correct initial

decision based on minimum information was made (actual rather than temporary or pending accounts). Sometimes SESA written procedures allow an initial liability decision to be made based on partial information (i.e., a partially completed contribution return with no other information). The SESA should follow up to ensure that information to make an accurate Status Determination has been obtained.

2. Accuracy of Successor Employer Determination at Time of Review - Questions evaluate if SESA followed its procedures and obtained the necessary documentation to accurately establish a successor account by the time of the RQC review.
3. Accuracy of Initial Rate Assignment - at Time of Review - Questions evaluate if SESA is following its law provisions with regard to the rate first assigned to successors (e.g., Some SESAs require successors who are first time employers be assigned predecessor's rate. In this instance it may be necessary to determine what predecessor rate was in effect at the time successor was determined to be an employer. For SESAs which require immediate transfer of experience and recalculation of the rate it may be necessary to review the components of the rate calculation to ascertain if the initial rate assigned was correct).

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PROGRAM REVIEW

ACCEPTANCE SAMPLE INSTRUCTIONS

Reviewing Samples Section 2B (Account Maintenance) has only one part:
cont.

1. Accuracy of Posting - includes questions to evaluate if the Status Determination was posted correctly in accordance with SESA requirements.

Drawing Conclusions For Sections 2A, (Status Determination and Rate Assignment Accuracy), the following questions are evaluative:

- # 2a Correct initial liability decision based on incomplete information
- # 3 Procedures followed to obtain required information

- #5 Sufficient documentation to support determination made
- #6 Correct liability date
- #7 Correct Status Determination
- #8 Sufficient documentation to support assigned rate
- #9 Correct initial rate

A "No" answer to any one of these questions indicates that the Status Determination was not accurate or the rate was not correctly assigned. This means that the case is not considered acceptable.

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ACCEPTANCE SAMPLE QUESTIONNAIRE 2a

- 12. Is there sufficient documentation at the time of the review to support the Status Determination made?
Yes _____ No _____
- 13. Was the correct liability date established?
Yes _____ No _____
- 14. Was a correct Status Determination made in accordance with State law and written policy?
Yes _____ No _____

Accuracy of Initial Rate Assignment at the Time of the Review

- 15. Is there sufficient documentation at the time of the review to support rate assigned?
Yes _____ No _____

16. Was the correct initial rate assigned according to State laws and written policy? (E.g., some State require that the predecessor rate be assigned initially if the successor has not previously been an employer. Other States transfer experience and recalculate rates immediately, etc.)

Yes _____ No _____

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ACCEPTANCE SAMPLE QUESTIONNAIRE 2B

	<u>Yes</u>	<u>No</u>	<u>INA</u>	<u>N/A</u>
l. Type of Organization (Partnership, Corp. etc.)?		_____	_____	_____
m. _____? (Other material data element SESA requires to be posted)	_____	_____	_____	_____
n. _____? (Other material data element SESA requires to be posted)	_____	_____	_____	_____

11. Based upon the conclusions drawn from question #10, was all the information deemed material by SESA law and written policy accurately recorded in the employer account record? (A "No" answer to a data element deemed to be material means Question #11 must be answered "no" and the case will fail.)

Yes _____ No _____

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ACCEPTANCE SAMPLE QUESTIONNAIRE 3B

Accuracy of Posting

5. Below is information deemed to be material to proper payment of current and future tax revenues. Indicate which information was accurately recorded in the Inactivated/Terminated employer account record. Answer N/A if the information is not required by State law and written policy. Answer INA when the SESA has been unable to obtain the information.

	<u>Yes</u>	<u>No</u>	<u>INA</u>	<u>N/A</u>
a. Last date of liability (last point in time when employer is expected to file contribution returns)	___	___	___	___
b. Determination Type: Inactivated/Terminated	___	___	___	___
c. Successor Identification	___	___	___	___
d. _____? (Other material data element SESA requires to be posted)	___	___	___	___
e. _____? (Other material data element SESA requires to be posted)	___	___	___	___

6. Based upon the conclusions drawn from question #5, was all the information deemed material by SESA law and written policy accurately recorded in the employer account record? (A "No" answer to data element deemed to be material means question #6 must be answered "no" and the case will fail.)

Yes _____ No _____

*Revenue Quality Control
Status Sample Coding Sheet
Successor Employers Check List #2A*

SESA: _____ Period Covered: _____ Date: _____ Reviewer _____

Sample Type: Acceptance Expanded

<i>Accuracy of Successor Determination and Tax Rate</i>												
<i>Case Number</i>	<i>Employer Identification Number</i>	1	2	2a	3	4	5	6	7	8	9	<i>Pass/Fail Y/N</i>

Questions 2a, 3, 5, 6, 7, 8 and 9 are evaluative.

Total Acceptable _____ of _____
Page _____ of _____

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REPORT DELINQUENCY

INTRODUCTION

*Timeliness
and
Completeness*

To assess SESA effectiveness in promoting employer compliance and in securing compliance and in securing delinquent reports, Computed Measures will be generated based on data routinely reported by SESAs. These data elements will be converted into six indicators by the RQC ADP system.

To determine whether the SESA is taking all reasonable actions to secure/resolve report delinquencies, a Program Review will be conducted to ascertain the existence of necessary internal controls and to determine whether or not such controls are functioning properly.

REVIEW METHODOLOGIES

Computed Measures

Computed Measures will provide indicators to measure how effective the SESA is in securing delinquent reports timely and in resolving delinquent reports. There are three indicators which will be used to measure contributor employers and the same three indicators will be used to measure reimbursing employers:

1. Percent of reports filed timely.
2. Percent of reports secured by the end of following quarter.
3. Percent of reports secured plus delinquencies resolved

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REPORT DELINQUENCY

INTRODUCTION

COMPUTED MEASURES

Computed measures will provide indicators for how effective the SESA is in securing delinquent contribution reports timely and resolving delinquent wage reports. These measures will be generated based on data elements reported by SESAs through routine quarterly reports. Upon implementation of the RQC program, the RQC reviewer must ensure that the State ADP system captures these data elements as defined so that the ADP system can produce output reports based on these elements.

Whether the SESA accumulates the data elements required for Delinquency computed measures through ADP or manually, it is important that the records be maintained from the beginning. Upon full implementation of RQC, data for Delinquency indicators will replace the data reported on the Form ETA 581 for this function. The data will be automatically retrieved from the system used to electronically report the current Form 581 data. Appendix B explains the technical process for gathering this information.

Report Delinquency Indicators

The six indicators to measure how effective the SESA is in securing delinquent reports timely and resolving delinquent reports are described below:

For Contributory Employers

1. Percent of reports filed timely.
2. Percent of reports secured by end of following quarter.
3. Percent of reports secured plus delinquencies resolved within 180 days (e.g., two following quarters).

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INTRODUCTION

COMPUTED MEASURES

For Reimbursing Employers

4. Percent of reports filed timely.
2. Percent of reports secured by end of following quarter.
3. Percent of reports secured plus delinquencies resolved within 180 days (e.g., two following quarters).

The same three computed measures will be used for each of the types of employers, contributory and reimbursing.

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REPORT DELINQUENCY**COMPUTED MEASURES**

COMPUTED MEASURES

Indicator 1 & 4 - Timely Employers: (Contributory & Reimbursing)
(The percent of employers filing reports timely).

Rationale. This indicator reflects the percent of voluntary reporting compliance. It is intended to provide a measure of SESA efforts to promote voluntary filing through effective publication s/forms, educational programs and/or utilization of enforcement tools. Timely reports include all reports filed on or before the delinquent date established by the SESA for the calendar quarter. Analyzing this indicator with the Methods Survey, RQC will identify factors which encourage voluntary employer reporting compliance.

Formula.

The average number of employers filing reports timely for four (581) report quarters
The average number of active employers for four (581) report quarters ending one quarter earlier

Data Elements.

The number of employers filing reports timely is reported on the ETA 581, item #6 for contributory employers and item #9 for reimbursing employers.

Active employers are those employers registered and required to file reports under the State unemployment compensation law. The number for each quarterly period should be the same as currently reported on form ETA 581. The average of the four 581 report quarters is used because reporting is based on timely reports for the quarter ending one quarter earlier.

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COMPUTED MEASURES

COMPUTED MEASURES

Indicator 2 & 5 - Secured Reports (Contributory & Reimbursing)

(The percent of quarterly reports secured by the last day of the following quarter).

Rationale. This indicator measures the percent of employer reporting compliance by the level of secured reports for the preceding quarter. The "secured" definition combines voluntary employer reporting and SESA-influenced reporting. It excludes report delinquencies which are resolved by assessment, thereby maintaining emphasis on employer compliance and on the effect of SESA efforts to secure delinquent reports. This indicator is similar to the one used by Quality Appraisal as a DLA for Report Delinquency, and when analyzed with Indicator (1), Timely Employers, it should be possible to determine the effectiveness of SESA reporting enforcement efforts.

Formula.

The average number of employers whose reports had been secured by the last
day of the four 581 quarters

Average number of active employers for the four (581) report quarters ending 1 quarter earlier.

Data Elements.

To arrive at the percent of reports secured, this indicator first determines the number of employers who have reported. This figure is divided by the number of active employers, and when multiplied by 100, it will result in the percent of employers whose reports were secured either by voluntary compliance or by the efforts of the SESA's report Delinquency unit.

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REPORT DELINQUENCY**COMPUTED MEASURES**

COMPUTED MEASURES

The number of employers delinquent for the quarterly report are the number of contributory employers, or the number of reimbursable employers who by the end of the next quarter had not submitted contribution reports which were due for the preceding quarter. An example would be an employer who did not file a report for the first quarter by June 30, this employer would be included in the delinquency count for this indicator. Employers who have been issued estimated assessments for contributions due and for whom substitute contribution reports may have been generated are to be considered delinquent.

The number of active employers is the same as Indicator 1.

Indicator 3 & 6 - Resolution of Report Delinquencies (Contributory & Reimbursing)

The percent of reports secured plus delinquencies resolved by the last day of the second reporting period (i.e., within 180 days of the quarter ended date, or within 180 days of the date delinquency discovered for newly established accounts).

Rationale. To effectively manage accounts receivable it is important that amounts determined to be due are established on a timely basis. This indicator is intended to bridge the gap between Report Delinquency and Collections, and in effect is an indicator of "tax report delinquency" resolved via establishing a legally due and collectable amount due. Considering that for most SESAs reports are delinquent if not filed within 30 days after the quarter ending date, and adding an additional 150 days (i.e., 60 days of the following quarter plus the 2nd following quarter), 180 days was selected as a reasonable goal for resolution of report delinquencies.

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REPORT DELINQUENCY**COMPUTED MEASURES**

COMPUTED MEASURES

Formula.

The average number of employers whose report delinquencies were resolved within 180 days (two quarters) for four (581) report quarters.

Average number of active employers for the four (581) report quarters ending two quarters earlier.

Example:

$$\frac{90,000 \text{ (Average number resolved)}}{100,000 \text{ (Average number of active employees)}} = .9 \times 100 = 90\%$$

Data Elements.

The number of employers whose report delinquencies were resolved within 180 days of the quarter ending date is reported on the ETA 581 as item #8 for contributory employers and item #11 for reimbursing employers.

NOTE: Report Delinquencies are to be considered resolved upon securing reports, determining non-liable for reporting (e.g., the employer was found not to be subject, or the SESA decided to inactivate an active employer, or to "write off" the employer's delinquency status), establishing a "final" assessment that is legally due and collectible. Unpaid "final" assessments are to be reported as Amounts Determined Receivable.

The number of active employers is defined the same as for Indicators 1 and 2. Because reporting is for the number of report delinquencies

resolved within 180 days (six months), the average number of active employers is the four quarters ending two quarters earlier.

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REPORT DELINQUENCY

COMPUTED MEASURES

COMPUTED MEASURES

Drawing Conclusions

An analysis of the results of Report Delinquency Computed Measures will provide the RQC reviewer with an indication of how effective the SESA is in promoting voluntary filing and in resolving report delinquency. The first and fourth indicators show the overall level of employer compliance in the State for contributory and reimbursing employers, the second and fifth indicators show the combined effect of voluntary compliance and SESA-induced compliance. The third and sixth indicators combine voluntary compliance, the delinquency unit's impact, and the SESA's use of other methods to resolve delinquencies such as assessments or determinations of non-liability for contributory and reimbursing employers.

The reviewer should be able to make observations as a result of these indicators that would be reflected in both the Methods Survey and the Systems Review. For example, the reviewer would expect that if the SESA had a high percentage of voluntary compliance in report filing this would be reflected by some exemplary procedures in the Methods Survey. Likewise, if the number of secured reports indicator was low the RQC reviewer may find areas of risk in the Systems Review which are causing the problem.

Findings or trends from computed measures should be considered with Systems Review, Methods Survey and Acceptance Sample findings in evaluating the effectiveness of the SESA's operations and be included in the Annual Report.

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PROGRAM REVIEW

ACCEPTANCE SAMPLE INSTRUCTIONS

Purpose/Intent

To determine if the SESA accurately identifies delinquent employer accounts.

To assure that delinquent employers are notified properly.

To determine if the SESA takes appropriate action to resolve delinquencies.

Scope

The scope of the review will focus on those employers who are currently delinquent for the first quarter (prior quarter delinquencies are not to be included.)

Universe

The universe to be identified for the Report Delinquency Acceptance Sample will include:

1. Employers whose delinquency is newly established for the 1st calendar quarter during the *processing period.
2. All accounts identified as delinquent once the SESA has passed its delinquency cut off date (both contributing and reimbursing employers).

Note: *The processing period is the SESA time period during which the quarterly reports and contributions are processed.

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Identification

12. Based on the available information, id the SESAs system identify the employer's account properly as being delinquent?

Yes_____ No_____

If yes , answer questions #2 - #5.

If no, skip #3, answer #4 c, d, & e, and skip #5

Notification

2. Did the SESA issue a delinquent report notice?

Yes_____

No_____

If yes, answer 2a.

If no, answer 2b.

a. Was the delinquent notice for the correct quarter\year?

Yes_____

No_____

b. Was the notice suppressed in accordance with SESA procedures?

Yes_____

No_____

3. When this employer was identified as delinquent were the appropriate staff also notified (e.g., Field Staff, Delinquency Unit Staff or the Assessment Unit Staff)?

Yes_____

No_____

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REPORT DELINQUENCY

METHODS SURVEY

METHODS SURVEY

UI Laws, Regulations, Policies and Procedures. Many questions in the Survey ask the reviewer to answer questions relative to the State law/SESA authority. Before attempting to complete the Survey and answer these questions, the reviewer must either be very familiar with the SESA's law(s) and procedures, or must complete a thorough review of the State's laws, regulations, written policies and procedures relative to enforcement of reporting compliance.

Legal Code Sources. In addition to the State UI law, many SESAs utilize other laws to enforce compliance. When providing references for Code Sources, indicate the specific code (i.e., SESA UI Code, Code of Civil Procedure, Government Code, Uniform Commercial Code), in addition to the specific Section(s) of the respective Code(s). Laws that prove to be especially effective in reducing report delinquency may later be identified, compiled and presented to other SESAs which are interested in enacting similar legislation.

Additional Information. Reviewers/SESAs should not hesitate to provide additional information regarding procedures and/or systems not specifically addressed in the Survey that have been found to be effective. In addition, SESAs may add more detail to the information they provide if it will assist in their own self evaluation efforts.

PART 1. METHODS TO RESOLVE DELINQUENCIES

A. Notification Methods

1. Written Notification:

- a. Does the SESA send written notification following the quarter delinquent date?

Yes _____ No _____

If yes, indicate the approximate number of days after the delinquent date that written notices are mailed. _____

B. 2. Disincentives

During the period under review, indicate the penalties, interest, costs and other techniques used to discourage employers from failing to file reports and pay contributions due timely.

a. Reporting Compliance

(1) Does the SESA charge a separate penalty for failure to file reports timely?

Yes_____ No_____

If yes, indicate:

Average Maximum

\$ amount(s) _____ _____

% amount(s) _____ _____

Code source(s)

(2) Does the SESA add a penalty tax rate for failure to file reports timely?

Yes_____ No_____

If yes, describe the penalty tax rate.

(3) Does the SESA retain the post-marked envelope for proof that the report was received late?

Yes_____ No_____

(4) Does the SESA provide report envelopes with pre-printed employer's account number on them? (i.e., for situations where employers may have failed to identify themselves or provide report addresses.)

Yes_____ No_____

- a. (5) Does the SESA use other disincentives to promote reporting compliance?
 Yes _____ No _____
- If yes, list and describe. _____

b. Payment Compliance

- (1) Indicate the rate of interest charged on Receivables:

	Average	Maximum
Simple Interest Rate	_____	_____
Compound Interest Rate	_____	_____
compounded daily _____	_____	monthly _____

Code source: _____

- (2) Indicate the penalty rate(s) charged for failure to pay timely:

	Average	Maximum
\$ amount	_____	_____
% amount	_____	_____

Code source: _____

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 REVENUE QUALITY CONTROL**

COLLECTIONS

INTRODUCTION

*Timeliness
 and
 Completeness*

To assess SESA effectiveness in managing accounts receivable, Computed Measures will be generated based on data routinely reported by SESAs. These elements will be converted into eight indicators by the RQC ADP system.

To determine whether the SESA is taking all reasonable actions to collect accounts receivable, a Program Review will be conducted to ascertain the existence of necessary

internal controls and to determine whether or not such controls are functioning properly.

REVIEW METHODOLOGIES

Computed Measures

Computed measures will provide indicators of SESA effectiveness in promoting payment compliance and management of accounts receivable. There are four indicators which will be used to measure contributory employers and the same four indicators which will be used to measure reimbursing employers:

1. Percent of amounts due paid timely
2. Turnover ratio - the ratio of receivables liquidated and declared uncollectible and/or ruled doubtful to taxes due.
3. Receivables declared uncollectible and/or ruled doubtful - The percent of tax due declared uncollectible and/or ruled doubtful.
4. Accounts receivable at the end of the report period as a percent of tax due

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COMPUTED MEASURES

Computed Measures will provide indicators of SESA effectiveness in promoting payment compliance and management of accounts receivable. These measures will be generated based on data elements reported by SESAs through routine quarterly reports. Upon implementation of the RQC program, the RQC reviewer must ensure that the State ADP system captures these data elements as defined so that the ADP system can produce output reports based on these elements.

The data for Collection indicators is based on the data reported on the ETA 581 and the ETA 2112. The data will be automatically retrieved from the system used to electronically transmit these reports. Appendix B explains the technical process for gathering this information.

Collection Indicators (Contributory)

The four indicators for contributing employers that measure how effective the SESA is in promoting payment compliance and management of accounts receivable are described below:

1. Percent of amounts due paid timely.

2. Turnover Ratio - The ratio of receivables liquidated and declared uncollectible and/or ruled doubtful to taxes due.
3. Receivables declared uncollectible and/or ruled doubtful - The percent of tax due declared uncollectible and/or ruled doubtful
4. Accounts receivable at the end of the report period as a percent of tax due.

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COMPUTED MEASURES

Collection Indicators (Reimbursing)

The four indicators for reimbursing employers that measure how effective the SESA is in promoting payment compliance and management of accounts receivable are described below:

1. Percent of amounts due paid timely.
2. Turnover Ratio - The ratio of receivables liquidated and declared uncollectible and/or ruled doubtful to taxes due.
3. Receivables declared uncollectible and/or ruled doubtful - The percent of tax due declared uncollectible and/or ruled doubtful.
4. Accounts receivable at the end of the report period as a percent of tax due.

The same four computed measures will be used for each type of employer, contributory or reimbursing.

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COLLECTIONS**COMPUTED MEASURES****COMPUTED MEASURES****Indicator I - Amounts Paid Timely**

The percent of amounts due that were paid timely.

Rationale. This indicator measures the extent of employer voluntary payment compliance. It is intended to provide a measure of SESA efforts to promote payment compliance through effective publications/forms, educational programs and/or utilization of enforcement tools. It also reflects the relative magnitude of non-compliance, and provides a perspective of how much risk is involved.

Formula

Amounts Determined Receivable for four (581) report quarters

1 - Tax Due: Annual dollar Amounts Deposited plus Amounts Determined Receivable minus Receivables Liquidated.

Example: $\frac{1 - \$1,000,000 \text{ (Determined Receivable)}}{\$10,000,000 \text{ (Tax Due)}} = 1 - 10\% = 90\%$

Data Elements.

The Amounts Determined Receivable should result in the four quarter total on ETA 581 #22 for contributory and on ETA 581 #34 for reimbursing. The amount to be included is the amount of unpaid contributions initially determined to be past due during the report quarter based on delinquent contribution reports received, audit findings, legally collectible estimates and final assessments. For reimbursable employers, the amount is the reimbursements initially determined to be past due during the report quarter based on billings to reimbursing employers which are unpaid.

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COLLECTIONS**COMPUTED MEASURES**

Tax Due is defined as the annual amounts of dollars deposited (ETA 2112 line 11 for contributory and lines 18, 19, 20 for reimbursable) plus Amounts Determined Receivable (ETA 581 #22 for contributory, ETA 581 #34 for reimbursing) minus Receivables Liquidated (ETA 581 #23 for contributory, ETA 581 #35 for reimbursing). This formula is recommended because it provides a more consistent and accurate picture year-to-year of amounts actually due than amounts reported as due on ES 202 reports.

Indicator 2 - Turnover Ratio.

(Ratio of receivables liquidated and declared uncollectible and /or ruled doubtful to tax due)

Rationale. This indicator reflects the extent of accounts receivable workload, and indicates the rate accounts receivable are worked in relation to tax due. If the rate is high relative to other states, or increases over time, it will demonstrate the SESA's efforts in managing Receivables.

Formula

Receivables Liquidated + Receivables Declared Uncollectible +
Receivables Ruled Doubtful for four (581) report quarters
Tax Due: Annual dollar Amounts Deposited plus Amounts Determined
Receivable minus Receivables liquidated.

Data Elements.

Receivables Liquidated include amounts collected and adjustments which cancel previously established receivables. The amount to be included for contributory employers should be the four quarter totals reported on ETA 581 #23 and for reimbursing employers the four quarter totals of ETA 581 #35.

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COLLECTIONS**COMPUTED MEASURES**

COMPUTED MEASURES

Receivables Declared Uncollectible include all amounts of past due contributions for which the agency is no longer actively seeking collection. Such amounts have been written off or moved to a suspense file and are not included in the active accounts receivable file. The amounts to be included should be the sum of the four quarters reported on ETA 581 #24 for contributory, and ETA 581 #36 for reimbursing. Receivables Ruled Doubtful (Account Receivables removed as defined in the ETA 581 instructions for items #25 & #37). The amounts to be included should be the sum of the four quarters reported on the ETA 581 #25 for contributory and ETA 581 #37 for reimbursing.

Tax Due was previously defined and should be the same as for Indicator #1.

Indicator 3 - Receivables Declared Uncollectible and or Ruled Doubtful.
(Percent of tax due declared uncollectible and/or ruled doubtful).

Rationale. This indicator represents one component of the Turnover Ratio. While a low percentage of amounts declared uncollectible is desirable, an increasing percentage may also be an important indicator of efforts to perfect accounts receivable inventories and write-off amounts that SESAs have no means of collecting.

Formula

Receivables Declared Uncollectible and/or Ruled Doubtful for four(581) report quarters
Tax Due: Annual dollar Amounts Deposited plus Amounts Determined Receivable
Minus Receivables Liquidated.

Data Elements.

Receivables Declared Uncollectible, and/or Ruled Doubtful and Tax Due were previously described. The amounts should be the same as used for Indicator 2.

Indicator 4 - Unpaid Contributions/Reimbursements Due.
(Percent of accounts receivable at end of the report period to tax due).

Rationale. This indicator provides a measure of overall compliance effectiveness. To equitably assess the effectiveness of SESA compliance and collection efforts, a comprehensive measure will contain the amount of past due dollars as they relate to the total amount due. Long term trends due to the rise and fall in employment, wage base, and tax rates all impact the size of accounts receivable. While the fluctuations of total amounts due may be outside the SESA's control, the SESA is responsible for collecting the proportion of dollars which becomes past due. This measure will indicate the true significance of a SESA's accounts receivable by showing what proportion of tax is past due. Also, the rise and fall of past due amounts can be better understood when reviewed in relation to the rise and fall of total UI dollars due.

Formula

$$\text{Tax Due: } \frac{\text{Receivable Balance at end of (581) report quarter}}{\text{Annual dollar Amounts Deposited plus Amounts Determined Receivable minus Receivables Liquidated}}$$

Data Elements.

The Receivable Balance is the total amount on the ETA 581 report quarter ended date. The amounts should be the same as reported on ETA 581 #26 for contributory and ETA 581 #48 for reimbursing employers.

Tax Due was previously defined, and should be the same amount as used for Indicators 1, 2, and 3.

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COMPUTED MEASURES

COMPUTED MEASURES

The denominator for all accounts receivable indicators is recommended to be any four consecutive quarters of tax due. The reasons follow:

The same denominator means all accounts receivable indicators are comparable, both within a state as well as across states.

The indicator reports can be generated for any time period but it requires **FOUR (4) quarters**.

"Drift" due to inflation, or the trend of decreasing effective tax rates which reduces the amount of tax due is eliminated.

A more consistent picture of accounts receivable management is provided from year-to-year.

Computations will be made annually by the National Office for each indicator, for both contributory and reimbursable accounts receivable.

Drawing Conclusions

An analysis of these results will provide an overview of how effectively the SESA is managing its accounts receivable. Each of the indicators should be examined separately and in relationship to the others. The RQC reviewer will find that a change in one indicator will have a particular effect on another indicator (e.g., is a decrease in accounts receivable the result of an increase in amounts written off or is that change reflected in amounts liquidated). The RQC reviewer will determine from this analysis whether the SESA is effectively using the collection tools at their disposal (e.g., if the turnover ration is high does the sample reviewed reflect timely contact of employers, are liens and enforced collection action being utilized?).

Findings or trends from Computed Measures should be considered with Systems Review and Acceptance Sample findings in evaluating the effectiveness of the SESA's operation and be included in the Annual Report.

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PROGRAM REVIEW

ACCEPTANCE SAMPLE INSTRUCTIONS

Purpose/Intent To assure that Accounts Receivable are being managed in accordance with SESA's

established procedures.

Scope

The scope of the review will focus on collection cases of \$100.00 or more which are more than 30 days old.

Universe

The universe for the Collections Acceptance Sample will include:

1. Accounts that have been established for at least 30 days.
2. All accounts with \$100.00 or more in unpaid UI tax (or the SESA's established benchmark figure, if higher). This universe should be identified between April 1 and June 30. Do not include accounts declared legally uncollectible, (as per glossary definition).
3. 60 cases will be selected from this universe.

Timing/Frequency

The sample will be selected once per calendar year.

The population should be identified any day in the period between 4/1 and 6/30 (a single snapshot of the day selected).

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NOTE cont:

if SESA procedures call for a certain action to take place after a specific number of days regardless if payment is made the reviewer must determine if this procedure was followed.

There may be situations where the documentation is not clear cut enough to warrant a "Yes" answer. It is the responsibility of the reviewer when answering questions "INA" to make a determination if that action did occur based on circumstantial facts or evidence. If such evidence does not convince the reviewer the answer should be "No".

If the Account Receivable was set up in error and was subsequently determined not to be an accounts receivable, the reviewer should answer question #1 "No" and not answer the rest of the questions.

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Identification

1. At the time of review was the account correctly classified (e.g., "collectible", uncollectible", "liquidated" or in "bankruptcy status")?

Yes_____ No_____

2. If there was a successor, were successor liability procedures followed?

Yes_____ No_____ N/A_____

Notification

2. Were initial written notice(s) and follow up notices sent timely for the most recent quarter of liability?

Yes_____ No_____N/A_____ INA_____

3. Was the employer contacted other than through the "initial written notice" for the most recent quarter of liability?

Yes_____ No_____ N/A_____

If Yes :

a. Were telephone contact(s) made: Yes_____ No_____N/A_____ INA_____

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For all staff members involved in processing Field Audit documents, are the following components subject to some form of systematic review? Identify all that apply with a "Y" for Yes or "N" for No. For yes answers, indicate the approximate percentage of work reviewed. If there are no reviews, answer "N" for No in column 6 which is the evaluative portion of the question.

Component	Type of review					
	1 *Supv %	2 *Peer %	3 *QA %	4 *Support (Clerical) %	5 *Other %	6 Review Conducted?
a. That a pre-audit discussion was held?						
b. That the existence of the business was verified?						
c. That the ownership of the business was verified?						
d. That payroll record tests were performed?						
e. That a search for hidden wages was made?						
f. That 4 consecutive quarters were audited?						
g. That a post-audit discussion was held?						
h. That money was collected or an explanation was documented?						
i. That adjustments were properly prepared?						

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VS. (Question 6)

* Informational

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FIELD AUDIT

INTRODUCTION

REVIEW METHODOLOGIES

Program Review cont.

Systems to Assure Execution of Events

Review of Completed Work

The Systems Review will be used to examine the controls and quality assurance systems known to be required for a quality field audit operation and to determine if the SESA has such controls. A SESA's utilization of these controls should result in a quality field audit operation.

The Acceptance Sample examines the following:

Completed Audits

In conjunction with the Systems Review, an Acceptance Sample of completed field audits will be examined using the Field Audit Acceptance Sample Checklist. The Field Audit Acceptance Sample Checklist, containing questions on key audit policy requirements, will aid the reviewer in determining if the sampled audits conform to the requirements.

It is presumed that SESAs which do well on the Program Review (i.e., have an adequate system of internal controls and pass the Acceptance Sample) have a quality audit program.

Through the use of computed measures to assess productivity, and a Program Review to assess quality, RQC will gather data on what constitutes an effective audit program. RQC analysis of this data should indicate where SESAs may need to improve operations or be aware of vulnerabilities they may have in their program. RQC also intends to share exemplary practices with other SESAs that may benefit from the knowledge.

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FIELD AUDIT

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Purpose/Intent

To assess the degree to which completed audits meet the requirements of the Employment Security Manual.

To assess the accuracy of posting audit results in the SESA's employer records.

Scope

The scope of the review will focus on completed audits in a calendar year.

Universe

There is one universe to be identified for the Field Audit Acceptance Sample:

1. All Contributory Employers who in the calendar year had an audit completed.
2. 60 completed audits will be selected.

Timing/Frequency

The samples will be selected once per calendar year.

The population of transactions will be identified after the end of the calendar year.

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Sampling Procedures

The following describes the steps to be taken to build the universe for the samples:

1. Identify all contributory employers audited in the calendar year. These should be the same employer accounts that are being reported as "audits" on the ETA 581 Item #46.
2. Select a sample of 60 cases.
3. The sample should be selected as soon as possible after the calendar year ends.
4. The review should be completed by March 31st following the calendar year from which the sample is drawn.

Appendix A describes what action needs to be taken for sampling in both manual and

automated systems.

If the system is automated, the Reviewer must work closely with the ADP unit to ensure a thorough understanding of what, when and how the samples should be selected -

Reviewing Samples Assemble the following information for each of the completed audits selected for review.

1. The complete audit report.
2. The supporting documentation.

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ACCEPTANCE SAMPLE INSTRUCTIONS

Reviewing Samples
cont.

3. Any adjustment forms needed due to changes resulting from the audit.
4. The account information on the SESA's computer files.

Drawing Conclusions

Using this information, answer the questions on the Acceptance Sample Questionnaire for each audit selected.

1. A pass/fail question has been added to the Acceptance Sample Questionnaire. "Was this assignment correctly identified as an audit in conformity with ETA audit policy as defined in the Employment Security Manual?" A "no" answer will fail the entire case. By answering no (in the last column of the coding sheet), the rest of the questions in the Acceptance Sample Questionnaire would not need to be answered. Note that cases failing under this criteria are a potentially serious problem as the data being reported on the ETA 581 Item #46 is skewed. These failures will need to be written up as a part of the findings of the Annual Report.
- 2a. A score of 80 points or more on the nine (9) acceptance sample questions is required for a case to pass.

- b. If any of the cases score less than 80 points, it means that the reviewer must conclude that the audit is not an acceptable audit for this review.

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- 2c. Of the 60 cases, if three or more are not acceptable, then the review must conclude, that quality in the SESA's audits cannot be confirmed.

For all unacceptable cases, the reviewer must provide an explanation for the unacceptable case on the Acceptance Sample Explanation Sheet.

Documentation

All source documentation (gathered to review samples) must be kept until the completion and Regional Office approval of the Annual Report. Either hard copy documentation or (in some highly automated systems) the ability to recreate the identical information used in the review must be maintained.

NOTE: For each of the 60 Audit cases both a review of adherence to ESM requirements and (if the audit resulted in any change or adjustment to the information on the employer's account), a review of posting accuracy must be completed. It is important to verify that the posting of field audit adjustments is accurate in order to ensure the SESA is processing the information provided by the field audit unit. The purpose of RQC is not to find fault with any particular unit, but to identify strengths and weaknesses within a system regardless of what unit is responsible for the execution of the process.

For each case that passes the initial question of "Is this an Audit?", all the Acceptance Sample questions must be answered, even for those cases where it is apparent early in the review that the case will not have sufficient points to pass. This is necessary to pinpoint any other areas of weakness regarding the quality of the SESA field audit program.

Furthermore, for question 5 in the Acceptance Sample, if no records or partial records are maintained by the employer, the auditor must document that in the report. The audit is not to fail simply because the employer does not maintain all of the records listed in question 5.

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ACCEPTANCE SAMPLE RATIONALE

After determining the case passes the initial question of "Is this an Audit?", the following questions will be used to assess the quality of the audits.

The following questions assess the quality of completed Field Audits. For each question, a score and a rationale are given. The "Documentation" section presents examples of acceptable documentation to confirm that a particular audit activity has been performed. Workpapers can range from checklists of actions taken and documents reviewed to a narrative by the auditor. The total score for a case of acceptable quality is 80.

- 1 . A pre-audit discussion concerning the purpose of the audit must be held with the employer or an identified designated representative. (10 points)

RATIONALE: A preliminary discussion must be held with the employer or an identified designated representative, in which the purpose of the visit and any pre-audit questions are discussed. At a minimum, the owner, a partner, or a corporate officer should be advised in person, by telephone or letter that an audit is to be performed and have the opportunity for a meeting.

DOCUMENTATION: The completed audit must record the name and title of the individual involved in discussion. If the employer designated a representative, record the name and title of the designated representative, and also record the name and title of the employer who designated the representative.

2. An acceptable explanation will be given as to how the auditor verified the existence of the business. (5 points)

RATIONALE: Conducting the audit at the employer's place of business is the best way to verify it's existence. Otherwise, the business entity must be verified in accordance with SESA audit procedures to ensure it is a bona fide operating establishment and not part of a fictitious employer scheme.

DOCUMENTATION: The completed audit must contain documentation of an on site visit, personal knowledge of the business, or other sources of verification in accordance with State audit procedures (e.g., business license, business advertisement in yellow pages).

ACCEPTANCE SAMPLE RATIONALE

For Parts (2), (3), and (4): If there is no suspicion (payment not suspected to be wages) or the payment was identified and examined elsewhere in the audit, the documentation will contain a checklist or summary statement of accounts reviewed and findings.

- (2) If, initially, wages were suspected, but payment was subsequently not found to be wages, documentation will contain the number of individuals, the labor categories examined which turned out to be exempt or non-subject, explanation of evidence that payments do not constitute wages, and conclusions.
- (3) If payment to individual(s) was found to constitute wages, work paper(s) for each individual found must contain the audit period, name of payee, total quarterly amount, explanation of evidence that payments were wages, and findings. Also acceptable is a summary statement that the suspect amount was found and can be traced to a specified account, referencing another work paper. Adjustment reports can be used as part of the supporting documentation when the reviewer can trace each individual discovered to the resulting increases and decreases in total wages and taxable wages. Adjustment reports must be supported by narrative or other documented sources before they can be used as part of the supporting evidence to wage changes.

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ACCEPTANCE SAMPLE QUESTIONNAIRE

A variation of the following question will be added to the Acceptance Sample review before the mandatory implementation date of 1/1/96

"Was this assignment correctly identified as an audit in conformity with ETA audit policy as defined in the ESM?"

Pass_____ Fail_____

If answers to Questions 1 thru 9 are not documented in the completed audit file, then the answers to those questions must be "No." (For details on the level of required documentation, see Acceptance Sample Rationales.)

1. Was a pre-audit discussion, concerning the purpose of the audit, held with the employer or an identified designated representative? (Was the name and title of the employer or designated representative documented? If a representative was designated, was the name and title of the designator documented?.) (10 points)
Yes_____ No_____
2. Was an acceptable explanation documented as to how the auditor verified the existence of the business? (e.g., audit performed at the employer's place of business, partnership agreement, personal knowledge, business license, telephone directory, etc.) (5 points)
Yes_____ No_____
3. Was an acceptable explanation documented as to how the auditor verified the ownership of the business? (e.g., partnership agreements, articles of incorporation, corporation charter, income tax returns, business license, verification with Secretary of State) (5 points)
Yes_____ No_____

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ACCEPTANCE SAMPLE QUESTIONNAIRE

4. Does the audit contain documentation to show that the following four payroll record tests were performed: (25 points)
 - a. Verification of gross payroll posting system? Yes_____ No_____
 - b. Reconciliation of total payroll to total wages? Yes_____ No_____
 - c. Computation of total taxable payroll? Yes_____ No_____
 - d. Reconciliation of total taxable payroll to total reported taxable wages? Yes_____ No_____

Note: You must answer “Yes” to a, b, c and d to score 25 points

5. Does the audit documentation indicate: (a) that the following employer records, if available, were examined to search for misclassified workers and hidden wages, and (b) the findings from the examinations conducted in the audit?. (25 points)

(1) Were the following employer records, if available, examined:

- (1) Records of contract labor
- (2) Cash disbursements
- (3) Detailed general ledger
- (4) Miscellaneous reports and accounts

Yes_____ No_____

Revenue Quality Control
Field Audit Sample Coding Sheet

SESA: _____ Period Covered: _____ Date: _____ Reviewer: _____

Sample Type: Acceptance Expanded

Case Number	Employer Identification Number	1 (10)	2 (5)	3 (5)	4 (25)	5 (25)	6 (5)	7 (10)	8 (5)	9 (10)	Total Points	Is this an audit? Pass/Fail

Scoring Analysis

- Audits passing the initial "Is this an audit" are subject to scoring
- Audits scoring 80 or more points are acceptable.

Total Acceptable _____ of _____

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ACCOUNT MAINTENANCE

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

2. a. What automated internal controls does the SESA use to assure that employer contribution reports are posted accurately:

Yes No

- (1) Edit for correct math computation.? _____
- (2) Employer account number edit? _____
(e.g., hash totals, check digits) _____
- (3) Quarter/year edit? _____
- (4) Report totals balance with wage detail listing? _____
- (5) Other _____

VS: (Question 2):

3. Does the SESA have system procedures or internal controls to assure that quarterly contribution reports are posted promptly to prevent the mailing of delinquent employer notices or assigning to the field?

Yes_____ No_____

4. Does the SESA have a method for handling system rejects?

Yes_____ No_____

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ACCOUNT MAINTENANCE

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

4. a. If yes, is an error suspense file used?

Yes_____ No_____

(1) If yes, is the suspense file aged?

Yes_____ No_____

VS: (Questions 3 and 4):

5. Does the SESA have systems, procedures, or internal controls to verify that contribution report information (including account adjustments) received from employers, field auditors or other SESA units has been completed and the work can be tracked by:

- | | Yes | No |
|---|-------|-------|
| a. Following up on field investigations | _____ | _____ |
| b. Keeping a work flow log? | _____ | _____ |
| c. Other? | _____ | _____ |

VS: (Questions 5):

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PROGRAM REVIEW

ACCEPTANCE SAMPLE INSTRUCTIONS

Timing/Frequency

The universe will be identified once during the calendar year.

The universe will be identified after January 31 and prior to March 31. (Single snapshot on the date selected.)

Sampling Procedures

The following described the steps to establish the universe and select the sample accounts:

1. Select universe identification date.

This will be any day after January 31 and prior to March 31.

2. Identify the universe.

The universe will include all Contributory Employers who are active on the date selected to identify the universe.

Excluded from the universe are all Reimbursing employers.

3. Select 60 samples.

The samples should be selected between May 1 and June 30. Date of selection should assure that all reports are processed.

- a. If an employer submitted reports for more than one quarter only the 1st quarter report will be used.

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ACCOUNT MAINTENANCE

PROGRAM REVIEW

ACCEPTANCE SAMPLE INSTRUCTIONS

Universe

There are two universes to be identified.

CONTRIBUTORY EMPLOYERS

1. All contributory employers who have an unpaid debit that was established during the processing period and remains unpaid at the end of the processing period. The debit may relate to any quarter, but must have been established during the processing period for the quarter selected.

The processing period is defined as the time period during which the quarterly reports and contributions are processed after the selected quarter has ended. E.g.,

if the 2nd quarter is selected for review, the processing period would begin July 1 and end on the cut off date the SESA uses to identify delinquent employer reports, approximately August 20. This definition is for the sole purpose of defining the time frame from which the universe of debits established for contributory employers is to be drawn.

2. The debit is for unpaid UI contributions. (The debit may include interest and penalty.)

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PROGRAM REVIEW

ACCEPTANCE SAMPLE INSTRUCTIONS

Sampling Procedures Cont. The universe for **reimbursing employers** will be identified immediately at the end of the “grace period” for payment of reimbursing charges.

SESA's who do not build the universes as are established, and whose automated overwrite the pertinent fields, may if necessary to identify the populations of each employer at the beginning of the app period and again at the end of the period then compare the two populations to isolate those employers who had a debit increase established during the applicable period remains unpaid. These employers constitute the sampling universes.

3. Select 60 samples.

Reviewers must investigate billing procedures and identify the appropriate sample selection date. We recommend the following:

For **contributory employers**, the samples should be selected 30 days after the universe is identified.

For **reimbursing employers**, the samples should be selected 30 days after the universe is identified.

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PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

4. *Which of the following source documents does the SESA use to identify the posting of credits to employer accounts:

	<u>Yes</u>	<u>No</u>
a. Contribution reports?	_____	_____
b. Supplemental reports?	_____	_____
c. Field Audit change notices?	_____	_____

- d. Other adjustment reports? _____
- e. Wage record detail? _____
- f. Other? _____

3. Does the SESA have a method to assure that refunds issued to an employer can be traced to their source? Yes_____ No_____

6. Does the audit trail identify:
- | | <u>Yes</u> | <u>No</u> |
|---|------------|-----------|
| a. The type of update made to the employer account? | _____ | _____ |
| b. The date the refund was issued.? | _____ | _____ |
| c. The SESA employee's who authorized the refund? | _____ | _____ |

VS: (Questions 5 - 6)

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7. Are information sources retained and accessible for SESA use? Yes_____ No_____

VS: (Question 7)

8. If any of the preceding evaluative questions are answered "No", does the SESA have a substitute or compensating control? Yes_____ No_____ N/A_____

If yes, describe in the "Narrative" section following these questions.

VS: (Question 8)

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8. Prior to issuing refunds, is a review done to determine if:
- | | <u>Yes</u> | <u>No</u> |
|--|------------|-----------|
| a. Math computations are accurate? | _____ | _____ |
| b. All tax due has been paid? | _____ | _____ |
| c. Required contribution reports have been received? | _____ | _____ |
| d. Other? | _____ | _____ |

VS: (Question 8)

9. If any of the preceding evaluative questions are answered "No", does the SESA have a substitute or compensating control?

Yes _____ No _____ N/A _____

If yes, describe in the "Narrative" section following these questions.

VS: (Question 9)

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ACCEPTANCE SAMPLE INSTRUCTIONS

<i>Purpose/Intent</i>	<p>To assure accuracy in the establishment of employer overpayments (credits/refunds).</p> <p style="padding-left: 40px;">To assure that the SESA maintains employer overpayment (credit/refund) information accurately and timely.</p> <p style="padding-left: 40px;">To assure that the SESA accurately issues credit memorandums and/or refunds to employers for overpayments.</p>
<i>Scope</i>	<p>The scope of the review will focus on credits established during the processing period that are still (not refunded or applied to a liability) on the date the universe is identified.</p>
<i>Universe</i>	<p>The universe for employer (credits/refunds) will include all contributory employers who have overpayments (credits) established during the processing period of the selected quarter that remains outstanding at the end of the processing period.</p> <p>The overpayments may relate to any quarter but must have been established during the processing period for the quarter selected for the review.</p> <p>The credit is for overpaid contributions. (The credit may include penalty and interest monies overpaid.)</p>

ACCEPTANCE SAMPLE INSTRUCTIONS

*Sampling Procedures
Cont.*

- 3. Select 60 samples.

NOTE: The reviewer will have to investigate procedures for issuing credits/refunds and then identify the appropriate sample selection date. (E.g. in some states there may be a lag time of 90 days before refunds or issued, etc. - thus the sample selection date would be after the 90 day time lag period).

Should the entire universe be less than 50, the sample will consist of the entire universe. If the universe is more than 50, but less than 1,200, see Appendix A for number to review.

If the system is automated, the Reviewer must work closely with ADP. A thorough understanding of what the -sample includes and when it is to be extracted is essential.

Appendix A describes what action needs to be taken for sampling in both manual and automated systems.

Reviewing the Samples

Assemble the following information for each of the cases selected for review:

- 1. A copy of the original credit memorandum; or a facsimile created from the ADP file that created the original notice; or a copy of the cancelled check if a refund was issued; or a computer generated listing showing the employer account number, check amount, mail date and address refund issued to.

for an employer's account.

To assure that the SESA accurately issues benefit charge statements to employers.

Scope

The scope of the review will focus on benefit charges or benefit credits posted to employer accounts during the designated time period.

Universe

The universe to be identified for the Benefit Charging Acceptance Sample will include:

1. All employers with benefits charges posted to their account and
2. All employers with credits issued for prior charges posted to their account.

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Timing/Frequency

The universe will be identified once during the calendar year.

The universe covers either:

1. The 1st, 2nd, or 3rd quarter, if the SESA issues benefit charge statements on a quarterly basis, or
2. A Year if the SESA issues benefit charge statements on a yearly basis, or
3. A Month if the SESA issues benefit charge statements on a monthly basis

Sampling Procedures

The following describes the steps to identify the universe and select the sample accounts:

1. Select the time period to review.

This will be either the 1st, 2nd, or 3rd quar the year. See Timing/Frequency above.

2. Identify the universe.

The universe includes all active employers who have benefit charges and/ or credits posted to their account for the selected time period.

The universe will be identified immediately after all benefit charges (or credits issued) have been posted to the employer's account for the applicable time period.

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Reviewing Samples Identify which of the following items are included in the State's rate computation formula:

- a. total benefit charges? _____
- b. total benefit wages? _____
- c. total taxable wages? _____
- d. taxes paid? _____
- e. total payroll wages? _____
- f. reserve balance? _____
- g. other? (describe) _____

Assemble the following information for the employer's account:

1. Copies of the contribution reports and any adjustments to these reports used in the tax rate calculation for the most recent 4 quarters of the calculation period.
2. The benefit charges used in the tax rate calculation for the most recent four quarters of the calculation period.
3. Information from the employer's data file used in the tax rate calculation.
4. The SESA's experience rate factor (e.g., tax table, schedule, ratio, etc.).
5. Any other factors used by the SESA to calculate the employers tax rate.

