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**DIRECTIVE : UNEMPLOYMENT INSURANCE PROGRAM LETTER NO. 06-97**

**TO : ALL STATE EMPLOYMENT SECURITY AGENCIES**

**FROM : MARY ANN WYRSCH**  
**Director**  
**Unemployment Insurance Service**

**SUBJECT : A Compilation of Previously Issued Questions and Answers (Q&As) on the Tax Performance System (TPS) and the Employment and Training Form ETA 581, and a Group of Newly Answered Questions.**

**1. Purpose.** To provide:

A.) A compilation of Q&As which are still pertinent from the five preceding segments in the Q&A series. This series was issued by the Revenue Quality Control (RQC) initiative which is now a part of UI Performs.

B.) Answers for recent questions about the design and implementation of the TPS and clarification of instructions for the revised Form ETA 581 (Contributions Operations).

**2. References.** UIPL No. 16-94 (3/15/94), UIPL No 31-94 (6/24/94), UIPL No. 7-95 (12/20/94), UIPL 21-95 (4/20/95), UIPL NO. 6-96 (12/31/95) and ET Handbook No. 401, 2nd Edition, Change 5 (10/11/94).

**3. Background.** Previous segments of this series answered questions about the design of RQC and about items State Employment Security Agencies (SESAs) report on Form ETA 581. These items provide many of the data elements used in the calculation of TPS Computed Measures. Previous Q&As were arranged in two sections:

- 1) Items SESAs report on the Form ETA 581 and
- 2) Tax functions assessed by the RQC review, now TPS.

**4. Compilation of Questions and Answers.** The Tax staff has reviewed the previously issued Q&As and determined which ones are still applicable. Those that have become obsolete have been deleted. The two sections have been merged into one compilation. Where applicable, each tax function has sections for questions in the various categories. For example, Report Delinquency has a section for Form ETA 581, Computed Measures, System Reviews, Acceptance Sampling and Methods Survey.

The numbering of questions in each category is continuous. This format provides the flexibility to allow periodic Q&A updates to be inserted in the appropriate section. For example, the last question in the Q&A compilation Collections-Acceptance Sampling is number 13. The first question in the newly issued Q&A's Collections-Acceptance Sampling is number 14.

5. **Action Required.** SESA Administrators are requested to distribute the three Q&A attachments to State RQC Reviewers, SESA Tax staff and appropriate Data Processing staff as well as the staff responsible for the preparation and accuracy of the ETA 581 report. Five copies are attached for your convenience. The five old segments of the Q&A series should be replaced by the compilation in attachment 1.

A crosswalk has been included which indicates the number of each question in the original segment and the new number of the question in the compilation.

6. **Inquiries.** Direct Inquiries to your Regional Office.

7. **Attachments:**

- 1) [Question and Answer Compilation](#)
- 2) [Newly issued Q& As](#)
- 3) [Crosswalk](#)

Example of ETA 581 for Reference Purposes

ETA 581 - CONTRIBUTION OPERATIONS

Report For Quarter Ended:			Region Code:		State:	
Ln 101	End of Quarter Employers			4. Delinquency Cutoff Date	5. Total Wage Items Received	
	1. Contrib.	2. Reimbur.	3. Total			

EMPLOYER REPORTS FOR PRECEDING QUARTERS

201	Contributory Employers			Reimbursing Employers		
	6. Timely	7. Secured	8. Resolved	9. Timely	10. Secured	11. Resolved
	12. No. Outstanding Qtrs. Prior to Report Quarter			13. Total Estimated Contributions Due		

STATUS DETERMINATIONS

301	Newly Established Employers			Successor Employers			
	14. Number	15. Time Lapse <= 90	16. Time Lapse <= 180	17. Number	18. Time Lapse <= 90	19. Time Lapse <= 180	20. Inactv Terminations

CONTRIBUTORY EMPLOYER RECEIVABLES

401	21. Total Beg. Period	22. Determ Receivable	23. Liquidated	24. Declared Uncollected	25. Removed End Period	26. Total End Period	27. Employers Owing Recs.
402	Age of Receivables						
	28. 6 Months or Less	29. 9 Months	30. 12 Months	31. 15 Months	32. Over 15 Months		

REIMBURSING EMPLOYER RECEIVABLES

403	33. Total Beg. Period	34. Determ Receivable	35. Liquidated	36. Declared Uncollected	37. Removed End Period	38. Total End Period	39. Employers Owing Recs.
404	Age of Receivables						
	40. 6 Months or Less	41. 9 Months	42. 12 Months	43. 15 Months	44. Over 15 Months		

AUDIT ACTIVITY

501	Number of Audits		47. Calendar Quarters Audited	Total Wages Audited		50. Number Change Audits	51. Hours Spent Auditing
	45. Large Employers	46. Total Audits		48. Pre- Audit	49. Post- Audit		
	Amount Underreported			Amount Overreported			
	52. Total Wages	53. Taxable Wages	54. Contributions	55. Total Wages	56. Taxable Wages	57. Contributions	

ATTACHMENT 1

COMPILATION OF TPS Q&A'S 1994-1996

TAX FUNCTION: GLOBAL  
PROBLEM TYPE: MULTI-UNIT EMPLOYERS

See Attached Grid

## Multi-Unit Employers Counting for ETA 581 and RQC Acceptance Sample (A/S) Universes

(Numerous questions have been received regarding multi-unit employers, the following table addresses the methods to be used in counting activity for them for the ETA 581 and for RQC A/S purposes. State laws and procedures vary greatly. Therefore, the information shown may not fit circumstances in every State. Please call your Regional Office or the National Office if any questions arise.)

TAX FUNCTION / REPORT ITEM	ETA 581 COUNT	RQC A/S UNIVERSE
<p><b>Employer Count</b></p>	<p>A multi-unit employer is counted as ONE entity.</p>	
<p><b>Status:</b>            1) If one unit of a multi-unit employer is purchased by another employer is this a successor?            2) New Employer Determinations - How are multi-unit determinations counted?            3) Terminations - Only one unit goes out of business, is this considered a termination?</p>	<p>Yes - a partial successorship (if the State's law allows this)            Same as employer count - it is ONE determination            No - to count as a termination the entire entity must be terminated</p>	<p>The successor determination is included in the successor universe            The determination is included as ONE record in the Status-New universe.            To be included in the termination universe it must be a termination of the entire entity.</p>

TAX FUNCTION / REPORT ITEM	ETA 581 COUNT	RQC A/S UNIVERSE
<p><b>Report Delinquency:</b> 1) Individual reports are sent to and received from each unit, what if only one report is not received timely?</p>	<p>A multi-unit employer is counted as one entity, if any unit is late the entire entity is counted as delinquent.  (single count also applies to timely, secured, resolved items)</p>	<p>Individual reports are reviewed to ensure proper actions are taken, therefore, if separate reports are mailed, each delinquent report is included in the universe.</p>
<p><b>Debits/Credits:</b> 1) Individual reports are sent to and received from each unit, separate debit and credit notices for each sub-unit are prepared. How are these dealt with in the ETA 581 and RQC universes?</p>	<p>Debits and credits are combined to arrive at the NET amount owed. One employer is counted in Item # 27.</p>	<p>As in Report Delinquency, individual debit/credit notices are reviewed to ensure proper actions are taken therefore, if separate notices are prepared, each notice is included in its respective universe.</p>
<p><b>Collections:</b> 1) One or more sub-units have debits established: a) separate collection cases are set up or, b) assigned to different field staff or, c) amounts differ or d) may be in different areas of the State. How do we build RQC universe?</p>	<p>(no collection Items on report - see debits above re: receivables)</p>	<p>If separate cases are assigned, each case meeting the criteria for inclusion into the collection universe will be a single, individual record in the universe file.</p>

TAX FUNCTION / REPORT ITEM	ETA 581 COUNT	ROC A/S UNIVERSE
<p><b>Field Audit:</b></p> <p>1) Is it counted as an audit if only one sub-unit's books are reviewed?</p> <p>2) For a multi-unit employer, how are the number of quarters counted (Item #47)?</p> <p>3) What if the review of only one sub-unit's books is expanded, how are quarters counted?</p> <p>4) What if only one sub-unit's books reveals a "change", is this a change audit?</p>	<p>- NO - All multi-unit employers are counted as a single entity so all sub-units must reviewed to be counted as an audit.</p> <p>- In a four quarter audit count only "4", not four times the number of sub-units.</p> <p>- No expanded counts can be made unless ALL sub-unit's books are reviewed for the same period. (must follow rules allowing expansion)</p> <p>- Yes - if any portion changes, the audit is a change audit.</p>	<p>To include in the universe follow the same rules as the ETA 581 - Must be considered an "Audit" to be included.</p> <p>- (not applicable to universe)</p> <p>- (not applicable to universe)</p> <p>- (not applicable to universe)</p>

**TAX FUNCTION: GLOBAL  
PROBLEM TYPE: DOCUMENTATION FOR ELECTRONIC FILING/PAPERLESS  
SYSTEMS**

**With "state of the art" equipment and programs that encourage the concept of "paperless" reporting and recording, questions arise as to what constitutes acceptable documentation for RQC review purposes.**

**Similar to the earlier paper systems, automated paperless systems need audit trails so that original input is recorded and retained. If an audit trail does not exist, there is potential for fraudulent activity, and the RQC review finding would need to indicate that a risk exists within such a system.**

**Hard copies, microfiches or imaging of original information provide the necessary audit trails. For employers filing wage and contribution information electronically, on disk or tape, a copy of reported/recorded information loaded into the employers' account/file would be considered as an "original" document and provide an audit trail.**

**After the original information is entered, additions, changes and deletions are often made to employer files. Sound operating principles call for some means to capture the information which caused the alteration to take place. If, however, the RQC reviewer comes across a system which simply overlays new information over the original, without any apparent provision for an audit trail, the reviewer could look to the DP unit, since most States retain a back-up file (tape, disc, etc.) of the computer program runs. Such data are usually held at an off-site location for periods of time for rebuilding data files, when necessary. These back-up files could be utilized to recreate the data needed for RQC review purposes.**

**The reviewer should check with the DP or Internal Security unit to discover how they recreate the original information (short of running every single back up tape), and the method used to catalogue information so that one can tell if he/she is looking at original versus adjusted information.**

**"Original" (paper copies, imaging, microfiche, etc.) documents for the Acceptance Sample cases must be retained until the Annual Report is complete and signed off by the SESA Administrator and the Regional Office representative. If SESA record retention requirements have not been examined to date, this should be done immediately to ensure that necessary records are being retained for the appropriate time periods required to conduct the RQC reviews.**

**March 1995**

**TAX FUNCTION: GLOBAL**

**TAX PROBLEM TYPE: END OF QUARTER EMPLOYERS-ETA 581**

**Question 1. Can you count both predecessors and successors at the end of the quarter as active employers if both are required to file reports during the quarter?**

**Answer: The intent is to count the number of active employers at the end of the quarter. In the case of a "complete" transfer of the business during the quarter, the predecessor should not be included in the count of employers at end of the quarter because the predecessor is no longer in business at that time, even if required to file a report for the quarter. If the transaction is a partial transfer and the predecessor remains in business, and the predecessor and successor are required to file reports, both parties should be included in the count of employers.**

**December 1994**

**Question 2. Can you also count inactive accounts that were active during the quarter?**

**Answer: No, the count is of the number of active employers at the end of the quarter.**

**December 1994**

**Question 3. Some states believe that there is a discrepancy between "Item by Item" instructions for items 1 and 2 and the definition of "Active Employer". Which is the correct way to count--(a) or (b)?**

**(a) Some States have programmed their computers to count all active employers as of the last day of the quarter. They define an active employer as an employer who owes a report for that quarter.**

**(b) Other States have programmed their computers to count all active employers on the last day of the quarter and define active as actually being in "active status" on the last day of the quarter.**

**Answer:**

**(a) States that define "active" employer based simply on whether the employer owes a report for a specific quarter, improperly disregard other transactions (e.g., made inactive) which may have occurred during the quarter which determine the employer's status by the time the count is taken at the end of the quarter. It is possible for an employer to be required to file a report for a specific quarter and become inactive by the end of the same quarter. Therefore, it is incorrect to use the "report requirement" as the only defining factor for determining the Status of an employer when the count of active employers is taken. See Item by Item instructions F1 in ET Handbook No. 401, 2nd Edition Change 5-October 1994-which states that employers who have been inactivated or terminated should not be included.**

**TAX FUNCTION: GLOBAL  
PROBLEM TYPE: END OF QUARTER EMPLOYERS-ETA 581**

**(b) Item (b) is the correct way to count the number of active employers --programming considers "actual status" and counts the number of active employers on the last day of the quarter.**

**Note: In the revised ETA 581 instructions issued in October of 1994, the definition for "inactive employer" no longer includes the phrase stating when the inactive status should become effective in cases (a) and (b) of the definition. This means that when an employer is made inactive, his/her status as such becomes effective as of the date of the transaction (or the date specified by the State) not the first day of the following quarter. In case (c) of the definition, the effective date has been changed to the last day of the eighth quarter for which a "no wages" report was filed. Therefore, an employer who becomes inactive during a specific quarter is not included in the active employer count at the end of the quarter, even though she/he may have been required to file a report for the same quarter.**

**December 1994**

**Question 4. Why are contributory and reimbursing employers counted separately on the ETA 581?**

**Answer: Contributory and reimbursing employers are reported separately on the ETA 581 because their differing methods of financing benefits have different effects on the State's Trust Fund. The proportion of receivables attributable to each of the two categories of employers can be determined by separate reporting and can be compared to receipts and disbursements on other ETA reports (e.g., ETA 2112) which also separate the two categories. The separate count also accommodates the use of the number of contributory employers as the base to compute audit penetration rates.**

**March 1995**

**TAX FUNCTION: GLOBAL**

**PROBLEM TYPE: END OF QUARTER EMPLOYERS-ETA 581**

**Question 5. The following questions concern the definition of active employer:**

**The definition of "active employer" is stated as: An "employer" (single or multi-unit) under the State unemployment compensation law, currently registered and required to file reports, who has paid and reported wages during one or more of eight consecutive calendar quarters which includes the quarter being reported.**

**(a) Should employers who are required only to report some quarters but not all quarters or on some basis other than quarterly (e.g. seasonal employers) but are otherwise considered active, be included in every quarterly count of active employers?**

**(b) Because of the timing between the normal receipt and posting of employer reports and the due date of the ETA 581, isn't it almost impossible to ascertain if employers still meet the requirements of the definition of active employer and be included in the count for the ETA 581 quarter "being reported"?**

**(c) If an employer submits "no wages" reports for the seven quarters prior to the ETA 581 report quarter, has not yet been made inactive, and is expected to submit a contribution report for the eighth quarter but has not (wages have not been reported), is the employer included in the count of active employers as of the end of the report quarter (eighth quarter)?**

**Answer:**

**(a) Employers who may not be required to file a contribution and/or wage report every quarter but are required to meet an alternate filing requirement and are otherwise considered active, should be included in the count of active employers for each report quarter.**

**(b) The count of active employers includes the ETA 581 quarter being reported based on information available (employer reports received) at the time the ETA 581 is completed.**

**(c) If an employer has submitted "no wages" reports for the previous seven quarters and has not submitted a report by the time the ETA 581 is being completed, the employer is still counted as active (with a report delinquency).**

**March 1995**

**TAX FUNCTION: GLOBAL**

**PROBLEM TYPE: END OF QUARTER EMPLOYERS-ETA 581**

**Question 6. Reviewers have asked about official instructions which inform States to run the inactivations quarterly for those employers who have filed "no wage" reports for eight consecutive quarters. Some states are doing this quarterly; however, others are only conducting this activity once or twice a year.**

**Answer: October 11, 1994, instructions for completion of the revised Form ETA 581 were issued with the release of ET HANDBOOK NO. 401, 2ND EDITION CHANGE 5. These instructions include directions for counting the total number of active employers subject to the State unemployment compensation law at the end of the report quarter. The Q&A's (1) and (2), Tax Function: Global--End of Quarter Employers ETA 581--provide further clarification about counting active employers at the end of the ETA 581 quarter. If SESAs fail to inactivate employers who have paid no wages for eight quarters on a quarterly basis, the active employer count will be incorrect. If such accounts are inactivated only once a year, the active count would be overstated for up to three quarters. The Data Validation initiative is developing a method for validating the active employer count in each State.**

**Question 7. The ET Handbook #401 definition for an "Active Employer" is in conflict with the instructions provided in the Handbook as well as prior Q&As. The definition reads, "... an employer currently registered and required to file reports, who has paid and reported wages during one or more of eight consecutive calendar quarters which includes the quarter being reported." The instructions say to count any active employer subject to state unemployment compensation law at the end of the report quarter. Some States are not counting employers as active unless a report has already been filed, and taxes paid. Please provide clarification for this definition.**

**Answer: The definition will be clarified in the next 401 Handbook update. The definition for active employer should read: "An employer (single or multi-unit) under the state unemployment compensation law, currently registered and required to file reports during one or more of eight consecutive calendar quarters which includes the quarter being reported.**

**TAX FUNCTION: GLOBAL  
PROBLEM TYPE: SOFTWARE**

**Question 1. How do Cobol Programs #1 and #2 work? What is the universe file and how do I use it?**

**Answer: A universe file is the collection of data that meets the criteria specified in the RQC handbook for each tax function. The information needed to create a universe file is very specific. It is imperative that the RQC reviewer and the ADP staff understand the inclusion and exclusions associated with each universe. Review the Acceptance Sample instructions in the RQC handbook for each tax function that requires a sample.**

**Program #1 and Program #2 are the COBOL programs that the National Office has written to help the States perform Acceptance Sampling. Program #1 (PICKNMBR) is used to determine which records from the universe file will be selected for the sample. Program #2 (SAMPS0NN) selects that actual record from the universe file thereby identifying the employer.**

**Program #1 can be used as a stand-alone program. It does not use the actual universe file when the program is executed. However, the universe file must be created because the total number of records contained in the file is used as input into the program. If the universe file for a particular tax function is made up of files in a filing cabinet, Program #1 can be used to identify which files to take out of the cabinet and review. The reviewer must count the total number of files in the filing cabinet and supply this number to the ADP staff for executing Program #1.**

**February 1994**

**Question 2. Will a new random number table be issued annually?**

**Answer: New numbers will be made available every year. Revised numbers will be sent electronically through the SUN computer system.**

**February 1994**

**Question 3. Is it okay to sort universes by employer account number?**

**Answer: The only universe that RQC requires to be sorted is the Collections universe (Sort by the Dollar Amount Due). Other universes CAN be in Employer Account Number order as long as the account numbers have been assigned without regard to type or any other criteria (e.g. all numbers in the "900,000" series are reimbursing).**

**February 1994**

**TAX FUNCTION: GLOBAL  
PROBLEM TYPE: SOFTWARE**

**Question 4. 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).**

**May 1994**

**Question 5. We recommend laptop software for RQC review data entry.**

**Answer: All data collected for the RQC review must eventually be entered into the UI SUN computer system. This system utilizes a UNIX operating system with INFORMIX as the data base handler. Information will be keyed using a front end graphical user interfacer (GUI) which incorporates various edit and logic checking protocols. Most laptops are DOS based devices. It is not possible to easily transfer data from the laptop to the RQC system on the SUN. States may use a laptop as a note or record keeping device, however, if RQC data is entered into a laptop, it will have to be REKEYED a second time into the SUN.**

**December 1994**

**TAX FUNCTION: GLOBAL**  
**PROBLEM TYPE: COMPUTED MEASURES**

**Question 1. Are all computed measures annual?**

**Answer: All RQC computed measures except those in Status are designed to provide an annual finding. Status is on a quarterly basis. The SESAs will have the ability to calculate them each quarter and review them for possible problems and trends before the measures are reported in the RQC Annual Report.**

**February 1994**

**Question 2. Which quarters are used for the numerators in the Report Delinquency and Collections computed measures?**

**Answer: When the RQC Software is developed, it will allow use of any time period. Using the formulas shown in the Appendix with each measure, you can calculate starting with the quarter you want (shown as Q(x) ) and the programming will go back the appropriate number of quarters. (For the annual report, we will specify which quarter to use.)**

**February 1994**

**Question 3. Who will actually calculate the Computed Measures, the National Office, individual States or both?**

**Answer: States will be able to calculate their own Computed Measures, when all the data is available. The National Office will also routinely calculate the Computed Measures.**

**December 1994**

**TAX FUNCTION: GLOBAL  
PROBLEM TYPE: SYSTEMS REVIEW**

**Question 1. If a SESA elects to continue having a risk in a particular area year after year, would this mean that the Systems Review would have to be done every year?**

**Answer: In the RQC Operations Handbook, we advise that complete Systems Reviews must be conducted every three years unless changes are made or problems are identified. If a risk is identified, but the SESA elects not to address such risk and no changes have occurred, it will not be necessary for the reviewer to conduct a full Systems Review for that function until the third year review.**

**February 1994**

**Question 2. What if the central office staff have written procedures that are current and complete and the field office staff has written procedures which are not current for the same function? How do you answer the System Review question about recorded instructions?**

**Answer: The reviewer should answer the question "No". Then in the annual report, the reviewer should explain that one unit has written procedures that are current and complete, and that the other unit does not. The recommendation would be to update the field's handbooks.**

**February 1994**

**Question 3. What if there are multiple locations where separate systems reviews would be needed? (E.g., regional offices or the team approach where a unit handles everything for a certain group of account numbers) How should reviews be conducted?**

**Answer: Ideally, the reviewer would conduct the Systems Review in all locations during the first year review; however, if this is not feasible, then the reviewer should conduct the Systems Review for all locations within a three year period. (E.g., if there are five locations, the reviewer should conduct the review in two locations during the first year, two locations in the second year, and in one location during the third year review.)**

**February 1994**

**TAX FUNCTION: GLOBAL**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. Acceptance Sample Cases - Is it necessary to keep documentation for adjustments? (E.g., one SESA keeps adjustments but not backup.)**

**Answer: Yes. RQC requires source documents - for adjustments; the employer's letter, amended contribution report, auditor's report, etc., whatever is used as the basis for the adjustment.**

**February 1994**

**Question 2. How long are the States to retain the automated Universe Files?**

**Answer: The RQC Requirement for retention of the automated universe files is the same as for retention of Documentation--until the Annual Report is completed and approved by the Regional Office. Reviewers are strongly urged to follow up on their State's requirements for file retention before destroying automated universe files. Also, reviewers may wish to consult with their ADP liaison about downloading the universe files from the mainframe and retaining them on a separate tape or disk.**

**February 1994**

**Question 3. In an Acceptance Sample consisting of less than 60, how many cases can fail and the A/S not fail?**

**Answer: This situation will be handled on an individual basis. Call your RO representative or the NO DP hotline (1-800-473-0188) and the RQC staff will provide this information.**

**December 1994**

**TAX FUNCTION: STATUS  
PROBLEM TYPE: ETA 581**

**Question 1. If the SESA allows a reimbursing employer to change to a contributory account:**

- (a) Is this a Status Determination?**
- (b) How is it counted for the 581 and Computed Measures?**

**Answer:**

**(a) Yes, it is a New Employer Status Determination.**

**(b) It should be included in the 581 count for Item 14 (Number of Newly Established Employers). If it is necessary to inactivate or terminate the reimbursing account in order to make the New Determination, it should also be included in the 581 count for Item 20 (Inactivations/Terminations). For Items 1-3, (End of Quarter Active Employers) it should be counted in whichever category it belongs at the time the count is taken. The liability date for the new contributory account is the date the account is made effective as a contributory account.**

**March 1995**

**Question 2. The definition of successor states "... and is declared subject as of the date on which it meets the requirements of the State unemployment compensation law for successorship." This is confusing in States that have broad coverage requirements (e.g. subject employment exists if there is any employment for any portion of any day or there is a payment for service that exceeds more than one dollar) because the employer is subject whether there was a succession or not. Why is "declared subject" part of the definition?**

**Answer: This definition applies only to successors. It should be interpreted to mean ".....declared subject as a successor..."**

**March 1995**

**Question 3. What is the purpose of the Inactivation/Termination count? How is it used?**

**Answer: Although this information is no longer used to determine the number of active accounts, it is still a reportable activity of a State's contribution operations. Other Federal government agencies use it for statistical projections. For example, the Small Business Administration activity report uses the information as a factor in projecting change in its employer population.**

**March 1995**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: ETA 581**

**Question 4. If an employer submits "no wage" reports for 6 quarters and then fails to submit reports for 2 quarters which are then assessed as a matter of SESA procedure, should the account be inactivated based on the 8 quarter "no wage" criteria or should it continue to be counted as active?**

**Answer: The account should continue to be counted as active until the actual inactivation decision is made by the SESA. Example: The SESA receives wage reports for 6 quarters which report no wages and then receives no more reports. The SESA follows its procedures and makes assessments of zero wages for the next two quarters and inactivates the account based on 8 quarters of no wages. The account should be included in the active count until the actual inactivation takes place.**

**March 1995**

**Question 5. If 8 quarters of "no wage" contribution reports have been submitted and the employer account is automatically inactivated without a person actually making a determination:**

**(a) should the account be included in Inactivations/Terminations (Item 20)?**

**(b) Should the account be included in the RQC Acceptance Sample universe for Inactivations/Terminations?**

**Answer:**

**(a) Yes, whether a person makes a determination or the system automatically inactivates the account, it should be included in the 581 count of Item 20 (Inactivations/Terminations).**

**(b) Yes, an account automatically inactivated should be included in the Status Inactivations/Terminations Acceptance Sample universe.**

**March 1995**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: ETA 581**

**6. If after 8 quarters of "no wage" reports accounts are counted in item 20 for ETA 581 purposes, but the SESA continues to keep the account active on its records and at some later date inactivates the account: (a) Should the account be included on the ETA 581 again? (b) Should the inactivation be included in the Inactivation/ Terminations RQC sample universe?**

**Answer: (a) If an employer account is automatically inactivated by a computer program upon submission of "no wages" reports for eight quarters and is counted in Item 20 (Inactivations/Terminations) at that time, the account should not be included in item 20 a second time when the account is inactivated in the State's internal records. (b) For the RQC universe, the inactivation is considered as one transaction on one employer account and should be included in the RQC sample universe for Inactivations/ Terminations.**

**March 1995**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: COMPUTED MEASURES**

**Question 1. In Status Computed Measures, what do we mean by "liable"?**

**Answer: The date liability is established--count from the end of that quarter.**

**In States another word may be used for "Liable".  
For RQC purposes please use the RQC glossary definition:**

**"A liable employer is a subject employer who must fulfill the reporting and taxing requirements of the State Unemployment Compensation Law".**

**Computed Measures are counted from the last day of the quarter in which liability is established.**

**Requirements to establish liability vary from State to State.  
Also States may have different ways of establishing liability for different types of accounts.  
Here are some examples:**

- **State law may provide that an employer establishes liability on the date of application for voluntary coverage.**
- **State law may provide that an employer is immediately liable if subject to FUTA based on employment in another State.**
- **Some States do not require a specific number of weeks of employment or a minimum dollar amount of wages before an employer is required to pay unemployment taxes. In these States, the employer establishes liability as soon as there is employment. Computed Measures for these States should be counted from the end of the quarter in which liability is established to the "determination date". (Glossary definition: For Computed Measures: The date on which the Status information for a specific employer is entered in the SESA's automated system.)**
- **In States which require a certain number of weeks of employment and or a minimum dollar amount of wages before taxes are due, liability is established when the set level of weeks is reached or minimum amount of wages is paid.**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: COMPUTED MEASURES**

**Example: Employment begins February 1, 1992. State law requires 20 weeks of employment and/or wages of \$1500. The employer meets the \$1500 requirement July 1, 1992. The liability date is July 1, 1992. In this instance, Status Computed Measures should be counted from September 30, 1992--the end of the quarter in which the account became liable. FUTA law requires that when liability is established, taxes must be paid retroactively to January 1 for wages paid in the year liability is established. The States also follow this practice. However, for Computed Measures, the States are required to count from the end of the quarter in which liability is established.**

**February 1994**

**Question 2. Report Delinquency measures refer to quarters (i.e., 2 qtrs). Status measures refer to actual count of days (i.e.,90 days, 180 days). Should they be counted the same?**

**Answer: No. Since Report Delinquency is a quarterly cycle, use quarters and not days. Status counts actual # of days from end of the quarter.**

**February 1994**

**Question 3. When the Status liability date changes because of a correction, which end-of-quarter date do you count from?**

**Answer: If it is necessary to correct a liability date and the information is available before the data has been reported to the National Office, use the corrected date. When RQC becomes mandatory, the Status data elements will be reported electronically via the "581". (Since "581" data is not due until the 20th day of the second month after the end of the quarter to which it relates, this will allow time for most corrections.)**

**February 1994**

**Question 4. SESA reactivates terminated accounts to make corrections. Should these be counted for Computed Measures? (Example: During a field audit a successor was discovered which had previously not been set up; there have been two later successors which have been set up. The SESA would inactivate and reactivate the last two in order to set up the one that was discovered as a result of a field audit.)**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: COMPUTED MEASURES**

**Answer: Reactivations which are made solely for the purpose of corrections should not be counted in the computed measures as they do not meet the reactivation definition. (In the above example, only the successor which had not previously been determined to be a successor should be counted in Computed Measures.)**

**February 1994**

**Question 5. Would a duplicate account set up in error be counted in Status C/M? What about duplicate accounts in the A/S?**

**Answer: Yes. In spite of controls, occasionally duplicate accounts are set up for the same employer. Such duplicate accounts would be counted in C/M. These duplicate accounts will also be included in the A/S universe. If a number of these accounts appear in the sample, the SESA will need to review S/R controls to see what controls the SESA has to prevent or minimize duplicate accounts from being set up. (Same as question 5, Status A/S.)**

**February 1994**

**Question 6. (a) How do we treat accounts being reactivated within a year of being discontinued which we allow to be reopened with the same account number? They increase the number of active accounts (581 Item 3) but they had already been counted when they originally registered, so in effect we would be counting them twice.**

**(b) Also how do we account for the lag time statistically? If we measure from the original liability date to the most recent date of determination when we reopened the account, more than 180 days may have elapsed from the date of liability if the account was originally registered years ago.**

**Answer: (a) When accounts are "inactivated" they lower the active count. If returned to active they increase the active count. Therefore, they are not counted twice.**

**(b) For counting purposes, use the most recent date of liability or date reactivated in measuring time lapse.**

**February 1994**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: COMPUTED MEASURES**

**Question 7. Scenario: A New Employer Status Determination is correctly made, however, when the determination is put into the computer system the code for "terminated" is inadvertently entered instead of the code for "new employer". Some time during the same quarter, the error is recognized and corrected. Should the account stay in the "terminated" determination count for 581 reporting or should it be subtracted when corrected? How should it be handled in the Status Acceptance Sample universes?**

**Answer: If the SESA truly knew the determination to be "new" but just data entered it wrong, it should be removed from the Terminated count and added to the New Employer count. The record should also be removed from the terminations sampling universe and added to the sampling universe for new determinations.**

**December 1994**

**Question 8. Why are "New" and "Successor" Determinations being counted separately for computed measures? In Computed Measures, isn't the important thing that a subject employer is set up in a timely manner, regardless of whether it is a new employer or a successor employer? Information may be received that shows that an employer is subject under the law and the account may be set up right away, but it may be much later before information is received indicating that the employer was a successor. This could make it appear that the SESA isn't doing a good job of setting up accounts, when in fact, they are setting accounts up in timely manner.**

**Answer: In Status Computed Measures, we are looking at the timeliness of Status Determinations. With new accounts there is a need to get the benefit information into the system and to start collecting taxes. For these reasons, in some States successors which have not previously been employers are set up as new accounts first.**

**Some States allow employers as long as a year to apply for successorship. By their nature, it takes more time to process Successor Determinations. Also, since Successor laws vary greatly from State to State, there is a need to measure them separately to accommodate these differences. By reporting each category separately, a more accurate picture of timeliness within the SESA for each category is obtained.**

**March 1995**

**TAX FUNCTION; STATUS  
PROBLEM TYPE; SYSTEMS REVIEW**

**Question 1. In the Status Systems Review does the question about tracking system mean keeping up with all correspondence that is received?**

**Answer: The intent of the question is: Does the SESA keep track of all Status issue documents received and have a system to make sure all such documents are acted upon? If it does not, there is a risk that employer accounts are not being updated timely or accurately.**

**February 1994**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. Should employer accounts assigned pending numbers be included in the Status universe of new employers?**

**Answer: No. Only accounts actually determined to be liable should be included in the universe.**

**February 1994**

**Question 2. Should a previously terminated account which is reactivated solely for the SESA to make a correction and which is subsequently inactivated again be included as a reactivation in the "new" universe?**

**Answer: Such reactivations do not meet the definition of a reactivated account and should not be included in the universe. It may be necessary to "code" these accounts in such a way that they can be excluded from the universe.**

**February 1994**

**Question 3. Should accounts which have been reactivated solely for the purpose of making a correction and then inactivated again be included in the Inactivation/Termination universe?**

**Answer: No. Usually such accounts are reactivated only long enough to make the correction. They should be excluded from the universe.**

**February 1994**

**Question 4. Status Posting (Effective Date of Liability)--What date does this mean? What if State posts more than one date?**

**Answer: In Status Posting Acceptance Samples section of the current handbook this term was changed to "liability Date". It means the date liability is established. SESAs may use another word for "Liability Date".**

**For RQC purposes please use the RQC glossary definition:**

**"Liability Date--The date on which an employing unit meets the State law definition of employer".**

**Requirements to establish liability vary from State to State. Also States may have different rules for establishing liability for different types of accounts. See the examples listed in the answer to Question #1 in Status Computed Measures.**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

If the State requires the posting of two dates (e.g., the liability date and the date from which the State must pay taxes once the liability date has been established), the Reviewer may use one of the blank lines in the Acceptance Sample posting which are labeled other material data elements the SESA require to be posted. For example if liability is established July 1, 1995 but the State is required to file reports from January 1, 1995, July 1 should be recorded on the liability date line and the January 1, 1995 date should be recorded on one of the blank lines (M or N). Both dates should be posted accurately for the case to pass.

February 1994

**Question 5. Would a duplicate account set up in error be counted in Status C/M? What about duplicate accounts in the A/S?**

**Answer: Yes. In spite of controls, occasionally duplicate accounts are set up for the same employer. Such duplicate accounts would be counted in C/M. These duplicate accounts will also be included in the A/S universe. If a number of these accounts appear in the sample, the SESA will need to review S/R controls to see what controls the SESA has to prevent or minimize duplicate accounts from being set up. (This question also appears in Status Computed Measures.)**

February 1994

**Question 6. Should reimbursing employers be included in ALL Status Determination universes?**

**Answer: Yes.**

February 1994

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 7. In the Status Acceptance Sample, question #1 which asks whether an account can be set up on less than complete information appears unnecessary, and question #3 should be a "b" to the current #2.**

**Answer: The intent of the first section of the New and Successor Acceptance Sample is to determine "The Accuracy of Initial Liability Decision". Some SESAs have written procedures allowing them to set up accounts on minimum information and follow procedures to obtain additional required information after the account has been set up. If this is the case, question #2 asks whether the case being reviewed is such a case and #2a is an evaluative question which assesses whether or not the initial correct liability decision was made.**

**The section has been structured so that SESAs who do not have such a procedure can answer question #1 "No" (non-evaluative), skip questions #2 and #2a, and proceed to question #3 (evaluative) which is in the next section of the review called "Accuracy of New Employer Determination at Time of the review".**

**February 1994**

**Question 8. If a State allows both inactivations and terminations, both will appear in the universe. If the same employer has been inactivated and then has been terminated during the specified time period, the employer would be in the universe twice. If the same case is selected twice, should the SESA eliminate duplicate employer accounts, select a replacement or review both cases--one based on the inactivation and one on the termination?**

**Answer: We are reviewing cases to measure how the State performed (the accuracy of the determinations). Should the same employer be selected twice in the sixty cases, one case should be reviewed for accuracy of inactivation and the other case for accuracy of the termination. There is a slightly reduced chance that an employer who is in the universe twice will be selected for the second determination. However, unless more than 10% of the employers in the universe have been both inactivated and terminated during the universe period, the sample will not be substantially biased. A reviewer who believes that more than 10% of the universe is composed of employers who have been both inactivated and terminated should call the ADP hotline for directions on how to modify the universe.**

**February 1994**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 9.** RQC asks if an employer's account is properly posted as a "new" account. If the State does not post a code to indicate a "new" account,--for example an empty field without "successor" or "inactive" may indicate a "new" account, consider adding a blanket "NA" to posting of determination type.

**Answer:** The purpose of this question is to ensure that employer accounts are accurately designated as "new", "successor" or "inactive". Although the State does not post the determination code, it is possible to discern the type of determination and the question can be answered yes or no.

**February 1994**

**Question 10.** If two existing companies form a new company and the old ones go out of business (a merger), is this a "new " employer?

**Answer:** No, an employer initially determined to be a successor who has not previously been in business is classified as a "successor" rather than "new" employer.

**February 1994**

**Question 11.** A State which has provision to register an employer based on minimal information may later delete the account if it does not meet the reporting requirements. However, deleted accounts are currently included in the employer count items and in the number of terminations on the ETA 581. Should such deleted accounts be included in the universe for the Inactivated/Terminated acceptance sample universe?

**Answer:** Yes, these accounts should be included in the Inactivated/Terminated universe.

**February 1994**

**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.

**May 1994**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**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.**

**May 1994**

**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. 15th date was posted).**

**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.**

**May 1994**

**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.**

**TAX FUNCTION: STATUS  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**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.**

**A good workplan is important. We will evaluate the situation again when there has been more experience with the design and workplan.**

**May 1994**

**Question 16. After a predecessor account is inactivated, sometimes employers perform certain final tasks in connection with the predecessor's going out of business, i.e., disposing of assets, collection of money etc. In such situations some States set up new accounts. Should these accounts be included in the Status universe and counted for Computed Measures?**

**Answer: Yes, if these accounts meet the SESA's definition of employer, Status Determinations are made and rates are assigned, they should be included in the Status universe and counted for Computed Measures.**

**December 1994**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 17. One of the Acceptance Sample questions asks, "Was a correct Status Determination made in accordance with State Law and written policy?" What if the State has no written policy? Should this question be answered "no"?**

**Answer: No. The intent of the question is to ensure that the correct determination is made based on SESA laws and written policy. If the Status Determination was made correctly, the question should be answered "yes" and the sample case should pass the review. If the SESA has a deficiency in their written procedures or policies, a risk should be identified in the Systems Review. However, it is the Acceptance Sample which determines whether or not the case passes or fails.**

**March 1995**

**Question 18. In some SESAs, written procedures allow an initial liability decision to be made based on partial information (e.g., a partially completed contribution return which does not contain all the information a SESA requires to set up an account). These SESAs complete their Status Determinations and make any necessary corrections after a Status investigation has been completed. Other SESAs do not make Status Determinations until they have all required information. These SESAs obtain all required information before making a Status Determination. Several States follow the practice of setting up accounts with less than complete information without "written procedures" and have asked RQC to remove the word "written" from this requirement.**

**Answer: Our Acceptance Sample question asks "Does the SESA have a written procedure permitting a liability decision to be made when the required information is less than complete?"**

**If no "written" procedure exists, there might be little consistency in the ways SESAs handle early set-ups and the RQC Reviewer would be unable to verify this procedure.**

**December 1995**

**Question 19. In the Status New and Successor Posting Acceptance Samples:**

**(a.) Should the case being reviewed by the RQC Reviewer fail if the Industry Code (SIC Code) is posted incorrectly even though this code is not used to assign New Employer rates?**

**(b.) If the Federal Employer Identification Number (FEIN) is provided by the employer but is not posted or is posted incorrectly by the SESA, should the case being reviewed by the RQC reviewer fail?**

**TAX FUNCTION: STATUS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Answer:**

**(a.) Yes, if the SESA has the SIC Code and fails to post it or posts it incorrectly, the case should fail the Status Posting Sample even if the SESA does not use this code to assign new employer rates. SIC Codes are used for various Federal and State purposes in addition to the assignment of rates. (E.g., SIC Codes are often used to collect information about the number of employers in various industries.)**

**(b.) Yes, if the SESA has the FEIN and does not post it or posts it incorrectly, the case being reviewed should fail. Federal Employer Identification Numbers are used for certification purposes.**

**INA's are provided for both SIC Code and FEIN questions. If the SESA has evidence to show that efforts were made to obtain these items but were unsuccessful, the RQC Reviewer can mark these items INA (Information Not Available) and such cases will not fail. N/A (Not Applicable) has been removed from these items. Since these items are material, "No" answers will cause the final question which is evaluative to be answered "No" and fail the case.**

**December 1995**

**TAX FUNCTION: CASHIERING**  
**PROBLEM TYPE: SYSTEMS REVIEW**

**Question 1. Why does RQC exclude all benefit payment account activity from the bank statement reconciliation review?**

**Answer: The decision was made early in the development of RQC to review only tax activity.**

**Question 2. What is the intent of the question concerning the maintenance of an audit trail for the "receipt of employer contributions"? Does this mean that the SESA should be microfilming or imaging all checks prior to depositing?**

**Answer: The purpose of the question is to determine if there is a method to track employers' payments through the SESA's system. While microfilming and imaging checks serve to accomplish this, the method used to track is at the discretion of the SESA.**

**TAX FUNCTION: CASHIERING**  
**PROBLEM TYPE: ESTIMATION SAMPLE**

**Question 1. Is there a specific method for determining the size of the universe from which the Estimation Sample will be extracted and for determining when the "peak" or "bulk" mail receipt period will be ? How will reviewers know if their estimates are accurate?**

**Answer: There are no specific instructions for estimating the size of the universe. The reviewers must use historical data to estimate the universe for the sample quarter. The reviewers should:**

- **look at the total number of payment items received during the same period in previous years and factor in changes to the employer population;**
- **consider the rate at which the mail was received in previous years, including the total number of days over which the mail tends to come in;**
- **take into consideration circumstances that may impact mail receipt. For instance, if there were storm conditions during the peak period for mail receipt for the same quarter of the previous year, it would be advantageous to look at data from the same period two years earlier to get a better notion of when the mail can be expected.**

**Since the type of historical data and the manner in which it is captured and maintained will be different in each SESA, specific instructions cannot be provided in the RQC Handbook. Reviewers should consult with their Region for concurrence with their analysis when estimating the universe.**

**Question 2. Can the reviewer select a time for conducting the Estimation Sample other than the time the bulk of the second quarter reports are received?**

**Answer: No. In an effort to keep the review as equitable as possible, all SESAs should be measured during the same time period. If it is IMPOSSIBLE for the Estimation Sample to be drawn during the designated period, the reviewer should contact the Regional office for guidance.**

**TAX FUNCTION: CASHIERING**  
**PROBLEM TYPE: ESTIMATION SAMPLE**

**Question 3. Is it necessary to conduct the Estimation Sample review in States where a State agency other than the SESA is responsible for the cashiering activity?**

**Answer: Yes. Although another agency may perform the cashiering activities, the SESA still has ultimate responsibility for assuring that all contributions are deposited into the Clearing Account in a timely manner. The Program Review also includes a separate Systems Review to cover the Cashiering activities of Non-SESA entities.**

**Question 4. In the Quality Appraisals, specific days were indicated for pulling the Deposit Promptness sample items. The instructions for the Estimation Sample don't dictate specific days from which to pull the sample. Shouldn't each SESA pull the sample from the same days?**

**Answer: While initially it seemed more equitable for all SESAs to pull samples from the same days, further investigation revealed that mail doesn't come into all SESAs at the same rate, creating differences in the sampling universe. For instance, there are some SESAs that receive the mail gradually over a two week period, while other SESAs get the bulk of the mail within 4 days. When specific days are dictated for pulling samples, the SESAs that receive all the mail within 4 days are forced to attempt to pull samples from a non-existent universe, while those SESAs with longer periods of mail receipt sample only a fraction of entire universe. The instructions for the Estimation Sample allow the RQC Reviewer to determine the length of time and the specific days to sample in an effort to get a more accurate measurement of deposit activity.**

**Question 5. Should Electronic Fund Transfers (EFTs) be included in the Estimation Sample?**

**Answer: EFTs are not included in the Estimation Sample but are included in the computation of timeliness of deposit. A formula has been developed that uses total EFTs, plus the results of the Estimation Sample to compute timeliness of deposits.**

**TAX FUNCTION CASHIERING**  
**PROBLEM TYPE: ESTIMATION SAMPLE**

**Question 6. Reviewers in SESAs that use lockboxes that are located in geographic areas other than the home base of the reviewer may not be able to conduct the Estimation Sample for the entire "peak" period. Is an Estimation Sample required in this circumstance?**

**Answer: Yes, an Estimation Sample Review is required for every SESA. The instructions outlined in the Cashiering section of the RQC Handbook should be followed as closely as possible. If the instructions cannot be followed due to unusual circumstances such as out-of-town lockboxes and round-the-clock operations, the RQC reviewer must consult with the Regional Office to develop an approved, modified sampling procedure.**

**Question 7. Explain the Sampling Table. How can a sample have a "value-to-pass" of 87.5% and still meet the 90% requirement?**

**Answer: Because the estimates are based on random samples, we have to take into account the fact that different samples will produce different estimates. This is referred to as "sampling error". If a State is performing at the 90 percent standard, then 95 percent of the samples we could select will produce estimates at least as large as the "value to pass". That is, we are "95 percent confident" that the State has met the 90 percent standard. If we did not take into account the effect of sampling, then a State performing at exactly the 90 percent standard would fail half of the time, because 50 percent of the samples would produce estimates of less than 90 percent.**

**Question 8. Why are all SESAs required to pull a sample of 500 items regardless of their respective sizes? It seems like SESAs with large employer populations should pull more sample items than SESAs with smaller employer populations.**

**Answer: Requiring each State to pull a sample of 500 payments insures that the estimates of State performance are equally precise in all States. Unless the population that we select our sample from is relatively small, the precision of our estimates will be effected by the size of our sample, not the percentage of the population we are sampling. In other words, a sample of 500 payments from a population of 25,000 will be just as precise as a sample of 500 selected from a population of 250,000. If we selected samples in proportion to the sizes of the States' employer populations, the estimates in the smaller States would be less precise than those in the large States.**

**TAX FUNCTION: CASHIERING**  
**PROBLEM TYPE: ESTIMATION SAMPLE**

**Question 9. If, after sampling has begun, it appears that exactly 500 cases will not be selected using the selection method chosen by the reviewer, should the sample selection method be altered so that 500 cases will be selected?**

**Answer: No. Once begun, it is more important to maintain the sample selection methodology than it is to select exactly 500 cases. A Sampling Table has been included in the Cashiering section of the handbook showing sample size ranges.**

**Question 10. If an envelope is selected that does not have a payment included, should a replacement envelope be selected?**

**Answer: No. If an envelope is selected that does not contain a contribution payment, DO NOT use that account as part of the sample and DO NOT select a replacement. If using the Check Interval Method, start counting from that envelope just as you would if it had held a payment. If using the Mail Tray Method, continue with the random selection just as if the envelope had held a payment.**

**Question 11. What is the appropriate handling of multiple checks received with one report?**

**Answer: If an account is selected for the Estimation Sample that has multiple checks, record only one of the checks on the coding sheet for inclusion in the sample. It doesn't matter which check is selected.**

**Question 12. What is the appropriate handling of one check received with multiple reports?**

**Answer: Select one account and record on the coding sheet the portion of the payment that should be credited to that account.**

**Question 13. Which date should be used for "date received by SESA" for monies received by field auditors?**

**Answer: Since field staff are representatives of the SESA, money received in the field is considered to be received by the SESA. Therefore, the date the field auditor receives the money is the date the money is received by the SESA. (Since only the "peak/bulk" mail is included in the Estimation Sample universe, it is unlikely that mail from the field will be included in the Estimation Sample).**

**TAX FUNCTION: CASHIERING**  
**PROBLEM TYPE: ESTIMATION SAMPLE**

**Question 14. Must reviewers use the Sample Coding Sheet supplied by the US DOL or may they create their own? If reviewers can create their own form, must the coding sheet be in paper form or can it be on a laptop computer?**

**Answer: The Sample Coding Sheet was developed solely as an aid for the reviewers. Reviewers are not restricted from developing personal versions of the Sample Coding Sheet to collect pertinent data. The form may be either paper or computerized as long as the data can be stored and accessed as needed.**

**Question 15. How far should a reviewer go to verify deposit dates? Is it enough to only look for the deposit date on the computer screen?**

**Answer: There is no way to tell from looking at a computer screen that the funds actually made it to the bank. It would be much better to look at deposit slips or bank receipts to verify that the money actually was deposited.**

**Question 16. Will the Estimation Sample require any computer programming by the SESA?**

**Answer: No, the Estimation Sample is a manual review. Reviewers may automate the information on the coding sheets if they wish, however, computations can easily be done manually. Software for Systems Review data entry will be developed by DOL.**

**TAX FUNCTION: CASHIERING**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. During the pilot, an Acceptance Sample (AS) review was conducted to determine accuracy of posting. The accounts used in the Estimation Sample served as the universe from which the 60 AS cases were taken. The AS duplicated some of the steps necessary to complete the Estimation Sample. Additionally, the universe was made up of accounts that were posted correctly, otherwise the timeliness of deposit couldn't be determined. There was no value in conducting the Acceptance Sample.**

**Answer: We agree. The Acceptance Sample could not adequately confirm accuracy of posting and has been dropped. Although there will not be an AS for accuracy of posting payments per se, accuracy of posting will be evident to the SESA through the Account Maintenance Samples for Contribution Reports, Debits/Billings and Credits/Refunds.**

**TAX FUNCTION: REPORT DELINQUENCY  
PROBLEM TYPE: ETA 581**

**Question 1. Subsidiaries not counted as active employers who may be identified as delinquent employers (reports and monies):**

- a) Can they be counted in Report Delinquencies and in A/R?**
- (b) What is the definition for multi-unit employers?**

**Answer:**

**(a) If there is a report delinquency or receivable amount attributed to one unit of a multi-unit employer, the entire account is delinquent. Each unit is not counted separately but is considered jointly with the employer's other units as one report delinquency and one receivable amount attributable to one employer account.**

**(b) A multi-unit employer is an employer whose business is separated by location and/or organization into units, and units may or may not submit individual contribution reports under the same employer account number. (See Global, Multi-Unit Employer Grid)**

**December 1994**

**Question 2. Clarify ETA 581 Item 12 (No. of outstanding quarters prior to report quarter) and Item 13 ( Total estimated contributions due).**

**Answer: Item 12 includes the count of all contribution reports outstanding for the immediately preceding quarter, regardless of whether the employer has been issued an assessment, and outstanding contribution reports for all other prior quarters for which a receivable amount (legally collectible and enforceable) has not been established and included in the receivables total on line 401, the Receivables line on the 581 Report.**

**Item 13 is an uninflated estimate of the amount of contributions due on the number of contribution reports in item 12. The instructions for item 13 suggest two methods of calculating this estimate.**

**December 1994**

**Question 3. (a) How do you treat an assessment which is resolved by a lien, levy, or payment? How does this affect ETA 581 item 13?**

**(b) What is the rationale for requesting this information?**

**TAX FUNCTION: REPORT DELINQUENCY  
PROBLEM TYPE: ETA 581**

**Answer:**

**(a) An outstanding contribution report for the immediately preceding quarter with an assessment is counted in item 12 and an estimate for it is included in item 13. If at a later date, the assessment becomes final, "legally collectible and enforceable" and included in the receivables total or is resolved by a lien or payment, then the contribution report is not counted in Item 12 and an estimate for it is not included in Item 13.**

**(b.) Items 12 and 13 were mandated for inclusion on ETA 581 by the Labor Department's Office of the Inspector General (OIG).**

**December 1994**

**Question 4. Delinquency cut-off date (Item 4) - In the Item by Item instructions, there is a possible discrepancy between the definition and the instructions. The definition states the "notification" date is the cut-off date. The item by item instructions say to enter the date the employers "...were identified and notified of such by the mailing of the first delinquency notices". Since the date delinquent employers are identified can be different from the date they are notified, which date should be entered on the ETA 581?**

**Answer: The intent of the data element is to determine if SESAs are notifying employers of report delinquencies in a timely manner. The notification date is used.**

**March 1995**

**TAX FUNCTION: REPORT DELINQUENCY  
PROBLEM TYPE: COMPUTED MEASURES**

**Question 1. If State procedures require or permit estimated assessments for employers with Report Delinquencies, the computed measures indicator 3 "Reports resolved ...delinquencies resolved in 180 days" will be 100%. Is this okay?**

**Answer: Yes, final assessments (see RQC glossary) are included in indicator 3. This is preferable to having open report delinquencies and no Account Receivable established for the employer. All assessments are excluded from indicator 2, "Reports secured within 90 days".**

**February 1994**

**Question 2. New account set up in April. Owes first quarter taxes/report. Normal report cut-off is 5/15--however, new employers are given until 6/30 to file. How should measures be counted?**

**Answer: Count as timely if the employer files by 6/30. "Cut-off date" for delinquent reports is set by SESA. If there are special rules for new employer, these rules apply.**

**February 1994**

**Question: 3. The number 1 measure ("Timely Reports") counts all reports filed on or before the delinquency date established by the SESA. What about any reports received but not yet entered in the SESA's system by the cut-off date?**

**Answer: Most SESAs are automated for report processing and normally reports are entered within a day or so. By the cut-off date there should only be a handful (at most) that have been received but not entered. Since the measure averages four quarters and the volume is small, these few reports can be excluded. For States it would be a major task to track and find them in the system.**

**February 1994**

**Question 4. Report delinquencies resolved because SESA learns that no report was due--in which indicator do these belong? Indicator two (securing reports) or indicator three (resolving report delinquencies)?**

**Answer: If a report is secured, report it in Indicator 2. If no report is ever secured, and the delinquency is resolved either by an assessment or a finding of no report due, report it in Indicator 3. The Department is more concerned with the establishment of an Account Receivable when applicable than whether the SESA actually secures the wage report.**

**February 1994**

**TAX FUNCTION: REPORT DELINQUENCY  
PROBLEM TYPE: COMPUTED MEASURES**

**Question 5. What do you mean by the term "average" in all of these equations...the average within each quarter or an average of four quarters worth of information? (The ETA 581 report asks for the number of active employers at the end of each report quarter)**  
February 1994

**Answer: The average of four reported quarters of information. Remember these measures come from the 581 data so we can only average the number of employers reported as of the end of each of the report quarters.**

**Question 6. When developing counts for the third Report Delinquency measure "Percent of Reports Secured plus Delinquencies Resolved", we must first count those unresolved. Are we only supposed to include employers with newly established delinquencies which go unresolved after 180 days? Are "older quarters" included? (i.e., on 12/31 a count is made to see if any employers are still delinquent for the 2nd quarter, do we include employers still delinquent for the 1st quarter?).**

**Answer: Do not include any prior quarters--in the example given we would only count the unresolved for the 2nd quarter.**

February 1994

**Question 7. 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.)**

May 1994

**TAX FUNCTION: REPORT DELINQUENCY  
PROBLEM TYPE: COMPUTED MEASURES**

**Question 8. RQC is using a different time period for the numerator than we are using for the denominator for the Report Delinquency measures #1 and #4 (Timely Employers). Is this correct?**

**Timely Employers: (Measure #1)-Contributory Employers:**

**The Average number of contributory employers filing reports timely for four (581) report quarters**

**The average number of active contributory employers for four (581) report quarters ending one quarter earlier**

**Timely Employers: ((Measure #4)-Reimbursing Employers:**

**Same as above formula using reimbursing instead of contributory employers**

**Answer: Yes. For example, the number of employers filing timely for ETA 581 reports ending with the January - March quarter (Items 6 and 9) are used in the numerator. These are counts of contribution reports submitted timely by employers (the quarters preceding the ETA 581 quarter). The number of active employers (Items 1 and 2) used in the denominator will be taken from the UI data base using the ETA 581 reports for four quarters ending with the October - December quarter.**

**The logic is that employers active at the end of the fourth quarter (reported on the October-December ETA 581) will be sent reports which are received in the first quarter wherein we can determine if they are received timely and counted on the January - March ETA 581). However we average four quarters.**

**March 1995**

**Question 9. Could resolved delinquent reports be over 100% due to taking the count of active employers at the end of the quarter? The number of accounts required to file reports could be greater than the number of active employers.**

**TAX FUNCTION: REPORT DELINQUENCY  
PROBLEM TYPE: COMPUTED MEASURES**

**Answer: The formula for the Computed Measure which calculates the resolution of delinquencies is:**

**Numerator:**

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

**divided by:**

**Denominator:**

**The average number of active contributory employers for the four (581) report quarters ending two quarters earlier**

**Yes, the indicator can be more than 100% if the denominator is smaller than the numerator. However, because of the averaging, it is unlikely that the percentage will be very much over 100%. There are no plans to change this measure at this time.**

**December 1995**

**TAX FUNCTION: REPORT DELINQUENCY  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. Cut-off date for contributory employers is different from reimbursing employers. How should the universe be established?**

**Answer: Compile contributory employers in one file and reimbursable employers in another. Then combine the two. Combined file should be sorted so that the two types are intermingled.**

**One method to intermingle the files is to take a portion of the employer ID #s and sort in descending order: If the reimbursing employers have ID #s of 700nnnnn and all the contributory employers are 100nnnnn-600nnnnn, the combined file should be sorted on the nnnnn portion of the ID #'s. This will eliminate the probability of skewing the sample.**

**February 1994**

**Question 2. What about using the fourth quarter of the previous year for Report Delinquency rather than the first quarter - identify during first quarter of review year and conduct sample review study in August? This would even out the workload for the RQC Reviewer.**

**Answer: Okay. No problem anticipated if SESA desires to use the fourth quarter of the previous calendar year and identify the Report Delinquency universe in February of the review year which would allow the SESA to extract sample of sixty in August.**

**February 1994**

**Question 3. (a) Due to the manner in which reports are processed, some reports may not get posted to the system before the cut-off date, although the reports were filed timely. These employers are then identified as delinquent, even though they filed timely. Should these employers be included in the universe for report delinquency?**

**(b) A/S - One State felt very strongly that Question 1 should be changed so that if a report was in-house, but not posted, or if the report was posted to the wrong account number, the case should fail. In short, if the employer was identified as delinquent when in fact the employer was not delinquent, the answer to the question should be "No" and the case failed.**

**Answer: (a) The universe for RD includes all employers who are identified as delinquent. It is the identification of the employer as "delinquent" that put this employer in the universe; his actual delinquency or non-delinquency is immaterial. Therefore, these employers are included in the universe.**

**TAX FUNCTION: REPORT DELINQUENCY  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**(b) If the problem exists in a particular State where a significant proportion of reports are identified as being delinquent when they are actually received timely but not yet entered into the State's system, such a problem should be identified as part of the RQC review and reported in the annual report for that function. (This problem will not cause the Report Delinquency. A/S cases to fail because such cases were properly identified by the SESA's ADP System as being delinquent. It does, however, indicate a weakness in the State's report delinquency function.)**

**February 1994**

**Question 4. Why consider reimbursing employers in the Report Delinquency review when their report does not impact UI tax revenue?**

**Answer: While reports from reimbursing employers do not impact the UI tax contributions, they do impact blocked claims and this issue certainly makes it worthwhile to keep reimbursing employers in this universe. States who incur a significant problem including these employers in this universe should contact their Regional office representative for assistance.**

**February 1994**

**Question 5. Instructions say to create universe as soon as the delinquency date has passed, and to select the sample after processing cycle is completed. We assume this timing is to allow all actions States will take to be completed before cases for review are selected and evaluated.**

**One State tried to do its review this way and got an unusable sample. Their system produces a computer screen which is a facsimile of what employer receives and that is what the RQC reviewer needs to review in order to complete the A/S. However, that screen facsimile is overwritten by any subsequent activity and the RQC reviewer has been told there is no way the screen can be saved.**

**The RQC reviewer has requested permission to have DP go ahead and select a sample at the same time as the universe is created so that the facsimile screens can be printed out and saved. He would then put the 60 cases aside (under lock and key if necessary) and wait to complete review. No one in an operational capacity would know which cases were selected.**

**TAX FUNCTION: REPORT DELINQUENCY  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Answer:**

**The above scenario would allow potential for manipulation. A better solution would be for DP to make a backup file (tape, disk, etc) of the computer run of the delinquencies, that would be the universe. Then the file to select the sample can be used to recreate the screens needed by the RQC reviewer.**

**Many States are going paperless and use their screens for online history. This is going to be a potential problem for many of them as they will have no paper copy of the actual mailing to the employer and will have to rely on the computer backup file/run. The timing allows the States to complete their R/D procedures before cases for review are selected and evaluated.**

**March 1995**

**TAX FUNCTION: REPORT DELINQUENCY**  
**PROBLEM TYPE: METHODS SURVEY**

**Question 1. Provide clarification as to what is meant when we say "approximate 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, 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.**

**May 1994**

**Question 2. Why is this question asked: "Does this SESA provide report 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).**

**May 1994**

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: ETA 581-RECEIVABLES**

**Question 1. How will SESAs handle accounting related to the removal of older receivables from the receivables balance? (ETA Items 25 and 37)**

**Answer: The removal of older receivables from the receivables balance is only for ETA 581 reporting purposes. Since some States have no provision in their laws to declare older accounts receivable as uncollectible, ETA does not want to include such amounts in the receivable balance when in fact they are, in some cases, many years old and chances for collection are almost nil. States should continue to treat these amounts as is their usual practice (pursue collection, declare uncollectible, etc.). If such an amount is later declared uncollectible, do not reenter the amount in Item 24 or 36 (declared uncollectible) or any related transaction on the ETA 581 since the amount has already been deducted from the receivable balance in Item 25 or 37 on an earlier report. If such amount or any portion is later collected, a receivable (in the amount collected) is reestablished in item 22 or 34 and liquidated in Item 23 or 35.**

**December 1994**

**Question 2. How should amounts that were previously reported on the ETA 581 as uncollectible be accounted for when payment is subsequently received? Should these amounts be reestablished as receivables in Item 22 and liquidated in Item 23?**

**Answer: Yes, to reestablish the receivable, the amount should be included in Items 22 or 34 (amount determined receivable). Items 23 or 35 (receivables liquidated) should be increased by the same amount.**

**Note that the instructions for Item 22 and the definition of liquidated include "adjustments" which relate to the transactions described in the question.**

**December 1994**

**Question 3. Refer to Handbook 401, Item by Item instructions, ETA 581 line 402 - "Negative amounts cannot be entered in the age categories on this line." Does this mean don't include outstanding credits or overpayments?**

**Answer: No, this means that the total entries for these items cannot be negative numbers. The age categories on lines 402 and 404 separate the amount of total receivables in Items 26 and 38, respectively, according to the time periods specified. Since the amounts in Items 26 and 38 are always positive numbers, the entries on lines 402 and 404 which indicate what portion of total receivables are of a specific age, must also be positive numbers. Overpayments and credit amounts are already accounted for in transactions on lines 401 and 403 which are used to compute total receivables.**

**December 1994**

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: ETA-581 RECEIVABLES**

**Question 4. Why is the information for ETA Items 35 and 37 (Receivables removed at end of report period) needed?**

**Answer:** These revisions to the ETA 581 report have been approved by the Office of Management and Budget (OMB). Since the ETA 581 is a required report, as authorized under Section 303 (a)(6) of the Social Security Act, reporting of all items on the revised form is mandatory. The change related to the reduction of older receivables was made in response to OIG concerns about the collectibility of older amounts and their distortion of the balance of receivables. The reductions of older amounts from the accounts receivable balance reduces the total to the true receivables, i.e., those amounts for which the likelihood of collection is greater. This reduction will also facilitate an allowance for those States which cannot legally declare receivable amounts uncollectible.

Accounts receivable has also been of special interest to the National Performance Review Project championed by Vice President Gore.

December 1994

**Question 5. Please clarify "Declared Uncollectible". Example: If an AR of \$500 is declared uncollectible, and then \$300 is collected, how should these items be handled? Which is correct (a) or (b)?**

- (a) Increase \$300 A/R and increase \$300 in liquidated A/R? or**
- (b) Reduce declared uncollectible by \$300, and receivables liquidated A/R by \$300?**

**Answer:** (a) is correct. Increase Item 22 or 34 (amounts determined receivable) by \$300 and increase Item 23 or 35 (receivables liquidated) by \$300. The \$200 difference was negated when the original \$500 was declared uncollectible.

December 1994

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: ETA-581 RECEIVABLES**

**Question 6. (a) Age of Receivables - Contributory Employers.** This instruction states that receivable amounts should be counted from the end of the quarter for which contributions are due. Since the contributions aren't due until the month following the quarter, shouldn't the count start then? How can a receivable be aged starting at a date before it was due when, by definition, the amount must be past due before it is considered receivable?

**(b) Age of Receivables - Reimbursable Employers,** The instructions state that the age of the receivable amount should be calculated from the date payment was due. Shouldn't the calculation be from the date the payment was considered past due since the amount can't be considered a receivable by definition until it becomes past due?

**Answer (a) and(b):** In accordance with General Accounting Office and U.S.Treasury requirements for financial reporting by Federal agencies, ETA must report financial data which includes amounts receivable. The reporting system, based on modified accrual accounting, reports assets and liabilities when they occur rather than when cash is actually received or paid. Based on this premise, the actual age of a receivable amount is determined from the date the debt is incurred (the end of the quarter for which contributions are due) not the date it was established as being past due or a receivable. This method also ensures that States are calculating the age of receivables on the same time basis, rather than individual arbitrary dates.

**March 1995**

**Question 7. Declared uncollectible - Item 24( Receivables declared uncollectible during report period); Item 25 ( Receivables removed at end of report period)--If payment is received for amounts reported in items 24 & 25, should it be shown on the ETA 581 report? If yes, how?**

**Answer:** To report payment received for an amount which has previously been declared uncollectible in item 24 or 36, re-establish the amount as a receivable in Item 22 or 34 (Amount determined receivable during report period) and include the amount in Item 23 or 35 as being liquidated. The same transactions apply to report payment for an amount that has been removed from the balance of receivables because of age in items 25 and 37.

**March 1995**

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: ETA-581 RECEIVABLES**

**Question 8. Amount Determined Receivable...- item 22, What is an example of accounts that are not "legally collectible"? If delinquent payment of an amount not considered legally collectible is not reported on the ETA 581, how will DOL know if the State has effective collection methods?**

**Answer: In the definition of receivable, the phrase "legally collectible and enforceable" is in reference only to estimates, assessments and final assessments. Any amount that is legally binding upon an employer regardless of how it is termed (estimate, assessment, final assessment) is legally collectible and, thus, considered a receivable. This issue is not a major factor in determining the effectiveness of a State's collection operations.**

**March 1995**

**Question 9. The ETA 581 definition of receivables states that this includes "past due" contributions. Does this mean that:**

**(a) If a delinquent contribution report is received by the agency with payment that the contributions due should be considered a "receivable" and the accompanying payment should be considered a "liquidated receivable"?**

**(b) If a contribution report is received early without payment establishing a debit and then a payment is received timely, should the amount of the debit be counted as a "receivable" and the payment counted as "liquidated" even though the amount payable is not "past due"? This is done routinely at this time because it is impractical to try to sort timely, unpaid amounts from past due, unpaid amounts.**

**Answer:**

**(a) In accordance with the option that is more practical for its collections operation, a State may elect to either consider the entire amount of contributions due as a receivable and the amount being paid as a liquidated receivable or only set up the amount not being paid as a receivable in "determined receivable". In either case, the same net amount will be reflected in the receivables balance on the ETA 581.**

**(b) A payment that is not received with a contribution report that is submitted early is not "past due" and should not be included in receivables transactions.**

**March 1995**

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: ETA-581 RECEIVABLES**

**Question 10.** According to the definition, an adjustment which cancels a previously established receivable should be counted as "liquidated". Does this include the correction of clerical and/or input errors? For instance, if a receivable amount of \$600 was incorrectly recorded as \$6,000, should this be corrected by increasing receivables liquidated by \$5400? How does RQC look at this figure: as managing receivables or as managing collections?

**Answer:** It is correct to include in "liquidated" an adjustment to correct a clerical or input error. In the example given, a receivable was established and counted, even though in error. The adjustment is to cancel the amount set up in error. If the "liquidated" item is composed mainly of adjustments or of one large adjustment, it should be footnoted as such. It must be remembered that the items on the form between "total receivables at the beginning" and "total receivables at the end" attempt to summarize the transactions which caused the balance of receivables to change from the beginning to the end of the quarter and that every conceivable type of transaction cannot be reported separately.

**March 1995**

**Question 11.** How can the portion of contributions that is forgiven or declared uncollectible in a compromise agreement for an active employer account be included in "amounts declared uncollectible" when the definition of uncollectible infers that amounts can only be declared uncollectible on inactivated or terminated accounts?

**Please clarify how to handle "Compromise settlements" Example: \$100 A/R over 15 months old - you have a "compromised settlement" and collect \$30:**

**(a) Where do you report the uncollected amount? Do you put the \$70, in declared uncollectible or in "doubtful accounts"?**

**(b) If the \$100 is already in item 25, can the \$30 be moved into accounts receivable and liquidated with the \$70 remaining in Item 25?**

**Answer:** The phrase "on an inactive or terminated account" is being deleted from the definition of declared uncollectible since it is permissible in some States to declare an amount attributable to an active account as uncollectible. Therefore, all amounts declared uncollectible, regardless of the status of the account, should be reported in the appropriate Item (24 or 36) on the ETA 581. Please disregard the phrase in the instructions until a revision is issued.

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: ETA-581 RECEIVABLES**

The compromise represents an adjustment to the original receivable amount, e.g., instead of \$100, it is reduced to \$30, the actual amount of payment.

(a) If the \$100 has not been declared uncollectible, an adjustment of -\$70 is included in Item 22 or 34 (determined receivable during period) and the amount collected, \$30, is included in Item 23 or 35 (liquidated).

If the \$100 has already been declared uncollectible in Item 24 or 36 on a prior report, an adjustment of \$30 is included in Item 22 or 34 to reestablish a \$30 receivable, and the \$30 collected is included in item 23 or 35 (liquidated). The \$70 difference has already been negated when the original \$100 was declared uncollectible.

(b) If the \$100 has been removed from the receivable balance through Items 25 and 37 on the ETA 581: An adjustment of \$30 is included in Item 22 or 34 to reestablish a \$30 receivable, and the \$30 collected is included in Item 23 or 35 (liquidated). The \$70 difference has already been negated when the original \$100 was removed from the balance of receivables in items 25 and 37.

March 1995

**Question 12.** If an account receivable is established which is already over 15 months old, should it be reported immediately in Item 25 or should it be reported in Item 32 or 44 for two quarters before it is moved to Item 25?

**Answer:** A newly established receivable which is already over 15 months old should be reported in Item 32 or 44 for two quarters before being included in Item 25 or 37.

December 1995

**Question 13.** What if an account receivable for \$5,000 for Employer "A" had been reported in Item 32 for two quarters; then during the current report quarter period, additional taxes of \$1,000 owed for the same old quarters is identified for Employer "A"? Do you report \$6,000 in Item 25 on the current report, or are you supposed to show \$5,000 in Item 25 and \$1,000 in Item 32 for two quarters and then post the \$1000 on the third quarter report to Item 25?

**Answer:** On the Form ETA 581 for the current quarter \$5,000 should be included in Item 25 and the additional \$1,000 should be included in Item 32. After the additional \$1,000 is reported in Item 32 for a second quarter and payment is not received, then the additional \$1,000 is included in Item 25 on the Form ETA 581 for the third quarter.

December 1995

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: COMPUTED MEASURES**

**QUESTION 1. Appendix B--Data element "CO2"--What does the term "net UI contributions" mean? Does it mean excluding Penalty and Interest?**

**Answer: This data element comes from the 2112 Report. It does not include penalty and interest.**

**February 1994**

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: SYSTEMS REVIEW**

**Question 1. A Systems Review question asks: Does the SESA have system procedures for controlling lien filing dates? Do we mean automated? Or do we mean does SESA have a procedure for controlling the filing of liens? What is the intent of this question? For example, if auditors are supposed to file liens within 45 days, is this a procedure for controlling the lien dates? Or would that only suffice if a supervisor reviews all A/R assignments over 45 days old and if no lien has been filed, the documentation exists to support why not. Then, could a SESA answer the question, "Yes" they do control the filing of lien dates?**

**Answer: The intent of the question is to determine if the SESA has internal controls to ensure that proper action is taken on the account receivable and that the action is completed in a timely manner. In order to answer "Yes" to this question, SESAs must meet the following criteria: (1) assign cases for lien filings, using an automated or a manual system, within a prescribed number of days, (2) process such case assignments within a specified time period, and (3) follow-up and/or review all such case assignments to ascertain that liens were filed or other appropriate action was taken within the prescribed time period. The reason for not meeting the prescribed lien filing date must be documented for each case not handled in the prescribed time period.**

**SESAs that do not have a process for automatically or manually assigning liens within a prescribed number of days, or SESAs that allow tax staff to file liens at staff discretion without a predetermined number of days and with no follow-up review would have to answer "No" and indicate a risk.**

**December 1995**

**TAX FUNCTION: COLLECTIONS  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. Instructions say not to draw the sample until six months after universe is identified. Why is a six month waiting period required?**

**Answer: The six month period allows time for State to follow collection procedures and precludes the sample cases from getting preferential treatment.**

**February 1994**

**Question 2. Regarding counting 30 days for the Collection cases--When do you start counting the days ? The day that A/R was established or the day after?**

**Answer: Count 30 days starting with the day after the date the A/R is established. (At least 30 days must pass from the point in time the receivable is established.) If on 7/1 it is known that \$100 or more is owed in tax dollars, the case can be in the universe on or after 7/31.**

**February 1994**

**Question 3. Should we round or should we truncate dollars since the data entry positions do not allow for cents?**

**Answer: Round up or down and enter dollar amounts only.**

**February 1994**

**Question 4. Should Account Receivables "written off" be in the collections universe?**

**Answer: Accounts legally written off or put into an uncollectible suspense account should not be in the universe. If SESA has no mechanism to legally write off or officially put into suspense account, they should include all account receivables in the universe. See glossary for definition for "write off" and "Declared uncollectible".**

**February 1994**

**Question 5. State procedures do not call for old unworked cases to be placed in an uncollectible suspense file or to be written off. A large number of the collection cases selected as RQC samples were employers who had been inactive for several years. These old accounts are normally not worked and show no collection efforts.**

**(a) Will it be necessary to review sample accounts that have had no collection activity for several years?**

**(b) How far back will it be necessary to verify that successor liability procedures were followed? An old account may have been a successor, 5, 10, 14 years back but may be in today's sample.**

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Answer: (a) If an account in the universe is selected as a sample, it will be reviewed. If your State's policy and procedures allow for a collection case to remain unworked, but not formally changed to uncollectible suspense for years, then the cases will not fail. Getting a disproportionate number of old unworked cases in your collections universe constitutes an "Other Finding". You should consider including this information in your report along with any explanations or inferences. If the procedures do NOT allow for collection cases to remain unworked without being changed to Uncollectible Suspense, then the cases will fail.**

**(b) It is required to verify the successor liability on any account selected regardless of the age of the case.**

**February 1994**

**Question 6. A Question 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.**

**May 1994**

**Question 7. (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.)**

**TAX FUNCTION: COLLECTIONS  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

(b) " Number of 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.

**May 1994**

**Question 8. The first question in the sample asks if the account is 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.**

**May 1994**

**Question 9. Could you give an example of when--"Were initial written notice(s) and follow up notices sent timely for the most recent quarter of liability"?--would be answered "N/A"?**

**Answer: This Question 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.**

**May 1994**

**TAX FUNCTION: COLLECTIONS  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 10. (a) "Was the assessment filed timely?" and "Was a lien filed timely?" Please define "timely".**

**(b) "Were initial written notice(s) and follow-up notices sent timely for the most recent quarter of liability?" Define most recent quarter.**

**Answer: (a) 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.**

**(b) 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.**

**May 1994**

**Question 11. The RQC Collections universe includes accounts that are still to be worked by the SESA regardless of how old they are. This is in contrast with 581 Items 25 and 37 where account receivables are removed after they appear for two quarters on earlier 581 reports. Is this an error?**

**Answer: No, the 581 is concerned only with the removal of older receivables from total receivables being reported; the Acceptance Sample deals with following SESA collection procedures. Are these cases being worked?**

**In the universe for Acceptance Sampling, accounts reported in items 25 and 37 may or may not be excluded. Whether accounts classified as "doubtful accounts" are to be excluded from the universe depends upon the meaning of the term "doubtful accounts" by the SESA.**

**If an account classified as "doubtful" meets the definition of an account "Declared Uncollectible (Writeoff) in the RQC Glossary, it is to be excluded.**

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

If, however, it is a classification used in addition to (or prior to) "Declared Uncollectible (Writeoff) and the purpose of the classification is to denote the type of collection activity that should be followed for this account, it remains in the universe, and the reviewer will review the case to determine that appropriate SESA procedures have been followed for the case.

When determining if the use of the term "Doubtful Account" in your SESA meets the definition of declared uncollectible (writeoff), the key phrase to consider is "... (no further action to be taken)."

December 1994

**Question 12. Scenario: SESA received the report with no money on 2/3. They billed the employer on 2/18 and received payment on 3/23. The handbook says "when full payment is received no further review of collection action is necessary." Does this mean that all the questions do not have to be answered and the case automatically passes?**

**Answer: No, the Reviewer should answer all of the questions. Most of the questions about actions to collect can be answered NA or INA. However, in order for the case to pass, the question asking if collection action (including tax liens) was properly released upon payment must be answered "yes". If this question is answered "no", the case fails.**

December 1994

**Question 13. Please explain why the Collections Sample is considered "random" when there is a sort before a pick. (Cases less than \$100 are dropped and then the cases are sorted in ascending order.)**

**Answer: The collection universe is stratified prior to using the random pick number. The reason for stratification is to ensure that collection cases of different dollar levels are included so that SESAs can evaluate the usage of a broad range of their collection tools. (Some tools are used only on collection cases of a certain dollar amount.)**

**Although the universe is stratified, it is considered "random" if a random pick number is used. (This means that every case in the universe has a chance of being selected.)**

December 1995

**TAX FUNCTION: COLLECTIONS  
PROBLEM TYPE; OTHER**

**Question 1. If a special assessment is included in employer account receivables and in collections by the SESA because of a loan for the State's trust fund, should this be included? (SESA assessed all contributory employers an extra percentage of the employer's taxable wages.)**

**Answer: Yes.**

**February 1994**

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: ETA 581**

**Question 1. Field Audits, Item 47 (calendar quarters audited) says "Do not include quarters in which adjustments were made without auditing." Does item 47 have to correlate to hours spent on audit and to change audits (amounts over and under reported)?**

**Answer: A calendar quarter to which an adjustment was made but was not included in the formal scope of the audit, cannot be counted as an audited quarter, even though the adjustment was made as a result of the audit. There is no set ratio of calendar quarters audited to hours spent auditing or to the number of change audits. For example:**

**If an audit was conducted on an employer's 1993 records which included verification of payroll and a search for misclassified wages, the pre-and post-audit wages for these quarters would be included on the 581. If an adjustment was made due to a newly uncovered Christmas bonus paid in 1992, but no search for misclassified wages was made for that quarter, neither the 1992 quarter nor the 1992 dollars should be included in Item 47 (calendar quarters audited), Items 48 and 49 (total wages audited) or in Items 52-57 (amounts over reported and underreported). The time spent to find the 1992 Christmas bonus should not be included in Item 51 (hours spent in auditing).**

**December 1994**

**Question 2. If a field auditor's supervisor accompanies the auditor, do you also count his/her time in Item 51 (hours spent auditing)?**

**Answer: If the supervisor accompanies the auditor for reasons other than to actually conduct the audit (observation, training, evaluation of performance, etc.) then his/her time should not be counted as time spent in auditing.**

**December 1994**

**Question 3. At what point are audits considered complete for counting purposes on the ETA 581? According to our interpretation of RQC, audits should not be included in the computed measures count or in the Acceptance Sample universe until everything is complete, including appeals hearings and posting of any adjustments resulting from the audit. Why must appeals be heard and adjustments posted before the audit program can count the audits for penetration and before the reviewer can examine the case?**

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: ETA 581**

**Answer: A field audit should be counted on the ETA 581 and included in the RQC Acceptance Sample after the auditor has completed all work, and it has been subject to whatever review the SESA requires and adjustments are prepared. It is not necessary for adjustments to be processed nor the appeal to be heard prior to counting the audit on the ETA 581 and in the Field Audit Acceptance Sample.**

**If it is selected for an RQC review, the reviewer should insure the necessary follow up is in progress, such as the adjustments posted or the case referred for appeal.**

**March 1995**

**Question 4. What should drive tolerances used to determine whether a field audit should be extended? Difference in gross wages? Taxable wages? Tax due? How much difference in any of these areas should be established as the tolerance level (e.g., 2%, 5%, 10%)?**

**Answer: See ESM Part V, Section 3671 Definition of Tolerance, and ESM 3675 B, extending the audit.**

**Tolerance is an area established by the individual SESAs for their audit programs, and is based on criteria established by the individual SESA. Due to the vast differences in tax rates and taxable wages among the States, no national tolerance level nor methodology can be defined that would be applicable to all SESAs.**

**March 1995**

**Question 5. Does the definition of a large employer refer to pre-audit figures or post-audit figures?**

**Answer: The audit selection would be based on the pre-audit figures of the year preceding the year audited if based on the dollar amount or on the reported wages of 100 or more workers in the current or preceding year.**

**If after completion of the audit, it was found that the taxable wages were over one million dollars and/or the employer had 100 or more employees in the year being audited, then the audit would also meet the criteria of a large audit and could be counted as such on the 581 report. Thus, either pre-audit or post-audit figures could be considered correct.**

**March 1995**

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: ETA 581**

**Question 6. If, while conducting an audit, an auditor finds workers and wages for another State, should the auditor conduct an audit which includes those wages? Should the information be shared with the other State? Which State counts the audit? Both? Which State counts the change?**

**Answer: The auditor should conduct the functions required by ESM and RQC for the assignment to be correctly classified as an audit for his/her SESA. The identification by the auditor of the correct payroll for his/her specific SESA should be found in the documentation of the audit. The audit as well as any adjustments to their audited payroll would be counted by the State performing the audit.**

**The information regarding the other State's reportable wages should be noted in the body of the audit and the information should be shared with the other State based on the auditing SESA's field audit policy and procedures on initiating out-of-state contact.**

**March 1995**

**Question 7. Large employer computerized field audits are completed by a State's field auditors (a special team which works out of central office) on behalf of other States as well as their own State. Results of the audit are shared with the other State(s) as appropriate and the other State accepts their findings just as if it had been done by one of their own auditors. Should these audits be included in the universe of audits for the receiving State?**

**Answer: As the audit was not completed by a member of the staff of the receiving state, the audit would not be counted as an audit in the receiving State's universe. The adjustments would be processed as needed, but the audit would not be counted.**

**Please note that Joint Audits, where more than one State's auditors perform the audit together, would be counted in each SESA's audit universe.**

**March 1995**

**TAX FUNCTION: FIELD AUDIT**  
**PROBLEM TYPE: ETA 581**

**Question 8. What is the purpose of Item 51 (Hours spent in auditing)? How is this information used?**

**Answer: The number of hours spent auditing was originally included on the report for budgetary purposes (funding of "tax enforcement") and was used as an indicator of the time needed to conduct audits at a particular employer penetration level. The average number of hours spent per audit is a rough indicator of the quality of audits being performed. It is unlikely that many "high quality" audits are being conducted, if a State's average time per audit is less than 1 hour consistently from quarter to quarter. With the new requirements of the revised audit policy and implementation of RQC, it is expected that audit hours will increase as the quality of audits improve.**

**December 1995**

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: COMPUTED MEASURES**

**Question 1. Field audit computed measures indicator 1 - Total Wage Change has as a numerator -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 overreported, not \$4,000.00 underreported which is the difference of the two findings. Total wage change equals \$6,000.00.**

**May 1994**

**Question 2. Several people inquired about the 202 Report. BLS gets the information from the States and compiles it; but then what happens to it? How can Reviewer get this information? Also, does this information get loaded back to the SESA's database?**

**Answer: The ES 202 report is prepared by each SESA using information from the normal report processing. Each SESA has been funded by BLS for this work. In most SESAs this is a function of the Research/Statistics unit. Data is sent on tape/disc from the State to BLS, however printouts (or files) are normally kept by the State. BLS forwards information from the ES 202 to the UI National Office where it is stored in the UI Data Base. Information is not downloaded to each States' Data Base. The States can, however, inquire against the NO files for any data necessary. RQC uses 202 data in computed measures (Field Audit measure # 3). The RQC SUN Programs automatically retrieve the needed data from the UIDB to calculate the measures.**

**February 1994**

**Question 3. Total wages paid (all rated employers) from the ES 202 report is a data element used in the calculation of the Field Audit Computed Measures-annualized percent of total wages audited.**

**(a) What is the definition of this data element?**

**TAX FUNCTION: FIELD AUDIT**  
**PROBLEM TYPE: COMPUTED MEASURES**

**(b) If this data figure is collected in June, how can it be used in May's Computed Measures?**

**(c) How can the ES202 data be verified?**

**Answer: See above Field Audit Computed Measures Question 2, dated February 1994.**

**(a) The definition is "total wages of all rated employers".**

**(b) See Appendix B,--The table shows the usage of ES 202 data:**

- 1) It is reported quarterly, not just in June.**
- 2) RQC uses four consecutive quarters of 581 data in the numerator and four consecutive quarters of ES 202 data from one year earlier in the denominator; therefore data is available in sufficient time for RQC use.**

**(c) Data is sent electronically from the State to the Bureau of Labor Statistics. Check with the person in your State responsible for compiling the ES202 data.**

**December 1995**

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: SYSTEMS REVIEW**

**Question 1. In the RQC Handbook, Chapter VII, Field Audit "Review of completed Work", the question asks, "Is a periodic statewide review of completed field audits performed to ensure uniform quality throughout the SESA?"**

- (a) Is the above question referring to any or all types of reviews for Items in the grid?**
- (b) How should this question be answered if 100% of audits are reviewed on an ongoing basis?**
- (c) The definition for Quality Assurance (---"A periodic review to measure the performance of a function at a point where errors are most likely to occur.") needs some clarification. Would a non-supervisory review group which reviews 100 percent of the audit cases (with no criteria for selecting cases to be reviewed) meet the definition for a Quality Assurance System.**

**Answer:**

**(a) No. Questions in the grid and the above question are to be answered separately. The above question is designed to cover situations where a review of audits is conducted for the entire SESA field operation to ensure consistency in quality; interpretation of law etc. between the various State offices or districts.**

**The question in the grid--"Was a review conducted"--refers to the systematic review of the components in an audit.**

**Activities in the "periodic statewide review" question build on the functions examined in the grid review and together are designed to ensure quality in the SESA FA operation.**

- (b) It should be answered "yes". If 100 percent of the audits are reviewed on an ongoing basis as provided for by the SESA's procedures, that becomes the periodic review.**
- (c) No, it would not meet the criteria. RQC's definition of "Quality Assurance" is the type of review which targets an area suspected to be in error. For instance, the Quality Assurance team may come in with the purpose of scrutinizing FA in regard to their search for misclassified workers. The intent of the questions in the grid is to get an idea as to what type of review is most effective in ensuring that audits are of good quality. After data are gathered, RQC may be able to suggest that an overall peer review of 20 percent of Field Audits is just as effective as 100 percent of supervisory review in ensuring the accuracy of field audits.**

**December 1994**

**TAX FUNCTION: FIELD AUDIT**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. If a FA case is selected this year for the A/S and if the same employer is audited next year--should that employer be included in the universe and if selected should that case be reviewed?**

**Answer: Yes.**

**February 1994**

**Question 2. If a Field Audit is being conducted and the employer has a corporate charter but no 1120 (corporate tax return) is this sufficient to verify ownership?**

**Answer: Yes, the corporate charter is sufficient for RQC purposes.**

**February 1994**

**Question 3. The question and first sentence in the rationale for pre-audit discussion included "identified designated representative" as meeting RQC requirement for pre-audit discussion. However, the second sentence says "At a minimum, the owner, a partner, or a corporate officer...." Does this mean that if the designated representative is NOT one of these three categories, the audit should not receive the 10 points for this question?**

**Answer: No, the second sentence was meant to clarify that to meet RQC requirements, either an in-person discussion took place, a telephone discussion was held, or a letter was sent which explained the purpose of the audit and provided an opportunity for a meeting. It was not intended to restrict the individual with whom the discussion was held to these three categories.**

**February 1994**

**Question 4. "Was a pre-audit discussion, concerning the purpose of the audit, made with the employer or an identified representative?"**

**If the letter was sent to the listed mailing address would that be sufficient notification to the employer that an audit is being scheduled, even if the employer didn't answer the letter, the accountant did. Should the audit retain its 10 points?**

**TAX FUNCTION: FIELD AUDIT**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Answer: Yes. If a letter is sent to the employer at the address of record and the employer's representative answers the letter instead of the employer, it can be assumed that the pre-audit contact was made with the appropriate person. It would be reasonable that: (1) if the representative's address is the address of record, the employer would have had to approve the representative initially otherwise his/her mail wouldn't be going to that person(s); (2) if the employer's address is the address of record, but the representative contacted the agency in response to the letter, the employer would have had to instruct the representative to take responsibility for the audit or the representative wouldn't have known about the audit.**

**The contact meets the requirements and should be assigned the 10 points.**

**February 1994**

**Question 5. Is it acceptable to ask an individual, who says he or she is the designated representative, the name of the individual authorized to make this designation? If yes, how should this be documented? Example, trucker's wife keeps the books. The trucker is on the road and cannot be reached. Is it OK to talk to the wife and accept her as designated representative if she says she keeps the books and she says her husband has designated her?**

**Answer: If there is evidence that the spouse or other person holding himself/herself up as the representative has the authority to act on behalf of the employer, go ahead with the audit. The evidence could be that the representative has possession of the records, signs the payroll checks, has signed the quarterly reports or other UI forms/letters on behalf of the employer or any other document that pertains to knowledge of the books and records of the employer.**

**February 1994**

**TAX FUNCTION: FIELD AUDIT**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 6. Is one quarter verification of one employee sufficient to verify employer payroll records?**

**Answer: It is up to the SESA audit requirements, but the minimum standard set by RQC is that at least one employee's record must be verified to meet the requirements.**

**February 1994**

**Question 7. In the question regarding the search for misclassified or hidden wages the handbook states:**

**"If the records are kept by the employer they must be examined by the auditor". It goes on to say "these records include but are not limited to 1099's, misc. 1096, summaries, and master vendor files..." Does this mean that if the employer has ALL of the records listed under "these records include but are not limited to" that the auditor has to look at them all even if it appears redundant?**

**Answer: No. There are at a minimum, four types of employer records that must be examined (i.e., contract labor, cash disbursements, detailed general ledger, and miscellaneous reports and accounts). Contained in each of the four types are examples of records that may be examined (i.e. as examples for the records of contract labor: 1099, 1096, and master vendor files are given). All the examples do not have to be examined to meet the requirements. It is up to the auditor's discretion to select the proper records to examine from each of the four types of employer records.**

**February 1994**

**TAX FUNCTION: FIELD AUDIT**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 8. If there is no suspicion, does the auditor still have to write down the information and indicate what was found? For instance, the employer is sitting right beside the auditor, and able to sufficiently answer the auditor on names that would be questionable, is it still necessary to write down the names? What kind of documentation would be needed?**

**Answer: If there is no suspicion, names of individuals are not required. Absent suspicion of hidden wages, the examination of records of contract labor requires: classification of categories of payments (e.g. 1099's Misc., 1096, etc.) and a brief description of why there is no suspicion of misclassified workers and or hidden wages. Absent suspicion of hidden wages, documentation for cash disbursements, detailed general ledger and miscellaneous reports will contain: a checklist or summary statement of accounts reviewed and findings.**

**February 1994**

**Question 9. If certain employer records (deemed necessary for the audit) are not available, must this be documented?**

**Answer: Yes. All books and records required by the RQC/ESM standards that are appropriate for the audit should be requested. This request should be documented.**

**February 1994**

**Question 10. If necessary records are maintained but not available, must there be an explanation?**

**Answer: Yes. The auditor is to explain in the audit the reason the necessary records were not available for examination.**

**February 1994**

**Question 11. What if records essential to the audit are maintained elsewhere, i.e., what if books are available in the Reviewer's State, but corporate minutes are in another State?**

**Answer: If essential records are not examined because they are maintained in another State, the audit should contain an explanation identifying the circumstances and facts known and attempts to secure the records from the employer or designated representative. The auditor should attempt to access another acceptable record to accommodate the objective, search for misclassified workers/hidden wages. The audit is not to be penalized if the efforts are attempted and documented in the narrative. Note that RQC provides minimum requirements for audit staff, however States may expand on their individual requirements.**

**February 1994**

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 12. Is a telephone call acceptable for the post audit discussion?**

**Answer: Yes. The auditor is to discuss all relevant matters/issues with the employer or designated representative. The post audit discussion must contain the name, title, and telephone number of the individual contacted.**

**February 1994**

**Question 13. Is it acceptable to review a sample of 1099s in lieu of reviewing all 1099s to meet the RQC requirements for examining records to search for misclassified workers?**

**Answer: No. All 1099's must be reviewed to meet the RQC requirements in this section. Sampling of the 1099's would not identify all possible suspect payments thereby compromising the test in this area.**

**The 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.**

**February 1994**

**Question 14. (a) Are RQC requirements met for the acceptance sample question which asks if an acceptable explanation documented how the auditor verified the ownership of the business if the auditor reviewed federal forms 940 or 941 for this purpose?**

**(b) If the business is a partnership, does reviewing the individual 1040-Schedule C satisfy requirements for verification of ownership?**

**Answer: (a) No. Not unless specifically provided for in the SESA field audit procedures.**

**(b) No. The 1040-Schedule C is for the individual filing who may or may not be a partner in the business. A 1065-Partnership is the preferred tax return to examine when verifying the ownership of the business.**

**February 1994**

**Question 15. If a problem is discovered in the initial audit period, what action is required in terms of expanding the audit?**

**TAX FUNCTION: FIELD AUDIT**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Answer:** The scope of an audit must include at least four consecutive quarters or an acceptable documented explanation to preserve the integrity of the audit program and to enhance the capability of the auditor to verify taxable wages. SESA procedures should offer guidance for expanding the scope of the audit. Justification for expanding the audit must be documented in the audit papers.

**February 1994**

**Question 16. (a.)** The four tests regarding verification of employer's payroll appear to be similar to the point of being duplicative.

**(b.)** Regarding verification of employer's payroll records, how should the field auditor select the employee to be traced?

**Answer:** (a.) Each section is designed to build on the previous one to establish the reliability of the payroll data. Starting with source documents the total payroll is verified, then it is reconciled. Next the taxable payroll is verified and finally the taxable payroll is reconciled.

**(b.)** The selection of an employee is determined by the SESA's field audit procedures.

**February 1994**

**Question 17.** Is it acceptable to audit an employer for four quarters if two of the quarters reflect no wages paid by the employer and are not delinquent?

**Answer:** Yes. This is common for seasonal enterprises. The audit may be conducted. However, coverage and liability requirements must still be in place and this employer remains covered pursuant to ESM/RQC requirements.

**February 1994**

**Question 18.** In the rationale for the misclassified worker question, "Adjustment reports can be used .....". Do we need to see just 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.

**May 1994**

**TAX FUNCTION: FIELD AUDIT**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 19. In the payroll records question, 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 total taxable payroll to total taxable wages recorded on the employer's copy of the UI contribution report 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.**

**May 1994**

**Question 20. In the Field Audit Rationale Section: misclassified workers- Why does the 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.**

**For example: Bi-weekly payments are found in the 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.**

**May 1994**

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 21. Please clarify the question 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."**

**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.**

**May 1994**

**Question 22. Does the Field Auditor have to compare employer's total wages to the UI contribution report and with the employer records on the SESA's automated system record?**

**Answer: Yes. Field audit question "Does the audit contain documentation of the payroll record test--reconciliation of total payroll to total wages?--The 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 employer's copy of 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 for this question 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.**

**TAX FUNCTION: FIELD AUDIT**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Note: If the employer's copies of the contribution reports are not available and the audit documentation reflects this, the audit should not fail because the auditor is unable to review the reports.**

**May 1994**

**Question 23. 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.**

**May 1994**

**Question 24. In cases of multiple payroll systems, do you have to verify each system?**

**Answer: Yes. Employers 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.**

**May 1994**

**Question 25. Scoring was considered not fair. By giving questions on documentation for payroll record tests and documentation of the search for misclassified workers and hidden wages such scoring weight, RQC was ensuring cases would fail. There were questions about the "why" the questions were scored as they were.**

**Answer: Scoring is deliberately strenuous. From discussions with the Office of Inspector General, SESA Expert Panel and Field Audit Documentation workshop group, it was agreed that the main intent of an audit is two fold: to confirm that employer's records are accurate; and then to search for misclassified workers. It was determined that if an audit does not accomplish this intent, then it should not be considered a "quality" audit. As a result, these tests were assigned a pass/fail score (25 pts).**

**December 1994**

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 26. With regard to the question which asks about posting monetary or nonmonetary adjustments discovered during the audit, how far does the Reviewer have to go in verifying accurate posting of adjustment reports? Individual wage detail, debits or credits issued, etc.? or just verifying that the contribution report adjustments are made?**

**Answer: It is necessary for the reviewer to verify that the adjustment reports (monetary) were accurately posted to the SESA's system. The adjustment may be wages overreported or underreported or taxes overreported or underreported etc.**

**Non-monetary adjustments must also be verified by the reviewer. Examples of non-monetary adjustments may include: change of ownership of the business, change in partners of a partnership, change of officers in a corporation and change of address.**

**Wage records are not part of the RQC scope. It is not necessary for the RQC reviewer to verify that a debit or credit notice was issued as a result of the adjustment reports. These are being examined for accuracy in the Account Maintenance review function.**

**December 1994**

**Question 27. The rationale for the question which asks about misclassified wages states . . . "Likewise, the extent of the business may indicate multi-state employment, and may require that the auditor's investigation ensure the employer reported employees to the appropriate State."**

**What does the auditor do and what does the reviewer do to verify what has been done?**

**Answer: The Reviewer will need to confirm that the auditor has done whatever the SESA policies and procedures require when it comes to initiating out of State contact.**

**December 1994**

**Question 28:**

**(a) In the course of an audit assignment, an auditor discovered that the employer maintained no records because they were now "leasing" all workers, including corporate officers, from an "Employee Leasing Firm". Would the audit pass review by RQC when the auditor examined no records?**

**(b) The auditor is conducting an audit and finds that the employer has, after a period of time in the year being audited, started "leasing" all workers, including officers, from an "Employee Leasing Firm", and is no longer maintaining records. Thus the auditor can only submit an audit on the quarters for which he/she had the records. Will this audit pass a RQC review?**

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Answer:**

**(a) The assignment would not be considered an audit under EMS field audit policy and would thus fail the pass/fail question. It should not have passed review as an audit and should never have been included in the field audit universe. It would be a failure and the RQC reviewer need not answer the rest of the Acceptance Sample questions.**

**(b) Yes, if the audit of the available quarter(s) was complete and the tests for payroll accuracy and misclassified workers were conducted on the records available, then the audit would pass. The auditor would have to document why the records were not maintained and available on the other quarter(s) of the year under audit.**

**March 1995**

**Question 29. How much documentation is enough? Are field auditors expected to look at every record that the State requires employers to maintain?**

**Answer: The audit should include sufficient information to: (1) adequately respond to the nine items required in the ESM Part V, Section 3687; (2) indicate the source of the information used to respond to the items; (3) state the auditor's conclusions and; (4) provide evidence to support the auditor's conclusion.**

**RQC established minimum standards for documentation requirements. Field Audit, Chapter VII identifies these requirements for both the questions on payroll record tests and the search for misclassified workers and wages. The information found in each of the tests for each of these questions builds and supports the reliability and credibility of the audit findings. It is therefore, necessary to document the evidence that supports the findings and conclusions identified in the audit. The SESA audit procedure should be the benchmark on documentation requirements.**

**March 1995**

**Question 30. Audits are extended because discrepancies are detected during the audit. Since it is apparent that problems exist, it would be redundant to conduct all the RQC payroll tests on the quarters included in the extension. Will States have to complete all the RQC tests on the quarters the audit was extended to cover?**

**TAX FUNCTION: FIELD AUDIT**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Answer:** No, unless the auditor suspects inaccuracies in the payroll system during the period the audit is extended to cover, there is no need to repeat the payroll accuracy tests that were conducted to cover quarters in the original scope of the audit. However the search for misclassified workers and hidden wages must be conducted on all quarters covered by an audit, including the quarters that the audit was extended to cover. If wages or tax are adjusted on quarters for which no search for misclassified workers or hidden wages is conducted, the quarters are not to be counted as quarters audited and the adjustments for those quarters are not to be included in the audit under-reported or over-reported figures.

March 1995

**Question 31:** One of the acceptable methods noted in the RQC Handbook for verifying the employer's payroll posting system, states that the auditor should trace the transactions of at least one employee's wages from source documents through to the SESA's records. Does this mean that the auditor should check the SESA's mainframe to see what is recorded for that individual employee?

**Answer:** The purpose of this test is to verify the accuracy of the EMPLOYER'S posting system. Therefore, the auditor should trace an individual employee's wages from the source document through to the employer's copy of the UI quarterly contribution and wage report. If the SESA has supplied detailed wage information to the auditor prior to conducting the audit, the auditor should insure that the one individual being traced has been properly posted to the SESA records.

December 1995

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: OTHER**

**Question 1. Audit Staff questioned use of a cash disbursement journal as a source document.**

**Answer: Sometimes especially in audit of small employers this is the only source document available. If in the auditor's professional judgment it is acceptable, then the RQC reviewer should give the auditor the benefit of the doubt.**

**February 1994**

**Question 2. Does a narrative in the audit report describing what the auditor examined and did constitute adequate "documentation" for RQC?**

**Answer: Yes. Documentation requirements may be in the narrative of the audit report. Inclusion of work papers and any other documentation that supports the findings and conclusions of the audit may take different forms ranging from check lists to narratives, but must comply with the RQC/ESM standards of RQC.**

**February 1994**

**Question 3. In a "change audit" why do we say "an audit that results in change to wages or tax..." why is "tax" added to the definition?**

**Answer: A change audit is by definition "An audit resulting in the discovery of WAGES or TAXES not previously reported or reported incorrectly by the employer". RQC definition is consistent with the ESM and the 581 requirements. Several scenarios are possible that identify changes in wages and/or taxes due:**

- A. An audit change may occur in wages reported, but they are all in excess and no tax would be due.**
- B. An audit change may occur in the tax due but the wages don't change. (This situation could result when the incorrect tax rate or taxable wage base is used in the calculation of taxes due.)**
- C. An audit change may also occur when excess wages increase and taxable wages and taxes due decrease.**

**February 1994**

**Question 4. 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?**

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: OTHER**

**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.

May 1994

**Question 5.** In cases where employers submit "no wage" reports for 8 quarters and are ultimately inactivated, the accounts are no longer part of the universe from which field audits are drawn. What vehicle is the SESA to use in determining if the employer incorrectly decided the employees were independent contractors or if the employer really has no employees?

**Answer:** The individual SESA selects the vehicle they use to investigate accounts to determine if the employer has correctly or incorrectly decided they have no employees. The SESA does not have to wait for 8 quarters of "no wage" reports to be filed before the account is referred for such investigation. Also the SESAs set the parameters for the field audit selection process and these accounts could be included in the universe.

March 1995

**Question 6.** While reviewing an audit submitted by one of the SESAs, it came to our attention that the State was using "individual earnings records" to satisfy the test for "hidden" wages and misclassified workers in the question which documents the search for hidden wages. When questioned on this, the State referred us to the Sample Audit papers in the RQC Appendix E.

**TAX FUNCTION: FIELD AUDIT  
PROBLEM TYPE: OTHER**

**Is an examination of individual earnings records and/or payroll journals an adequate record search, to lead to the discovery of misclassified workers or payments, to satisfy this test for hidden wages**

**Answer: Individual Earnings Records and Payroll Journals are records of acknowledged payroll; thus they are not an adequate source for discovering "hidden" wages or workers that were misclassified. The ESM, UCAT and RQC Handbook were examined to see if they considered use of individual earnings records and payroll journals a satisfactory test for misclassified workers and hidden wages in these documents. There is no mention of them in the ESM, UCAT or RQC Handbook as records to review to satisfy this test. Thus we have removed them from the Sample Audit papers as well. The General Ledger and Chart of Accounts are the records of choice to satisfy this test. The changes to the RQC Appendix E were issued with the official RQC Handbook.**

**December 1995**

**Question 7. A question has been raised as to the merit of using the 940 and 941 records to review for the test ( Misc. Reports and Accounts), of the Acceptance Sample Question which documents which records were selected.**

**Answer: An examination of the ESM, UCAT, the RQC Handbook and Appendix E - Sample Audit papers, found that the use of the 940 and 941 as satisfactory tests for Misc. Reports and Accounts appeared only in RQC and the Sample Audit papers. The 940 and 941 were removed as an adequate choice of record(s) to review to satisfy this test. They are a record(s) of acknowledged payroll and would not be an adequate source to satisfy a search for hidden wages and/or misclassified workers.**

**December 1995**

**TAX FUNCTION: GLOBAL (ACCOUNT MAINTENANCE)  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. Account Maintenance Acceptance Sample instructions state that the contribution reports must be pulled and compared with the information on the State's computer system. How should the review be conducted in States that do not require paper reports, but rather receive the employers' information via magnetic media/diskette or electronically?**

**Answer: The State needs 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.**

**Answer: See also Global answer "Documentation for Electronic Filing/Paperless Systems", March 1995.**

**March 1995**

**TAX FUNCTION: CONT RPT PROCESSING (ACCOUNT MAINTENANCE)**  
**PROBLEM TYPE: SYSTEMS REVIEW**

**Question 1. What is "batch control file"? How is it a source document?**

**Answer: In some States, documents are sorted by similarities (batched) and a record (file) is created of the documents in each batch. This record can be used to identify updates to the employer account.**

**February 1994**

**TAX FUNCTION: CONT RPT PROCESSING (ACCOUNT MAINTENANCE)  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. In the Contribution Rpt. Processing A/S, if the employer included with the 1st quarter report, one or more delinquent reports, should only the first quarter report posting be examined, or should the posting of all reports received with the first quarter be examined?**

**Answer: Only the posting of 1st quarter report should be examined. If you were to examine the posting of more than one report, you would increase the sample size. In addition to creating more opportunity to find errors, you would cease to have a "level playing field" with the other States. The wording in the manual will be changed in the next revision to make this more apparent.**

**February 1994**

**Question 2. RQC Instructions regarding the documentation needed to review samples of contribution reports require hard copy documents. In some States, no hard copy documents are ever received from some employers. All information is transmitted on magnetic media. When an account like this gets into our sample, what do we use to compare the information on the employer account to?**

**Answer: The specifics of this question must be handled on a State by State basis. The reviewer is to become conversant with the "nuts and bolts" of how information or money transmitted electronically is handled in the SESA. The reviewer will discuss the situation with the Regional RQC Representative. The Regional person, with the assistance of the National Office, will work with the Reviewer to develop a method of reviewing these cases.**

**February 1996**

**TAX FUNCTION: DEBITS/BILLINGS (ACCOUNT MAINTENANCE)**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. For the debits/billings, P & I may be included; however, why should SESAs assess the accuracy of the billing of penalty and/or interest if RQC is only interested in UI tax contributions? (For example: what if the SESA is accurately billing the employers for UI tax, but not billing accurately for the penalty and interest owed?)**

**Answer: The scope of RQC focuses on UI tax contributions; however, the purpose of RQC is to assess the quality of the State tax programs. If the SESA is billing the employer's tax accurately but failing to bill the interest and penalty accurately, the RQC reviewer should not indicate that the Acceptance Sample cases pass, and should not indicate that the Employer Billing function has reasonable assurance of quality.**

**February 1994**

**TAX FUNCTION: CREDITS/REFUNDS (ACCOUNT MAINTENANCE)**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. Definition in the Appendix states: the total amount of the taxes originally owed to the SESA by the employer (not remaining balance due). Does this mean that supplemental contribution reports are excluded?**

**Answer: Supplemental reports are not excluded if they were received in the processing period during which the universe is being constructed. The data field "TAX DUE" should include any tax due at the beginning of the processing period as well as any tax due as a result of reports received during the processing period. The difference between "TAX DUE" and "TAX PAID" (during the processing period) should be the amount of the credit established during the processing period. This difference is the credit amount which RQC will investigate for accuracy. (Note: The same data fields are also used in the Debit universe except the difference will be tax still owed. See Appendix.)**

**February 1994**

**TAX FUNCTION: BENEFIT CHARGING (ACCOUNT MAINTENANCE)**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. If charge statements are issued quarterly for reimbursing employers and annually for contributory employers, should these two universes be merged to form one universe for charge statements? If Yes, should duplicate reimbursable accounts be eliminated so that they have same chance of being selected?**

**Answer: Yes, the two universes should be merged; and Yes, eliminate duplicate reimbursable employer accounts so that reimbursable employers have the same chance as contributory employers of being selected in the sample.**

**February 1994**

**Question 2. Should UCX (military), UCFE (federal claims), and CWC (combined wage claims) be included in the universe for Benefits Charge Statements Acceptance Sample?**

**Answer: Yes, they should be included. If including them is a problem, please contact your RO representative who will contact the National Office for further guidance.**

**February 1994**

**Question 3. Some benefit charges are worked in units over which Tax has no direct control. Would it be fair to charge tax with a failed sample due to possible errors within these units outside of tax units?**

**Answer: The RQC instrument is designed to alert SESA Administrators of any problems in the collection and processing of UI revenues. Therefore, the organizational placement of the function is immaterial.**

**February 1994**

**TAX FUNCTION: BENEFIT CHARGING ACCOUNT MAINTENANCE)  
PROBLEM TYPE: OTHER**

**Question 1. Will the RQC Reviewer assess the accuracy of the employer charge or non-charge decisions?**

**Answer: RQC will look at the adjudication decision made to see if appropriate charge or non-charge was made to the employer based on decision that was made in accordance with SESA rules and regs. We will not revisit the initial decision to allow or deny claimant benefits. (BQC already assesses this component).**

**The following are examples of what RQC reviewer will assess:**

**(1) if the employer failed to respond to a potential charge notice statement requesting separation notice, did the SESA charge the employer? and (2) if the employer returned potential charge notice inquiry and stated claimant was a voluntary quit for personal reasons, did the SESA non-charge employer's account and charge cost to the pool account or social costs?)**

**February 1994**

**Question 2. Will the RQC Reviewer look at other employers, if any, attached to claimant selected from the Benefit Charge Statement?**

**Answer: No. RQC will look only at the one employer who was selected from the universe of employer charge statements.**

**February 1994**

**TAX FUNCTION: EMPLOYER TAX RATES (ACCOUNT MAINTENANCE)  
PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 1. Should the universe for employer tax rates sample be from the employers to whom rate notices are mailed during the review year or from the employers to whom notices are mailed for the review year?**

**Answer: Tax rate sample should be selected from the universe of experience rated employers who are mailed rate notices during the year being reviewed by RQC.**

**February 1994**

**Question 2. Should the tax rate acceptance sample include employers who are eligible for an experience rate but do not receive it for failure to report and pay all contributions due?**

**Answer: Yes, the only exclusion is for those employers who are not eligible for experience rating. (For example: new employers that have not been in business for 8 quarters, etc.)**

**February 1994**

**Question 3. A State sends a mass mailing of experience rate notices in October. During November employers have the option to pay extra contributions in order to lower their experience rates (voluntary contribution). In December, new rate notices are mailed to those employers. Should this State include the employers who made voluntary contributions in the universe or just use the October mass mailing?**

**Answer: Use the October mass mailing for the universe. RQC is attempting to identify any major problems in the experience rating system. The SESA may opt to take a separate sample of employers who have had such adjustments, but since this does not represent the bulk of SESA output, it should not be part of the RQC experience rating universe.**

**February 1994**

**Question 4. A State uses 3 years of employer history to determine the employer's rate. When calculating the employer's tax rate the State uses its fiscal year, which begins 7/1 and ends 6/30.**

**Does the Reviewer have to examine the wage detail of the 1st and 2nd quarter payroll returns (which are prior to 7/1) to be sure that the taxable wage figure on the 3rd & 4th quarter returns being used are correct?**

**Answer: No. The Reviewer will operate under the assumption that the earlier information is correct. What is being examined is the compilation and calculation of the data shown on the returns; not the correctness of the returns themselves.**

**February 1994**

**NEWLY ISSUED Q&A'S**

**TAX FUNCTION: GLOBAL**

**PROBLEM TYPE: END OF QUARTER EMPLOYERS-ETA 581**

**Question 7. The ET Handbook #401 definition for an "Active Employer" is in conflict with the instructions provided in the Handbook as well as prior Q&As. The definition reads, "... an employer currently registered and required to file reports, who has paid and reported wages during one or more of eight consecutive calendar quarters which includes the quarter being reported." The instructions say to count any active employer subject to state unemployment compensation law at the end of the report quarter. Some states are not counting employers as active unless a report has already been filed, and taxes paid. Please provide clarification for this definition.**

**Answer: We are aware of this inconsistency, and will correct it with the next change to the Handbook. The definition should read: "An employer (single or multi-unit) under the state unemployment compensation law, currently registered and required to file reports during one or more of eight consecutive calendar quarters which includes the quarter being reported.**

**TAX FUNCTION: GLOBAL**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 4. How should the reviewer proceed with data entry if the universe is discovered to be "bad"?**

**Answer: If this is discovered before any AS cases are entered into the system, stop the RQC review, "fix" the universe, then start the review with a new sample and data enter into the system as acceptance sample #1.**

**If this is discovered after AS data entry into the system has begun - stop entry, lock acceptance sample #1 into the system (enter comments into "General Comments" section). Fix universe, select second AS then enter into system as AS #2 (an explanation should also be entered into the "General Comments" section).**

**If the universe can't be fixed, or the time frame for sample extraction has passed, the RQC reviewer should contact Regional Office staff for further instructions.**

**NOTE: Data entry software has not yet been distributed. The plan is to distribute AS data entry software in March of 1997.**

**TAX FUNCTION: CASHIERING  
PROBLEM TYPE: ESTIMATION SAMPLE**

**Question 17. Should the States include EFT payments from reimbursable employers if they are received during the sample period?**

**Answer: Since payments from reimbursable employers are the functional equivalent of contribution payments from contributory employers, the EFT payments from reimbursable employers received any time during the quarter should be considered in the formula for determining timeliness of deposit.**

**Question 18. Is the percentage for EFT calculated as the percent of funds deposited during the sample period or the percent of funds deposited during the quarter? The manual seems to say both.**

**Answer: The percentage for EFT is calculated as the percent of funds deposited for the quarter: only the Estimation Sample is limited to the sample period. The Estimation Sample is designed to estimate how the paper (checks, money orders) payment system is performing. If the sample is properly picked, it will be representative of the entire paper payment system. In SESAs that do not use EFT, the paper payment system represents 100% of the payment system. In this case, the determination of timeliness of deposit for the quarter is based entirely on the Estimation Sample. In SESAs that accept EFT payments in addition to paper payments, the two distinct payment systems must be measured separately: the results of both measurements are then combined to determine overall timeliness of deposits for the quarter. An example is shown on page IV-112 of the Cashiering Chapter.**

**Question 19. Are items received in the field to be included if they don't come in through the normal bulk mail process i.e. they come into a different P.O. Box number than the regular contributions and the central office does not know what this mail contains until it is opened?**

**Answer: No, only items that come in through the bulk mail process should be included in the Estimation Sample. Because the number of items that are received outside of the normal bulk mail process cannot be accurately estimated, a sample from those items would not provide useful information.**

**Question 20. An issue was raised recently concerning SESAs that use lockbox (or other non-SESA) services, plus have in-house cashiering operations. The question was (in a nutshell): How does a SESA know whether to sample items from both operations or just from the primary mail processing operation?**

**TAX FUNCTION: CASHIERING  
PROBLEM TYPE: ESTIMATION SAMPLE**

**Answer: If 95% or more of PEAK MAIL comes into one place, then the SESA samples only from that one place. If less than 95% of the mail comes into one location, then sample items must be pulled from both locations.**

**Question 21. Are reports with payments that cover ONLY administrative surcharges to be included in the Estimation Sample? Almost one-half of the employers in this state have a zero tax rate and pay only the surcharge. If reports that have ONLY administrative surcharges are to be excluded from the sample, how will the sample size and check interval be affected?**

**Answer: The purpose of the Cashiering Estimation Sample is to gauge the timeliness in which UI contributions are deposited. Checks that do not include contributions should not be part of the sample. Unless it can be determined from the outside of the envelope that no contributions are enclosed, the only way to accurately gauge timeliness of deposit of contributions in this scenario is to: increase the sample size in relationship to the number of accounts with zero tax rates. (In this particular case the sample size would increase to 1,000). Record only the items with contribution payments to use in the timeliness computation.**

**If the zero rate employers can be determined prior to conducting the sample through some sort of external indicator (e.g. colored envelopes, mailed to a separate P.O. Box), they should be excluded from the sampling effort.**

**Question 22. The Cashiering instructions direct the reviewer to record the payment amount on the sample forms. If the SESA collects other taxes along with the UI contributions or collects a surcharge along with contributions, which amount should be recorded for the sample - the total payment amount on the check or the amount of the contribution payment? Is it statistically significant one way or the other?**

**Answer: If the contributions are included in one check with other payments, timeliness can be determined by the deposit date of the check, regardless of whether contributions are recorded solely or if the total check amount is recorded. If possible, however, it would be better to record only the amount of the contributions to get a more accurate picture of contributions sampled. If it is not practical to break out the amount of contributions from the total amount of the check, the total amount of the check should be recorded.**

**TAX FUNCTION: CASHIERING**

**PROBLEM TYPE: ESTIMATION SAMPLE**

**Question 23.** If an envelope selected for sampling contains two reports with payments, should both reports be part of the sample or should only one be selected? If only one, which one?

**Answer:** Only one report should be included in the sample. It doesn't matter which one.

**Question 24.** Should thick envelopes, flats and boxes which contain multiple reports, especially those from CPAs and bookkeepers, be opened before the interval count is begun and each report included in the count?

**Answer:** Thick envelopes, flats and boxes should be opened and the number of reports counted or *estimated* to determine if some of the reports should be included in the sample.

**Question 25.** Is the sample to include only current quarter payments or should other quarter payments be included as well? What if there is no report in the envelope with the check?

**Answer:** All contribution payments, regardless of the quarter the payment is for, should be included in the sample if the payment is received into the SESA with the bulk mail. Checks received without reports should also be included in the sample.

**Question 26.** Should "exception" reports be included in the sample? If a report has errors or is in an unacceptable format, should it be included in the sample even though it cannot be processed as a peak/bulk item? Are we testing mainstream processing or all?

**Answer:** Contribution payments that accompany "exception" reports are to be included in the sample. The purpose of the Estimation Sample is to determine the timeliness in which contributions are deposited, regardless of the procedures for processing the reports. The Estimation Sample was not designed to test report processing.

**Question 27.** If an account number has not been assigned and the check must be "suspended" under SESA procedures, should the check be included in the sample? Is this sample intended to test the timeliness of the SESA's suspense item processing?

**TAX FUNCTION: CASHIERING**  
**PROBLEM TYPE: ESTIMATION SAMPLE**

**Answer: Do not exclude contribution payments for which there is no account number from the sample. If there is no account number, the name (and any other identifying information the reviewer thinks will be helpful in determining when the check is deposited) should be recorded on the sample coding sheet. The Estimation Sample was not designed to test the timeliness of the SESA's suspense item processing, but to determine the timeliness in which the SESA deposits contributions into the clearing account.**

**Question 28. Should a check that was pulled during the sample selection period and returned to the employer because the employer isn't liable, be removed from the sample?**

**Answer: Yes. If it can be verified that a check selected during the sampling period has been returned to the employer, it should be removed from the sample. Do not attempt to replace it even though the removal of the check could bring the total sample items to less than 500.**

**TAX FUNCTION: COLLECTIONS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 14. Some States do not have laws that permit declaring debt uncollectible while other States have collection procedures which are weak or non-existent after several years; how can States avoid creating a universe which may consist of cases that really have no actions to review within the limitations of the "three year" period?**

**Answer: Questions in the A/S were changed to reflect that reviewers are to track collection activities for the current year and the two prior years. Thus, it will be necessary for States to further stratify the collections universe to ensure that they are able to review some collection activity in the sixty cases.**

**Reviewers will have to ascertain what the SESA's policy is for declaring accounts uncollectible and what collection activity takes place beyond a three year period.**

**The instructions for the Collection universe advise that the universe consist of accounts with \$100.00 or more of tax due which are at least 30 days old. Reviewers will have to decide whether to stratify the universe further by limiting the time period to at least 30 days but not older than five years, seven years or whatever time period that will ensure collection activity is still occurring. Any questions regarding the stratification of the collection universe should be addressed to your Regional Office representative.**

**TAX FUNCTION: CREDITS/REFUNDS**  
**PROBLEM TYPE: ACCEPTANCE SAMPLING**

**Question 2. What should a SESA do about universes when different system procedures exist for contributory and reimbursing employers? Does the SESA need to combine universes or can the SESA conduct separate Acceptance Samples? If separate how will they report the two Acceptance Samples? If combined, can they prorate sample size in accordance with percentages for each?**

**Answer: Several SESAs have indicated different processes for debits, credits, and benefit charging for contributory and reimbursing employer accounts. It is not possible for SESAs to enter data for separate acceptance samples for these reviews. The SESA may elect to combine the universes for each process or may select the sample on a prorated basis. Reviewers should contact their RO representatives for further instructions concerning combining or for prorating the sample.**

**ATTACHMENT 3**

**CROSSWALK**

## Explanation of Q&A Changes

### Legend

- A.--Deleted (obsolete issues or included in final handbook).  
 B.--Two old Q& A's combined (addressed the same issue).  
 C.--No changes made in original Q&A.  
 D.--Minor changes. No substantive change made in original Q&A.

ORIGINAL NUMBER	NEW NUMBER	COMMENTS
Grid-mult-unit	No number	Same place-in front-Global
No number	No number	Same place in front--Global-Document. Elect. filing
<b><u>MISC 581</u></b>		
1	--	A
2	--	A
<b><u>Global-EOQ 581</u></b>	<b><u>Global EOQ 581</u></b>	
1	1	C
2	2	C
3	3	D
4	4	C
5	5	C
5	6	D (2 # 5's in old Q&A's)
<b><u>ETA Rpt Del 581</u></b>	<b><u>Rpt Del 581</u></b>	
1	1	D
2	2	D
3	3	C
4	4	C
<b><u>Stat Report 581</u></b>	<b><u>Status 581</u></b>	
1	1	D
2	2	D
<b><u>Stat Inact/Term</u></b>		
1	3	C
2	4	C
3	5	C
4	6	D

ORIGINAL NUMBER	NEW NUMBER	COMMENTS
<u>Receivables-581</u>	<u>Collections-581</u>	
1	1	D
2	2	D
3	3	D
4	4	D
5	5	C
6	--	A
7	6	D
8	7	D
9	8	C
10	9	C
11	10	C
12	11	C
13	--	A
14	12	D
15	13	C
<u>Field Audit 581</u>	<u>Field Audit 581</u>	
1	1	D
2	2	D
3	3	D
4	4	D
5	5	D
6	6	C
2nd part of 6	7	D
7	8	C
<u>Global Software</u>	<u>Global Software</u>	
1	1	C
2	2	D
3	3	D
4	--	A
5	4	A

ORIGINAL NUMBER	NEW NUMBER	COMMENTS
<u>Global Software</u> _6	<u>Global Software</u> 5	C
<u>Global CM</u> 1	<u>Global CM</u> --	A
2	--	A
3	1	C
4	--	A
5	2	C
6	--	A
7	3	D
<u>Global SR</u> _1	<u>Global SR</u> --	A
2	1	D
3	2	C
4	3	D
<u>Global AS</u> 1	<u>Global AS</u> --	A
2	1	D
3	2	C
4	3	D
<u>Global Other</u>	<u>Field Audit CM</u>	
1	2	D
2	--	A
3	--	A
4	--	A
5	--	A
6	--	A
7	--	A
<u>Status CM</u> 1	<u>Status CM</u> 1	D
2	2	D
3	--	A

<u>ORIGINAL NUMBER</u>	<u>NEW NUMBER</u>	<u>COMMENTS</u>
<u>Status CM</u> _4	<u>Status CM</u> 3	D
5	4	D
6	5	C
7	6	D
8	7	D
9	8	C
<u>Status SR</u> 1	<u>Status SR</u> 1	D
2	--	A
3	--	A
4	--	A
5	--	A
<u>Status AS</u> 1	<u>Status AS</u> 1	C
2	2	C
3	3	C
4	4	D
5	5	C
6	6	C
7	7	C
8	8	C
9	9	C
10	10	C
11	11	C
12	12	D
13	13	C
14	14	D
15	15	D
16	--	A
17	16	D

<u>ORIGINAL NUMBER</u>	<u>NEW NUMBER</u>	<u>COMMENTS</u>
<u>Status AS</u>	<u>Status AS</u>	
18	17	D
19	18	D
20	19	C
<u>Cashiering SR, ES, AS</u>	All cashiering Q&A's were issued with the new Cashiering Chapter, March 1996. That release incorporated and updated the answers to previously asked cashiering questions.	
<u>Rpt. Del. CM</u>	<u>Rpt. Del. CM</u>	
1	<u>1</u>	C
2	2	C
3	3	C
4	4	C
5	--	A
6	--	A
7	5	D
8	--	B Merged with RD 581 Q.1
9	--	A
10	6	D
11	7	C
12	--	A
13	--	B Merged with RD 581 Q. 1
14	8	D
15	9	D
<u>Rpt Del AS</u>	<u>Rpt Del AS</u>	
1	1	D
2	2	D
3	3	D
4	4	D
5	5	D
6	--	A
<u>ORIGINAL NUMBER</u>	<u>NEW NUMBER</u>	<u>COMMENTS</u>

<u>Rpt Del MS</u> 1	<u>Rpt Del MS</u> 1	C
2	2	D
<u>Rpt Del Other</u> 1	<u>Rpt Del Other</u> --	A
<u>Collect CM</u> 1	<u>Collect CM</u> 1	C
<u>Collect SR</u> 1	<u>Collect SR</u> 1	C
<u>Collect AS</u> 1	<u>Collect AS</u> 1	C
2	2	C
3	3	C
4	--	A
5	4	C
6	5	C
7	6	D
8	7	D
9	8	D
10	9	D
11	10a	D
12	10b	D
13	11	C
14	12	D
15	13	C
<u>Collect Other</u> 1	<u>Collect Other</u> 1	C
2	--	A
<u>Field Audit CM</u> 1	<u>Field Audit CM</u> --	A
2	1	C
3	3	C
<u>ORIGINAL NUMBER</u>	<u>NEW NUMBER</u>	<u>COMMENTS</u>

<u>Field Audit SR</u>	<u>Field Audit SR</u>	
1	1	D
2	--	A
<u>Field Audit AS</u>	<u>Field Audit AS</u>	
1	1	C
2	2	C
3	3	C
4	4	C
5	5	C
6	--	A
7	6	C
8	7	C
9	8	C
10	9	C
11	10	C
12	11	C
13	12	C
14	13	D includes part of old 22
15	14	C
16	15	D b. deleted
17	16	C
18	17	C
18	--	A two 18's in old Q&As
19	18	C
20	19	D
21	20	D
22	--	B-Combine with 14
23	21	D
24	22	B--Combine old 24 and 36
25	23	C
<b>ORIGINAL NUMBER</b>	<b>NEW NUMBER</b>	<b>COMMENTS</b>
<u>Field Audit AS</u>	<u>Field Audit AS</u>	

26	24	C
27	25	D
28	—	A
29	26	D
30	27	C
31	—	A
32	28	C
33	29	D
34	30	B-Combined with old 16
35	--	A
36	--	A
37	31	C
<u>FA-Other</u> 1	<u>FA-Other</u> --	A
2	1	C
3	2	C
4	3	C
5	4	C
6	5	C
7	6	D
8	7	D
<u>Acct. Main.</u>	<u>Acct. Main.</u>	
<u>Global AS</u> 1	<u>Global AS</u> 1	C
<u>Cont Rpt SR</u> 1	<u>Cont Rpt SR</u> --	A
2	--	A
3	1	C
<u>Cont Rpt AS</u> 1	<u>Cont Rpt AS</u> 1	C
<b>ORIGINAL NUMBER</b>	<b>NEW NUMBER</b>	<b>COMMENTS</b>
<u>Cont Rpt AS</u> 2	<u>Cont Rpt AS</u> 2	C

3	--	A
<b><u>Debits/ AS</u></b>	<b><u>Debits/AS</u></b>	
1	1	C
2	--	A
<b><u>Credits SR</u></b>	<b><u>Credits SR</u></b>	
1	--	A
2	1	C
3	--	A
4	--	A
<b><u>Ben Charge AS</u></b>	<b><u>Ben Charge AS</u></b>	
1	1	C
2	2	C
3	--	A
4	3	C
5	--	A
<b><u>Ben chg Other</u></b>	<b><u>Ben Chg Other</u></b>	
1	1	D
2	2	C
<b><u>Tax Rates AS</u></b>	<b><u>Tax Rates AS</u></b>	
1	1	C
2	2	C
3	3	C
4	4	C
5	--	A
6	--	A
7	--	A