Question 5. Is it OK to modify the "PICKNMBR" Program provided by the National Office (NO) so that the program will select or generate a Random Number, rather than the program having to secure/select one and load one (via the control record)?

Answer: The "PICKNMBR" Program can be modified to do this as long as the logic, operation, output etc. are not changed. Before making any changes the State should verify their proposed changes with the NO technical staff via a call through the NO HOTLINE (1-800-473-0188).
Question 3. Consider adding an example in the glossary definition for contributory employers to include reimbursing employers who elect to pay rates.

Answer: The glossary definition will be changed to read exactly like the revised definition for Contributory Employers in the new ETA 581 definitions and instructions which reads as follows:

An employer who is required by the State unemployment compensation law to pay contributions into the State unemployment fund. Employers of certain classes who are not required to pay contributions but elect to do so, and employers with a 0.0% contribution rate are included in the definition of "contributory employer".

Note: Governmental and certain non-profit organizations (501 (c) (3)) who elect to pay contributions should also be included as contributory employers in Acceptance Sample universes.

Question 4. A suggestion was made to put a "boiler plate" of the annual report on the Sun System.

Answer: A Good idea! The NO will add this item to our list of "Things to Do" before RQC goes mandatory.

Question 5. Explore the Workload Validation and the RQC Universes; are these working together? Are they looking at the same thing? Will workload validation be changed to reflect changes in the 581 report?

Answer: Workload Validation (WV) currently reviews only two tax items, Subject Employers and Wage Items because these are the only tax data items used in the budgeting process. Both items are contained in the ETA 581 report. The standard for quality for both items is adherence to the Federal definitions for that report, contained in ET Handbook 401, Unemployment Insurance Reports Handbook. Some of the RQC computed measures also use the data element Subject Employers; in that sense both RQC and WV are working together and attempting to look at the same thing. It is currently planned to change several definitions or reporting instructions on the 581 report effective January 1, 1995. These changes will affect the reporting instructions for Subject Employers. WV will of course take these changes into account.
At some point in the future, a broader spectrum of UI data will be validated. Two pilots are developing approaches to this in FY 1994--an RQC pilot using selected 581 data and the Performance Measurement Review field test using benefit payment performance data. In all cases, the validation standard is the current official reporting definitions and procedures.
Tax Function: STATUS
Problem Type: Systems Review

Question 4. The Systems Review asks, "Is the info from Status Determinations and other changes to the employer records verified for accuracy?" What do you mean by "other changes?" Why not say "pertinent" or "material changes"?

Answer: We will revise the handbook to say "other material changes".

Question 5. One State questions the value of Status "tracking systems" in Execution of Events. They say the volume of work is so great that human resources are not available to establish a tracking system and want to know why the NO puts emphasis on this.

Answer: Establishing a tracking system or following up on incomplete or potentially liable Status Determinations offers assurance that all documents are acted upon and maintains control of work. Finding of "risk" in a Systems Review does not cause the SESA to fail in that function.
Question 12. There seems to be confusion about what we mean by questions in the new Status Acceptance Sample section "Accuracy of Initial Liability Decision". Does this refer to pending or temporary accounts? What if a State does not have such a procedure?

Answer: Question 1 asks whether or not the SESA has a written procedure permitting a liability decision to be made when required info is less than complete. This question refers to setting up actual active accounts, not pending or temporary accounts. If a State does not have a written procedure which allows an actual active account to be set up based on less than complete required information, the reviewer is instructed to skip questions 2 and 2a. and proceed to the next section. We will clarify that we are not referring to pending or temporary accounts in both the instructions and questions when the handbook is revised.

Question 13. Should Successors who do not have experience transferred be included in the Status successor universe?

Answer: Yes, it is the Successor Determination, not the transfer of experience, which places the employer in the universe. The successor may or may not, according to State law, inherit the experience of the predecessor. Each reviewer will need to follow his or her State law. NOTE: Among the criteria considered to be included in the universe, an employer must (1) be determined to be a successor (according to State law) and (2) be designated or coded as a successor.

Question 14. The Status function has two reviews. The "A" Status review evaluates the accuracy of the Status Determination and rate assignment, whereas the "B" review evaluates the accuracy of the posting of Status Determination information:

(a) If a Status Acceptance Sample case fails the "A" review, is it necessary to complete the Status "B" review?

(b) If a case being reviewed fails the "A" review but the incorrect information from the determination was posted to the "employer account record, should the "B" review fail as well? (E.g., The determination notice sent to the employer indicated liability was established Sept 15, 1993. However documentation indicated the account established liability Jan. 1, 1994. The Sept. 15 date was posted).
Tax Function: STATUS
Problem Type: Acceptance Sample (Continued)

Answer: (a) Yes, The "B" review is actually an accounting function which evaluates the correctness of the Status Determination posting. Accurate recording of Status information (posting) is material to current and future payment of tax revenues. E.g., if the correct mailing address is not posted, the employer may not receive contribution reports, delinquency notices, billings etc. There are separate lines on the Program Review Findings Chart for the two reviews of the Status function. It is possible to pass one review and not the other.

(b) No, the "B" review should not fail. The posting was correct based on the determination information.

Question 15. Several States and RO representatives have expressed concern about the amount of time available to complete Field Audit and Status Acceptance Sample reviews. The universe time period for the Status and Field Audit functions is one calendar year. Because of the required three month time lag for SESAs who set up accounts based on less than complete information, the New and Successor Status AS cases cannot be selected and reviewed until April 1. The reviewers will be busy at this time drafting and finalizing the annual report, making recommendations for improvements and planning for the next year's RQC review. Could the Status and Field Audit universe time periods be shortened or based on the Federal fiscal year?

Answer: There is insufficient experience at this point in time to make a change in the RQC design. A detailed workplan was presented during the RQC training sessions which we believe will enable reviewers to accomplish all phases of the RQC review in time to complete the annual report by mid-May.

If reviewers follow the workplan, and draft findings as they complete each function, the annual report will only need to be finalized in May. Field Audit cases and Status Inactivations/Determinations can be reviewed during the first quarter, Status New and Successors during April and the report finalized during early May.

Remember, the first year will be the most difficult. A good workplan is important. We will evaluate the situation again when there has been more experience with the design and workplan.
Question 3. Why is RQC excluding all benefit payment account activity from cashiering bank statement reconciliation?

Answer: RQC made a decision to review only tax activity. Some measurement for oversight in the benefit account activity will be developed by UIS in the future as part of the Federal/State "Performance Enhancement" group's decision on oversight.

Question 4. The Systems Review asks if the area for opening and sorting checks is restricted to authorized personnel only. In one State, normally the employer remittances are processed in a restricted area; however, during the quarterly mail rush, mail is processed throughout the Tax Department. On the due date and one or two days after the due date, a large room in the basement is set up and people from all over the building come to help open mail. They are supposed to sign in and out, but anyone can walk in. How should the question be answered?

Answer: The answer to the Systems Review question should be "No". The RQC Reviewer would deem that a risk exists in this area. (Note: Remember, a risk would not mean that reasonable assurance of quality did not exist in Cashiering; the final evaluation comes when sampling checks to determine if they were properly posted and processed timely.)

Question 5. Clarify the intent of this question, "Does the SESA maintain an audit trail for the following types of transactions:" a. "Receipt of employer contributions?" (Does this mean that the SESA should be microfilming or imaging all checks prior to depositing?)

Answer: The intent of this question was to ascertain whether or not the SESA has systems or procedures to track an employer's check through the SESA records. (RQC did not intend to imply that all States should photocopy, microfilm, image, etc. all employer checks prior to depositing.)

Question 6. SR question asks "Are untimely envelopes retained?" This question seems to indicate that actual envelopes must be kept. If a state used imaging or microfiling, the answer would be "No" which would indicate a risk. Should the question be reworded to say, "Is there a method in place to document untimely reports/payments?"

Tax Function: CASHIERING
Problem Type: Systems Review (Continued)
Answer: Agreed. The question will be reworded to say "Does the SESA actually retain untimely envelopes, or does the SESA use microfiching or imaging of such envelopes to document untimely reports and payments?"

Question 7. (a) SR question #3 - "After the mail is opened, the reviewer must note what sorts are used to control the flow of work and what batches are the end result of the sorts, and answer the following questions: a-n". This question has multiple subject questions. "a through f" pertain to sorts, but "g - n" do not pertain to sorts. Shouldn't these questions be reformatted?

(b) SR question #3n - "Does the procedure require a match or comparison between the paper report and the electronically transferred funds?" This question is confusing. What do you mean by paper report? Should the question be "Does the procedure require an external verification of the posting of electronically transferred funds?"

Answer: (a) Agreed. The questions will be reformatted to properly reflect those which pertain to sorts and those which do not.

(b) We will revisit this question and provide clarification as needed.

Question 8. (a) Lockbox review question #4c - "Is balance information available to SESA throughout each business day?" Should this question really be evaluative? If so, why only for Lockbox State? Shouldn't this also be in the review of non-lockbox States?

(b) Lockbox review question #4d,e & f - Why are these questions only asked for lockbox States; why not ask the same questions of non-lockbox States?

Answer: (a) & (b) RQC agrees. We will revisit these Systems Review questions and add appropriate questions for non-lockbox states.
Tax Function:  CASHIERING  
Problem Type:  Acceptance Sample  

Question 4.  There is no date on the Quality Appraisal Worksheet to which to compare the "date of receipt". QA uses the "date check received" to measure the time it takes the SESA from the date it receives the payment to the date it deposits it. If a SESA does not start its late date clock from that date, the date has no meaning for the RQC Sample.

Answer:  During the voluntary implementation, SESAs were instructed to use the QA sample for the Cashiering Acceptance Sample. QA will not be conducted after the October, 1994 - January, 1995 review; therefore, new acceptance sample instructions are under development. Until these instructions are finalized, we will not be able to furnish you with a definition of "date of receipt" for Cashiering. RQC will be working with the Contribution and Fund Management Group to define the instructions for this acceptance sample. (The RQC group has assumed that "date of receipt" would be the actual date check was received by SESA, e.g., by field auditor, in local office, in central office, etc. This decision has yet to be finalized.)

Note:  For Report Delinquency, "Date of receipt" or "timely received" is explained in Report Delinquency Computed Measures. (Handbook, Chap. V-2.) There is also a Q&A in Report Delinquency (Computed Measures, question 12) in this compilation which addresses the issue.

Question 5.  The Cashiering A/S Coding Sheet should have a column added for "$ amount of check".

Answer:  RQC agrees, and will add such a column to the coding sheet when Cashiering A/S is redesigned.
Tax Function: REPORT DELINQUENCY
Problem Type: Computed Measures

Question 11. If you call a delinquent employer and fill out the report over the phone, is this considered a "secured" report or an assessment (which falls in the "resolved" report category)?

Answer: If the wage information received over the telephone is from an active employer, some SESAs may consider it a "secured report"; in other States, reports obtained by telephone may be considered as assessments. Individual SESA procedures (for securing wage reports from active employers) would be the governing factor in deciding in which measure these should be counted.

The overall intent of the % of reports secured computed measure is to ascertain SESA effectiveness in acquiring the report information from the employer. (This can be done by actually securing the report.) The % of reports resolved computed measure evaluates SESA timeliness in turning a delinquent report into an account receivable. (This can be accomplished by establishing a legally due and collectible final assessment, or by determining the employer non-liable for reporting.)

Question 12. RQC needs a definition for "date of receipt" or clarification of "due date" for Report Delinquency Computed Measures. There is concern for a "level playing field" if all States do not use the same definition.

A suggested definition is: the date after which the State can impose penalty and interest.

Answer: RQC agrees with the proposed definition, and will add it to the glossary in the handbook. The "due date" or "date of receipt" for TIMELINESS would mean that all reports received prior to the date after which the State can impose penalty and interest would be considered timely. (This would take into account the SESA's grace period, and hopefully maintain a "level playing field for all SESAs.")
**Tax Function:** REPORT DELINQUENCY  
**Problem Type:** Methods Survey

**Question 1.** Provide clarification as to what is meant when we say "average number of days after the delinquent date".

**Answer:** The Methods Survey questions are designed to identify effective tools and procedures. Report Delinquency, Methods Survey question A. Notification Methods, l.(a.) seeks to identify the **approximate** number of days after the delinquent date that the written notices are mailed. This attempts to identify the time period that is shown to be most effective in collecting delinquent reports or monies.

**Question 2.** Why is this question asked: "Does this SESA provide return envelopes with pre-printed employer account numbers on them?"

**Answer:** The SESA may elect to reference an account number or an algorithm on the envelope that is mailed to the employers when the quarterly contribution reports are sent to the employers for their quarterly filing requirements. This tool is to assist in the identification of the employer, absent other information on the envelope and validate the postmark date for timely filing of the quarterly reports. It may also assist in the routing of the envelope in SESAs that have separately identified series of account number for different types of employers (e.g., reimbursing and contributory).
Question 7. Question 7a asks "Was a lien filed timely?" Does the RQC reviewer have to trace a lien all the way through the court system to answer this question?

Answer: No, tracking the recording of the lien is not required. The reviewer should verify that the lien was filed in accordance with SESA procedures. (e.g., If SESA procedures require or permit the use of certified mail for filing liens, the mail receipt (or copy) should be adequate verification that the sample case was handled correctly. If SESA procedures require or permit "in person" delivery of liens to the court, acknowledgement of receipt of the lien (the account being reviewed) by the court should be documented in the SESA's records.

Question 8. (a.) On the coding sheet, what exactly is required in the "Total Amount Due"? Is it the tax due for all outstanding accounts receivable as of the review date?

(b.) On the coding sheet, we assume "# Quarters with Liability" refers to all quarters for which the employer still owes taxes at the time of the review.

Answer: (a.) The "Total Amount Due" on the coding sheet is the amount due for all outstanding accounts receivable for the employer at the time of the snapshot when the universe is identified, not as of the date that the RQC sample review takes place. (Remember the review is to be conducted six months after the employer was identified in the universe, the total amount due for the employer identified may have changed by the actual review date.)

(b.) "# Quarters with Liability" does refer to all quarters for which the employer still owes taxes, but at the time the universe is identified, not at the time of review.

Question 9. Question #1, account correctly classified as "collectible", "uncollectible", or "in bankruptcy status"? If there is not enough information in the file to determine whether the account is correctly classified, the answer would have to be "No" wouldn't it? Why is there no "information not available" option?

Answer: The account is to be considered "collectible" absent any documentation that places it in "uncollectible" or "bankruptcy status". The INA (information not available) response is purposely omitted as an option for this question.
Question 10. Could you give an example of when Question 3, "Were initial written notice(s) and follow up notices sent timely for the most recent quarter of liability"?, would be answered "N/A"?

Answer: Question 3 would have an "N/A" answer in cases where the sample case is of a dollar amount to meet the universe criteria but low enough not to be included in the SESA's procedures that require written notices and follow-ups. An example would be accounts with less than $200.00 due which are to be collected through phone power efforts vs. written actions. Another example would be a SESA that does not send out notices on one quarter of liability and issues written notices and follow-ups only when there is more than one quarter of liability.

Question 11. A/S questions 5 & 6, please define "timely."

Answer: The timely filing of a lien or an assessment is defined by the SESA. (The SESA should have collection procedures that require a lien or an assessment to be filed within a certain time period. The reviewer will determine whether the lien or assessment was or was not filed within the time frame specified by the SESA.) After several years of data are accumulated, RQC can correlate Computed Measures findings with high quality SESA procedures and offer recommendations for the most effective timing of assessments and liens.

Question 12. Question #3, VI-46 - "Were initial written notice(s) and follow-up notices sent timely for the most recent quarter of liability?" Define most recent quarter.

Answer: The most recent quarter is defined as the most recent quarter of liability preceding the "snapshot date" (which should have occurred sometime between April 1 and June 30 of the RQC review year). NOTE: The most recent quarter of liability may not be the first quarter of the calendar year in which the "snapshot" is taken, it may be a previous quarter from a prior year.
Tax Function: FIELD AUDIT
Problem Type: Computed Measures

**Question 2.** Field audit computed measures indicator 1 - Total Wage Change has as a numerator of total wages underreported + total wages overreported. Should the total underreported wages and total overreported wages for each audit performed be netted and used for this RQC computed measure?

**Answer:** No. The total underreported wages and overreported wages should be reported separately. The ideal method is to record the total underreported and overreported wages for each calendar quarter. *Never* net the two and report the difference. Example: First quarter of 1993 has $5,000.00 under and $1,000.00 over found. The findings should be represented for this quarter as $5,000.00 underreported and $1,000.00 over reported, not $4,000.00 underreported which is the difference of the two findings. Total wage change equals $6,000.00. The revised ETA 581 Form instructions will also provide an example.
Question 18. Will the Random Audit universe be dropped?

Answer: A field audit selection process that contains any qualifiers is not considered truly "random". It does not appear that there are any SESAs with a selection process absent qualifiers, if this turns out to be true then the field audit random universe will be dropped from the RQC design.

Question 19. In the rationale for question #5 part (3), "Adjustment reports can be used .......". Do we need to just see the detail by SSN or must the reviewer redo all the math etc.?

Answer: Adjustments may be used as part of the supporting documentation "when the reviewer can trace each individual discovered to the resulting increases and decreases in the total wages and taxable wages". This will not require calculating the math of the dollar/numeric figures.

Question 20. Question 4-C, computation of total taxable payroll, calls for the work papers to include the identity of the payroll record used in the calculation and record of the calculations to verify the total taxable payroll. Can this task be omitted if the SESA has the individual wages of the employees on the main frame?

Answer: No. The wage information on file in the main frame data base previously filed by the employer via the contribution report has not been audited and could be incorrect. The auditor must compute from the employer's records and reconcile in 4(d) to the SESA files. The auditor may run the information obtained in the audit through the main frame program for the calculation process, but this is a SESA call.

Question 21. The Field Audit Rationale Section (2): - Why does Field Auditor have to provide evidence that payments do not constitute wages?

Answer: The information and data an auditor obtains during the performance of an audit is the evidence that furnishes the reason and the support for the conclusion that payments do or do not constitute wages.
Tax Function: FIELD AUDIT
Problem Type: Acceptance Sample (Continued)

For example: Bi-weekly payments are found in cash disbursements journal classified as "other labor", to individuals not shown in payroll records. However, further inquiry reveals that these payments were for services not subject under provisions of law (e.g. payments to licensed contractors, in separately established businesses performing services for the employer under audit). Documentation could be: "Three individuals found in category of "other labor", not subject to provisions of law upon review of supporting documentation (e.g. vendor files, contracts), determined non employee services and not wages."

Without this documentation there is no support for the auditor's decision that the three individuals were not covered employees.

Question 22. Do auditors have to look at all 1099's or just a sampling?

Answer: All 1099's must be reviewed to ensure that payments for services are identified. Expanding on Field Audit Q & A's Acceptance Sampling Question #14 (in attachment III of UIPL 16-94), 1099's which have been categorized into separate types may be documented as groups in lieu of being individually detailed, provided the auditor determines there is credibility in this method. Example: Auditor after categorizing the 1099's may document by stating 15 1099's were for dividends and 25 1099's were for interest.

Question 23. Please clarify question # 9 which asks: "If discrepancies or unreported wages and tax were found, or a credit is established was the adjustment (monetary or non-monetary) posted in accordance with the SESA requirements? If the audit is under appeal, adjustment reports should be made in accordance with SESA policy."
Tax Function: FIELD AUDIT
Problem Type: Acceptance Sample (Continued)

Answer: Establishing a system to ensure the proper accounting of audit results is an important component of a SESA's tax operation. The SESA has a fundamental obligation to guarantee the accuracy of the posting to ensure the employer is given the correct tax rate; that subsequent billings are correct, and that the collection unit is provided with timely information to process indisputable legal documents. This information may be monetary or not. Any discrepancies found in the audit that are material to the current or future tax payments of UI tax, should be adjusted/corrected. Documentation should include the identification of the discrepancy and evidence that the appropriate action was taken to correct the employer's files and compared to the SESA's records.

Examples of non-monetary discrepancies discovered in the audit would include: change of ownership of the business, change in partners of a partnership, change of officers in a corporation and change of address.

Question 24. Does the Field Auditor have to compare employer's total wages to the UI contribution report with the employer records on the SESA's automated system record?

Answer: Yes. Field audit question 4.b, reconciliation of total payroll to total wages rationale states..."Work paper(s) must show that the auditor compared a payroll record (which was established as correct through verification of the payroll posting system) to the total wages on the UI contribution report, and to the amount posted to the SESA's records." The audit documentation must show that the employer account with the agency contains the actual information submitted by the employer on the employer's contribution report. The distinction is important to prove that information keyed into the employer's record accurately reflects information shown on the contribution report. The rationale of 4b. is to provide reasonable assurance that the employer payroll system is credible and reliable. Therefore, both the employer's copy of the contribution report and the SESA's records must be reviewed either manually or by computer programs.
Question 25. What are acceptable procedures for verifying ownership on a domestic account? Personal income tax return? 942 report, Federal UI tax report?

Answer: It is permissible to use personal income tax returns and 942 reports to establish ownership in a domestic account along with "other sources". Examples of "other sources" may be: review of the cancelled checks or personal interview with the domestic employee. Absent these documents, other sources of verification in accordance with State audit procedures should be relied upon.

Question 26. In cases of multiple payroll systems, do you have to verify each system?

Answer: Yes. Employer's who operate (stand alone) multiple payroll systems must be individually verified. Employers with payroll systems that correlate the stand alone information from each payroll into a summary record/ledger may use such record in the performance of this task in the cases where the required information is available to meet the requirements for this verification function. The audit must contain documentation that establishes the reliability and credibility of the employer's reported payroll. The four tasks should be conducted and complete with the information required for each.
Question 5. Can blocked claims, delinquent reports and status assignments that are converted to "audits": 1. be counted as audits and included in ETA 581 reports and 2. be included in the audit universe for RQC?

Answer: Assignments issued to resolve report and money delinquencies, blocked claims, and status assignments should not be **routinely** converted or expanded to audits. If circumstances indicate problems or conditions not apparent when the assignment was made, then expansion of the assignment to include an audit may be warranted and should ensure the four quarter minimum scope requirement is complied with.

One fundamental factor in these cases is the status of the entity being examined, at the time of the contact. In general, if the entity is an established, properly registered employer, any field auditor contact to bring the account current in any UI aspect may be expanded to include an audit, if conditions warrant under established State procedures. The auditor's report would reflect the initial purpose for contact and the justification for conversion to an audit. An assignment to obtain data to establish or confirm whether or not the entity is an "employer" **cannot** be expanded to include an audit.

If the audit meets the above circumstances, it should be counted as an "audit" for ETA 581 and be included in the RQC universe of audits.
Question 5. At one time we were advised to delay working on the Account Maintenance Function for Benefit Charging. What is the current situation with this portion of the RQC Program design?

Answer: This portion of Core RQC will be implemented at the same time as the rest of RQC. (See UIPL-25-93 April 30, 1993, which announced several options for assessing charging accuracy. UIS' decision was to implement the A/M Benefit Charging segment as proposed in Core RQC, option # 1, at least until some experience is gathered by RQC reviews.)

The possibility of delay arose from a question of a separate, more extensive (and more expensive) program for the accuracy of Benefit Charging. The other program was delayed pending results of the Benefit Charging section of RQC.

The current Benefit Charging section of Account Maintenance for Core RQC will be the accepted methodology for assessing this tax function. (The decision was made to study the findings for several years using the review as it is now in the RQC Handbook.)
Question 6. Can computer records of the contribution report forms be used to review the tax rate sample or must we secure copies of the actual report submitted?

Answer: You need to get as close to the original information as reported by the employer as is feasible and any intervening processing of the information may obscure the original data.

An imaged copy is an actual copy so these may be used. Use of other computerized records must be dealt with on a State-by-State basis. Please contact your regional representative if you are interested in using computer records in lieu of copies of the actual reports.

Note: In general, 1) the computerized records must accurately reflect what was actually shown on the report form; 2) the figures must actually be recorded on the data base (as opposed to being calculated from other figures on the data base); 3) the fields must have edits to prevent any overwrite or any other method of changing those fields, and 4) Regional Office approval must be secured.