UI Data Validation Technical Clinic

Tax

January 29, 2020

DOL UI Data Validation Training Initiative

First benefits clinic: 12/4/19

Second benefits clinic covering overpayments and topics raised by states: 12/19/19

Tax clinic: 1/29/20

State-specific virtual clinics: February–March 2020

New training materials: Spring–Summer 2020

On-site technical assistance: Spring–Summer 2020
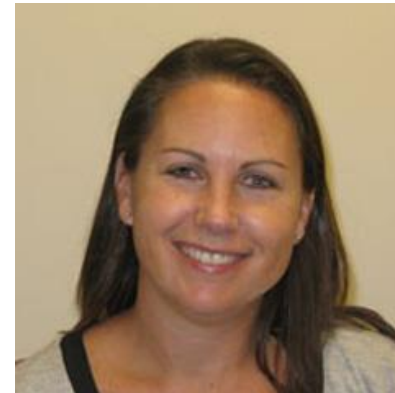
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Raising Questions

We will occasionally stop so states can ask questions verbally or via the chat box

We will stop to ask states questions about their tax reporting

We will collect requests for state-specific clinics

Overview of Presentation

Give an overview of the validation process

Review the Employment and Training (ETA) 581 report and how the UI tax populations relate to the report

Review each population

- Discuss report section that is validated and validation requirements
- Data validation (DV) results
- Building the extract file
- Key concepts for successful validation

Goals

Ensure use of the correct validation approach for the reporting method

Explain the more complex aspects of UI tax reporting logic

Ensure programmers use Module 3 specifications and record layouts (ETA 411) to build extract files

Help programmers understand how to extract and modify the data to load successfully into the DV software and accurately reflect the 581 reporting requirements

General Validation Approach and Principles

States generate records to support reported counts and dollars

Validation approach extracts each reportable transaction or status once, no matter how many items on the report include that transaction or status

Each population is categorized into a file of records that are federally reportable with all the characteristics needed to determine that transactions and statuses were reported correctly

Assigning Records to Subpopulations

Software uses a coin sorter approach to assign records to subpopulations based on dates and a generic prefix inserted by state programmers

Software uses a combination of generic federal and state-specific values to assign records to subpopulations

Programmers must ensure state-specific values match Module 3 specifications

Example: Employer type "C-6:" the software assigns this to a contributory employer subpopulation
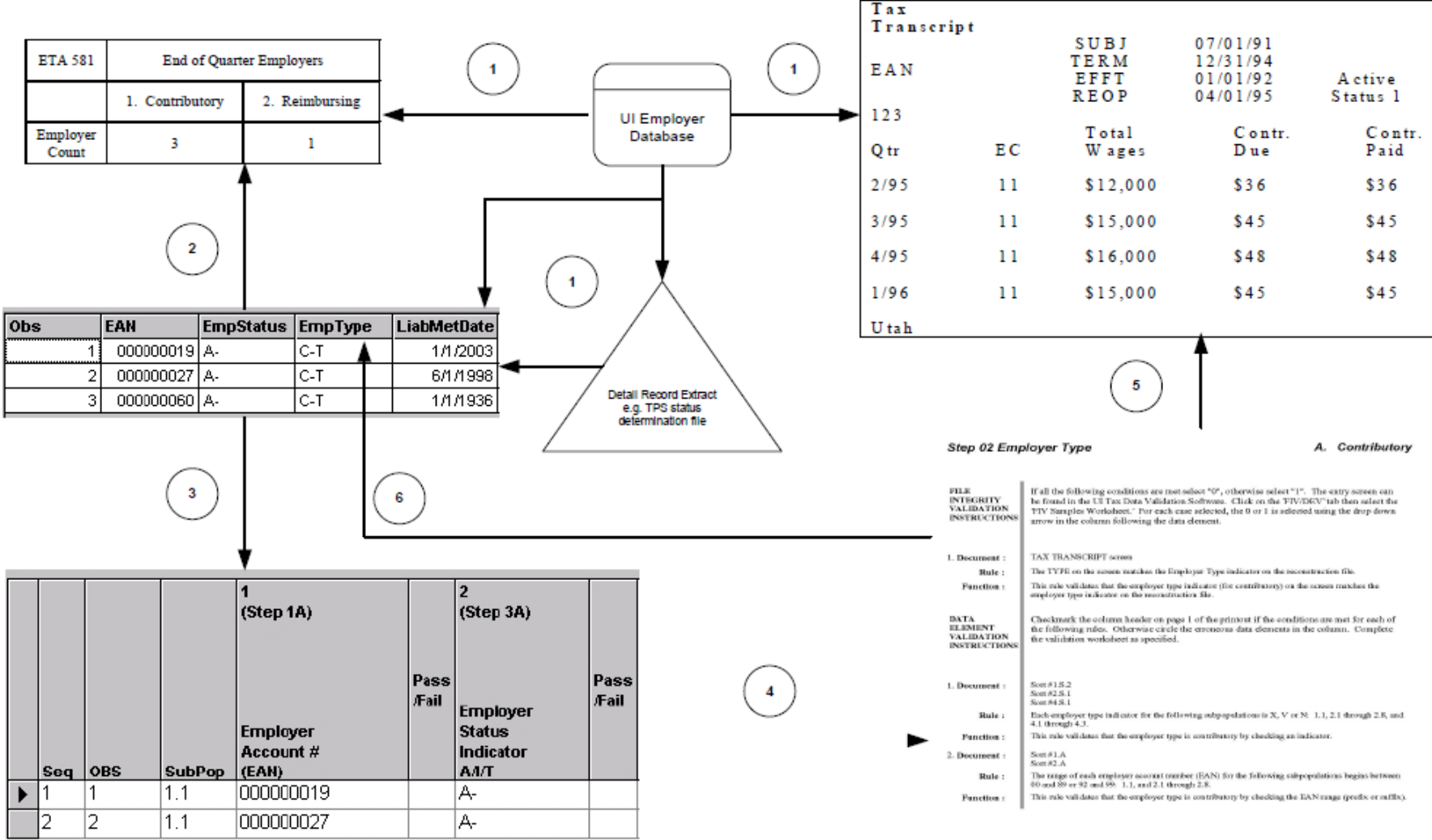
Each record will be assigned to one and only one subpopulation

Improperly labeled and formatted records will not be assigned to any subpopulation

Overview of Tax DV Methodology

Module 1: Report Validation

Report validation (RV) compares total counts and dollars for subpopulations to the counts in the federal report

Each population was designed to validate specific items on the ETA 581

If validation counts do not match reported counts, and data element validation has determined that the validation counts are correct, it can be assumed that the reported counts are incorrect—unless the reported counts are higher, which might indicate that the extract file is incomplete

Instructs how to validate whether state's ETA 581 reporting programs are functioning correctly

Sun-based software systematically processes extract files and compares the count in each federal report item to the count in the corresponding subpopulation(s)

Module 2: Data Element Validation

Data element validation (DEV) assesses the accuracy of data in the validation files by reviewing samples of records for specific subpopulations to ensure values meet federal reporting definitions

Validators review all records rejected by the software to determine if the records should be corrected or removed from the validation file

Module 2.1: Minimum samples (formerly called File Integrity Validation, or FIV)

Two records from each subpopulation are examined to confirm correct data were extracted from the database to build the reconstruction file

Module 2.2: Sort tests

Checks whether the primary letter codes in the validation files are supported by state database values, or whether Employer Account Numbers (EANs) have the prefix, suffix, or range values the state uses to differentiate contributory from reimbursing employers

Not all sorts are applicable in all states

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Module 3: State-Specific Rules

Module 3 contains state-specific rules for validating each data element

Ensures that values for each data element for each population file meet federal definitions
Programmers use Module 3 specifications to create extract files, or DEV is likely to fail

Refers to tax system screen names and labels used to identify tax data elements

Programmers must extract from the database the data that correspond to the screen labels and values

Tax reporting experts; the chief of tax; status determination, accounts receivable, and field audit managers; and experts must agree that Module 3 is thorough and correct

Module 3 is the "source of truth" about how to generate correct 581 counts given each state's specific data conventions and policies

Modules 4 and 5

Module 4: Tax Performance System (TPS) sample validation

Determines whether the state's TPS acceptance samples were selected randomly from correct universe of transactions

Quality reviews are a key indicator of the state's performance, and it is important to review sampling methodology to ensure results are statistically valid
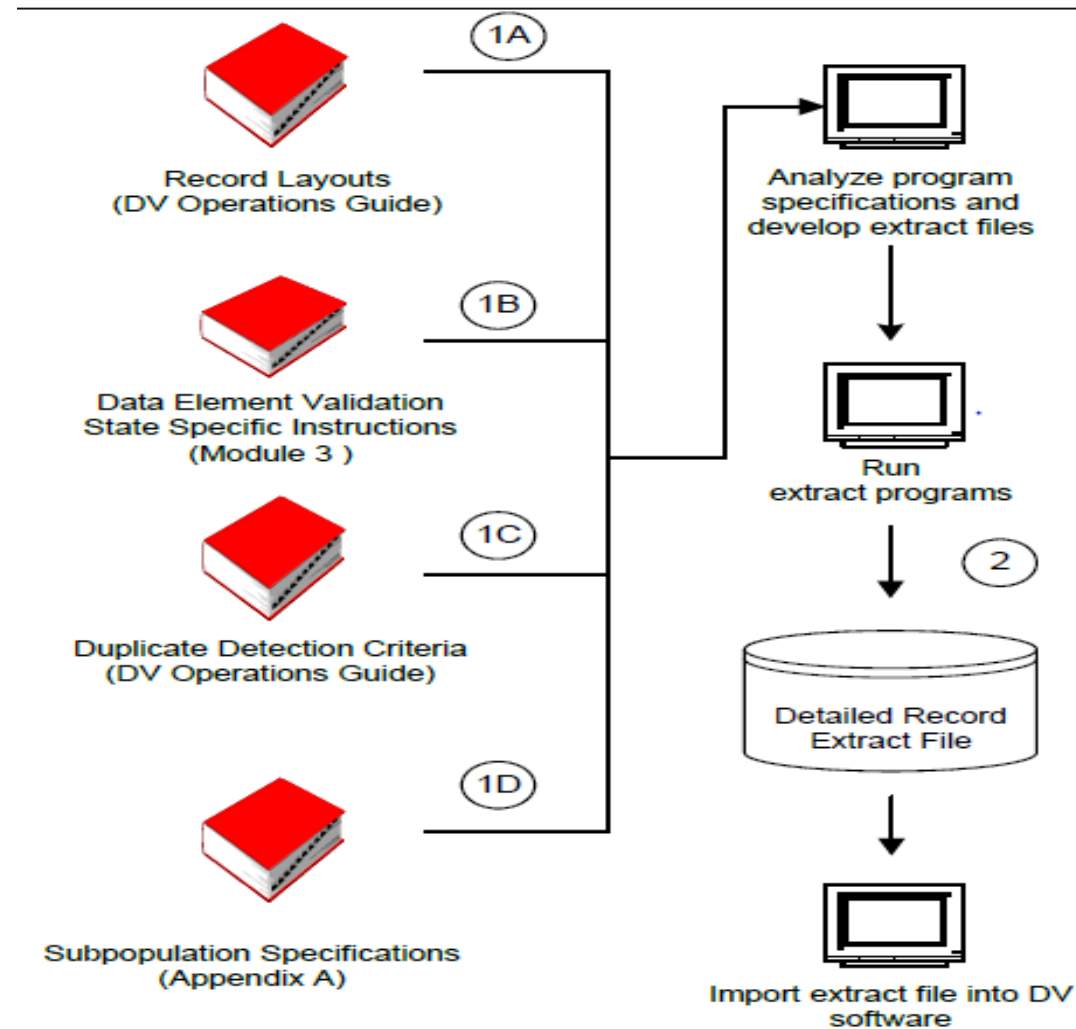
Module 5: Wage item validation

Provides instructions for validating the count of wage items

We are not covering either of these Modules in the training - please enter any questions you have into the chat

Resources for Building Extract Files and Diagnosing Errors

Record Layouts
(DV Operations Guide)

1A

Data Element Validation
State Specific Instructions
(Module 3)

1B

Duplicate Detection Criteria
(DV Operations Guide)

1C

Subpopulation Specifications
(Appendix A)

1D

Analyze program
specifications and
develop extract files

Run
extract programs

2

Detailed Record
Extract File

Import extract file into DV
software

Best Practices for Programmers

Test files before importing them

Load into Excel, SQL, SAS, or equivalent software

Check for outliers

Dates are outside the reporting period

Dollar values are zero or too high

Review the DV Software Error Report

Syntax errors

Invalid values

Incorrect formats

Logic (parsing) errors

Unable to assign the record to a subpopulation

Required and conditionally required data elements

Duplicate records

Select the Correct Validation Approach

Ideal reporting and validation approach uses a point-in-time snapshot of the database at the end of the quarter

Eliminates discrepancies between extract files and reports caused by changes in database during the reporting period

State should generate the ETA 581 and the extract file (the reconstructed "audit trail") from the employer database(s) at the same time

Ideally, to prevent inconsistencies that are a result of timing, states would then immediately import the validation file into software so minimum samples could be drawn, and state could generate supporting documentation (for example, query screens) from employer database(s)

Table B in validation handbook lists six combinations of reporting and validation methods

Conducting DEV: Steps 1–3

1. **Software selects a sample of two records per subpopulation and displays them on sample worksheet (See Module 2)**

2. **Validator assembles materials—Module 3, reconstruction files, sample worksheets, and screens—for use during validation and for review by DOL auditors**

3. **Validator follows "step" numbers in each column heading on sample worksheet in DV software to test accuracy of reconstructed data, using state-specific instructions under corresponding step number in Module 3**

Conducting DEV: Steps 4–5

4. **Validator proceeds through each step**

   For example, the validator follows the rules for 2A (contributory employer) in Module 3

   The rule for Step 2A requires the validator to compare the employer-type indicator on the screen to the employer-type indicator on the sample worksheet

   Using the down arrow, the validator selects "PASS" if the two indicators match; otherwise, "FAIL"

5. **The validator repeats the process for each data element on the worksheet, guided by the step numbers in each column heading**

Validating Data Elements by Sorting

Sorts are tests used to determine whether data element values used to build the extract file records such as "C" for contributory or "N" for new status determinations, are supported by underlying state database codes or EAN values

Validation software assigns records to subpopulations, in part by using generic codes used by all states to build the validation files

- For example, all states use "C" to mean contributory, followed by a dash and the state-specific code for contributory

- Sort tests must be conducted when states have multiple state-specific codes that could be assigned to a single generic code

- A separate query test is also necessary when a state uses the prefix, or suffix, or value range of EAN to identify whether employer type is contributory or reimbursing

Sort Tests

Assess validity of a subset of data elements and subpopulations by looking at distribution of values for these elements

Two methods of sorting:

1. Query sorting

Validates that EANs for contributory and reimbursable employers meet the state requirements by using one of three types of queries—"starts with," "ends with," and "is between"

Subtracting the number of EANs in the subpopulation(s) to the number returned by the query provides the number of errors

States that do not assign EANs based on the employer type do not perform sort tests for these fields

2. Frequency distribution

Validates employer status indicator, employer type indicator, status determination type, and transaction type indicator by counting the number of records for each code

Summing the counts for each invalid code provides the number of errors for the sort group being reviewed

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Example of Sorting Used for Status Determinations

Table below shows a variety of codes a state uses to classify a status determination that an employer is either newly liable or a successor to an existing employer

In building its Population 3 validation file, this state might have several acceptable state-specific codes to map to the generic status determination type indicators of "N" (new) and "S" (successor). For example, this state's validation file might show new status determination type indicator values of N-01, N-02, N-03, N-07, N-08, N-09 or N-10.

Code	Reason
01	Payroll
02	Employment 13th week
03	FUTA
04	Whole Successor allowed
05	Part Successor
06	Consolidation allowed
07	Revived with new number
08	Payroll domestic
09	Payroll agriculture
10	Employment agricultural

Validating Data Elements by Sorting

For most sorts, validation software produces a distribution of all records in Populations 1–4 in the extract file by certain key primary codes

Shows the relationship of records with generic codes to the state's specific codes captured when file was built

Validator examines codes to identify any unacceptable state-specific codes

For sorts 1.1, 1.2, 2.1, and 2.2, the software allows validator to query Populations 1 and 2 to determine whether the prefix, suffix, or value range of the EAN are consistent with state procedures for classifying employers by type (contributory or reimbursing)

Passing Sort Validation

Data element passes the sort validation if no more than 2% of sorted transactions include incorrect state-specific code or wrong EAN value

DV software provides a data entry screen where the validator records, for each sort, the number of records tested and the number of records "out of range"

The validator can check N/A if the sort does not apply in the state

To pass report validation, the population extract must pass all applicable sort tests and have no minimum sample errors

Sort Validation Criteria

Population	Sort	Subpopulations Sorted	When to Do Sorts Validation	Test Data Element	Test Criteria	Module 3 References
1	S1.1	1.1	When the employer's account number indicates that the employer type is contributory.	EAN	All EANs must be in ranges allocated to contributory employers	Step 2A
1	S1.2	1.2	When the employer's account number indicates that the employer type is reimbursing.	EAN	All EANs must be in ranges allocated to reimbursing employers	Step 2B
1	S1.3	1.1 and 1.2	When more than one employer status code is used to indicate that the employer's status is active.	Employer Status Indicator	All status codes must represent active employers	Step 3A
1	S1.4	1.1	When more than one employer type code is used to indicate that the employer type is contributory.	Employer Type Indicator	All employer type codes must represent contributory employers	Step 2A
1	S1.5	1.2	When more than one employer type code is used to indicate that the employer type is reimbursing.	Employer Type Indicator	All employer type codes must represent reimbursing employers	Step 2B
2	S2.1	2.1- 2.8	When the employer's account number indicates that the employer type is contributory.	EAN	All EANs must be in ranges allocated to contributory employers	Step 2A
2	S2.2	2.9-2.18	When the employer's account number indicates that the employer type is reimbursing.	EAN	All EANs must be in ranges allocated to reimbursing employers	Step 2B
2	S2.3	2.1-2.8	When more than one employer type code is used to indicate that the employer type is contributory.	Employer Type Indicator	All employer type codes must represent contributory employers	Step 2A
2	S2.4	2.9-2.18	When more than one employer type code is used to indicate that the employer type is reimbursing.	Employer Type Indicator	All employer type codes must represent reimbursing employers	Step 2B
3	S3.1	3.1-3.3	When the state uses more than one code to indicate that the status determination type is new.	Status Determination Type	All status determination type codes must represent 'new' status determination type	Step 11A
3	S3.2	3.4-3.6	When the state uses more than one code to indicate that the status determination type is successor.	Status Determination Type	All status determination type codes must represent 'successor' status determination type	Step 11B
3	S3.3	3.7	When the state uses more than one code to indicate that the status determination type is inactivation.	Status Determination Type	All status determination type codes must represent 'inactivation' status determination type	Step 11C

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The ETA 581 Report and UI Tax Validation

States submit the ETA 581, Contribution Operations, quarterly

States extract five files representing five populations of tax records

- Population 1: Count of Active Employers—programmers extract the status of each employer at the end of the quarter

- Population 2: Employer Reports—programmers extract transactions (dates reports were received or processed, and dates of reports-resolved transactions such as final assessments)

- Population 3: Status Determinations—programmers extract records for determinations completed during the quarter

- Population 4: Accounts Receivable—programmers extract transactions for newly established receivables, payments and adjustments, and receivable balances at the end of the quarter

- Population 5: Field Audits—programmers extract records for each field audit completed during the quarter

How the Five Population Files Validate the 581

	Population	ETA 581 Line Numbers	Dimensions Used to Create Subpopulations	Number of Report Items	Number of Subpopulations
1.	Active Employers	101	Employer status: • contributory • reimbursing	2	2
2.	Report Filing	201	Timing of report receipt and resolution: • timely • secured within the quarter due • resolved within two quarters	6	16
3.	Status Determinations	301	Type of status determination: • new • successor • inactive • terminated • Time lapse of the determination	7	8
4.	Accounts Receivable	401 402 403 404	Receivable amounts: • established • liquidated • declared uncollectible • removed from the report • outstanding at end of quarter	10	16
5.	Field Audits	501 502	By employer size: • small • large By audit result:	11	4

Report Quarter (RQ)

Calendar quarter (three months) referenced on ETA reports covering a state's activities and transactions

Calculating report counts and dollars for single 581 report requires states to analyze state activities that take place over multiple quarters, so the specifications use the concept of "report quarter" or RQ to anchor the logic

Activities occurring in prior quarters are referred to as RQ-1, RQ-2, etc.

581 report for activities taking place during the RQ is due in RQ+1

Contributory and Reimbursable Employers

Contributory employer

Employer required by the state unemployment compensation law to pay contributions into state unemployment fund

Employers of certain classes who are not required to pay contributions but elect to do so, and employers with a 0.0% contribution rate, are included in the definition of "contributory employer"

Reimbursable employer

Certain nonprofit organizations, state or local government, and political subdivisions that elect to or are required to pay into the state unemployment fund a sum in lieu of contributions as provided for in the state unemployment compensation law (usually an amount equal to unemployment benefits drawn against such an employer account)

Any Questions Before we Begin to Review the Tax DV Populations?

Population 1: Active Employers – Overview

Validates active employer counts of the ETA 581 report, line 101, items 1 (active contributory employers) and 2 (active reimbursing employers)

Subpopulation 1.1 provides the counts of active contributory employers

Subpopulation 1.2 provides the counts of active reimbursing employers

Validation results

4 states failed Population 1 DV overall

	Number of states failed (out of 4 that failed Population 1)
Data element validation: 1 random sample	
Active employers	2
Report validation: 2 validation report groups	
Active contributory employers	2
Active reimbursing employers	2

Active Employer Counts

Used for funding state workload

Used in TPS computed measures

Used for economic statistics

Only two breakouts

Active contributory employers

Active reimbursable employers

Population 1: Building the Extract File

Column definitions

EAN

Employer status indicator

Employer type

Liability date (met threshold)

Reactivation processing date

Inactive/terminated "as-of" date

Activation processing date

Number of liable quarters

Sum of wages (for each of the last 8 quarters)

Duplicate detection criteria

EAN

Population 1: Key Terms

Active employer

Inactive employer

Terminated employer

Liability date (met threshold)

Inactive/terminated as-of date

Active Employer

Three conditions determine if an employer is active

1. Met threshold or condition of liability contained in state's unemployment compensation law
2. Currently registered and required to file contribution and wage reports (CWRs)
3. Reported wages during one or more of eight consecutive calendar quarters immediately preceding RQ (except for new employers establishing liability within the 581 RQ)

Calculate counts and create DV extract file on last day of quarter

Check that liability date is by the end of RQ and that inactivations or terminations did not occur after the liability date and before the end of RQ

Criteria for Active Employer

Includes:

Employers made liable by end of RQ (business operations have begun, although state threshold requirements on wage payments and duration of operations may not have been met yet)

Formerly inactive or terminated employers who are again made liable by the end of RQ

Excludes:

All but one unit of a multi-unit employer, even though they may file separate reports; businesses should only be counted separately if they are a separate legal entity with a distinct Federal Employer Identification Number (EIN)

Predecessor employers in case of a "complete" transfer of business during quarter. Even if it is required to file a report for the quarter, the predecessor is no longer in business at the end of the quarter

Inactive or terminated employers based on federal definitions

Examples of Exclusions from Active Employer Count

Temporary, pending, or dummy accounts set up to process information even when employer has not been formally determined liable under state law

Should be distinguished by a flag or by a special range of IDs so they are not counted

Examples include:

An employer sends a check or a notification to the state but does not provide enough information to determine liability

Prospective accounts where the employer will not meet the liability requirements of state law until a future quarter

Employers who have eight or more consecutive quarters with no wages on account from any combination of non-filing, zero assessments, or "no wage" reports

States can inactivate employers who have zero wages for fewer than eight quarters

Employers granted permission to temporarily suspend filing quarterly reports by reason of no longer paying wages

Inactive Employer

Also exclude employers not qualified for termination of coverage by reason of no longer meeting the state's definition of "employer," but:

a. Has notified the agency it is no longer paying wages, and has been granted permission to suspend filing of quarterly reports, or

b. Has been administratively granted permission to suspend filing quarterly reports by reason of no longer paying wages, or

c. Has not reported wages for any of the eight consecutive calendar quarters immediately preceding the ETA 581 RQ

> For these employers, the effective date for inactivation shall be the last day of the eighth no-wage quarter (or the first day of the ninth quarter, depending on state-specific inactivation procedures)

Terminated Employer

Employer who has been granted termination of coverage by reason of not meeting the definition of "employer" in the state unemployment compensation law

Includes:

"Inactive" employers meeting federal definition, even if state law requires additional procedures or waiting periods before terminating an employer account on state records

Excludes:

Accounts set up or reactivated only to make a correction or to post information or payments, then immediately closed

Does your state distinguish between inactivations and terminations?

Liability Date (Met Threshold)

Date on which employing unit met state law's definition of newly established or successor employer by meeting any state law's threshold on wages paid or duration of operations

Date is distinct from liability date (initial) or liability date (reopen) which represent begin dates of business operations

In some states, liability date (met threshold) may be same as the liability date (initial) or liability date (reopen)

For example, when the state's threshold is first dollar earned or paid

Key Dates

Inactive/terminated as-of date

Effective date for the termination or inactivation status of the employer

Suspended as-of quarter: specific employer report quarter (ERQ) for which state has suspended employer's report filing requirement, for purposes of resolving that report

For example, if a seasonal employer has no reportable activity during the third calendar quarter of year, state may suspend employer's requirement to file report for that quarter

Does your state make prospective inactivations?

Population 2: Employer Reports – Overview

Validates ETA 581, line 201, Employer Reports for Preceding Quarters

Used for TPS computed measures

16 subpopulations in Population 2 used to validate six report Items

Subpopulations 2.1–2.8 validate contributory employers

Subpopulations 2.9–2.16 validate reimbursing employers

To be counted, employers must be liable at some point during the quarter immediately prior, and therefore required to file contributions report during ETA 581 report quarter

Covers Two Quarters of State Employer Report Activity

RQ: Quarter in which employer report was due to state, and quarter state is reporting on

RQ +1: Quarter in which state resolves delinquent reports and submits 581 report covering activities in RQ

State then submits 581 in RQ+2 covering resolved activities in RQ+1

Therefore DOL recommends validating 581 report for April-June RQ in the fourth quarter (Oct-Dec) so that all activities occur during that year

ETA 581 counts are cumulative in Row 201

1. Timely (Columns 6 (C) and 9 (R))
2. Secured = Timely + Secured (Columns 7 (C) and 10 (R))
3. Resolved = Timely + Secured (counts from prior 581 for RQ-1) + employer reports resolved during RQ (columns 8 (C) and 11 (R))

Overall Population 2 DV Results

Out of 52 states:

7 states failed Population 2 DV overall

4 states failed at least one report validation group in Population 2

3 states failed Population 2 data element validation

	Number of states failed (out of 7 that failed Population 2)
Data element validation: 1 random sample	
Report filing	3
Report validation: 5 validation report groups	
Contributory timely	3
Contributory total resolved	3
Reimbursing timely	2
Reimbursing total secured	1
Reimbursing total resolved	4

Population 2: Building the Extract File and Duplicate Detection

Column definitions

Observation Number (OBS)

EAN

Employer report quarter (ERQ)

Employer type

Received date

Final assessment date

Liability date (met threshold)

Inactive/terminated "as of" date

Suspended as-of quarter

Inactive/termination processing date

User field

Duplicate detection criteria

EAN

Employer report quarter

Key Terms

Due date: Date after which the state can impose a penalty and/or interest on contributions and reports that are not received

Date is different depending on the state

If state offers a grace period during which interest and penalty is not applied, due date should be end of grace period

Received date: Actual date contributions report received, postmarked date, or processing date

If reports were received but not yet processed by due date, state can manually count them and add count to reported count

Liability Date: Initial

Date employer meets state's legal definition of employer and is registered and required to file reports

Date on which business operations have begun, regardless of whether employer has met any state threshold requirements on wage payments and duration of operations.

In some states, the subject date is the same as the liability date

Does your state maintain a liability date to identify when business started?

Liability Date: Reopen

Date on which an employing unit that was previously inactivated or terminated meets the definition of an employer in state unemployment compensation law again

As with liability date (initial), this is the date that business operations begin again, regardless of whether the employer has yet met any state threshold requirements on wage payments and duration of operations for a reactivation

Report Quarters

Two types of reports

Employer reports to state

State reports on the employer reports to ETA (581 report)

Employer Report Quarter (ERQ)

Quarter in which employer paid wages

Report Quarter (RQ)

Quarter in which employer submits report to state, and quarter the state processes employer reports

Report Quarter +1 (RQ+1)

Quarter in which state submits 581 report to ETA counting activities the state undertook during RQ to process employer reports, and quarter in which state resolves reports not submitted by employer in RQ

Report Quarter +2 (RQ+2)

Quarter in which state submits 581 report to ETA counting all the state's activities to process and resolve reports from employers on wages they paid during ERQ

Timely Reports

Includes:

Number of employers who submitted contribution reports by due date for employer RQ preceding the 581 RQ being validated

For example, employers are timely for the 2nd Q of 2019 (April–June) if their reports are received by state's due date in July 2019

Excludes:

Multi-unit employers for which any single unit failed to file timely

Reports filed for business activity in quarters before the quarter preceding the ETA 581 report quarter

Secured Reports

Includes:

Employer reports received after due date but before the end of the quarter they were due

For RQ ending June 30, 2019, number of contributory reports for employer activity January–March, 2019, received after due date (and any subsequent grace period) but before July 1, 2019

Excludes:

Employers to whom assessments have been issued, or for whom determinations of non-liability have been made

Reports filed and reported as timely

Reports not received, even if a final assessment or a ruling of non-liability has been made

Any multi-unit employer for which any single unit failed to file

Report delinquency attributed to one unit of a multi-unit employer: entire account considered delinquent

Resolved Reports

Number of employers who, as of the last day of the ETA 581 report quarter, had resolved reports for RQ-2

Includes:

Employers whose report delinquencies were cleared by issuance of a final assessment or estimate of tax, and employers found to be no longer liable

Excludes:

Report delinquencies cleared for earlier quarters

Final assessment: Notification to employer of a liability for contributions due, usually based on an estimate and charged to employer's account to be legally collectible under the state's unemployment compensation law

Final assessment date is date a final assessment becomes legally enforceable

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Five Types of Resolved Reports

1. **Reports received in hand during the quarter after the quarter in which they were due**

   If the state cannot record date reports are received (for example, if a delinquency flag is maintained), a special run must be done on the last day of the quarter to count reports resolved

2. **Final, enforceable assessments that cleared report delinquency**

3. **Determinations that employer was not liable during quarter covered by contributions report, either because employer was found to be inactive or because liability had not begun**

4. **Seasonal suspensions of employer's report filing requirements**

5. **Reports resolved because account was canceled, withdrawn, dropped, closed, etc.**

Validation Timing: 1Q Lag to Account for Resolved Reports

Counts of employer reports cover two quarters of state activity

Timely and secured reports for ERQ January–March:

Received in RQ April-June

Reported as timely or secured on 581 report submitted in July

Resolved reports for ERQ January–March:

Resolved by the state in July–September quarter

Reported as resolved on 581 report submitted in October

Must wait until October to validate reports for January–March employer activity

Programmer extracts information for all employer reports for employer report quarter January–March in October

Timing of Validation Extract for ERQ January–March

RQ/ employer activity	ERQ Employer pays wages	RQ employers submit reports	RQ+1	RQ+2	RV compares validation counts to reported counts
Months	January–March	April–June	July–September	October–December	November
State activity	None	State receives and counts reports	State resolves reports not submitted in RQ	In October, programmer extracts report records for ERQ (Jan–Mar)	Programmer loads extract file to Sun System with validation counts State does RV
581 report	None	None	State reports timely and secured report counts in 581	State reports resolved counts	Sun System now has all counts for reports on Jan–March employer activity from 581

581 Reports Submitted in July and October for ERQ January–March

State activity	Date	State 581 report for RQ April-June	State 581 report For RQ+1
Receive report	By due date	Timely and secured	Resolved
Receive report	After due date but by June 30	Secured	Resolved
Receive report	July 1–Sept 30	None	Resolved
Final assessment	By September 30	None	Resolved
Non-liable determination	By September 30	None	Resolved
Suspension	By September 30	None	Resolved
Cancelled	By September 30	None	Resolved

Comparing Validation and Reported Counts for ERQ Jan–March (Contributory Employers)

Subpopulation count		Reported count	581 report
2.1	Timely	ETA 581 Row 201 Cols 6,7	Due in August for April–June RQ
2.2	Secured	ETA 581 Row 201 Col 7	
2.1	Timely	ETA 581 Row 201 Col 8 (Resolved)	Due in November for July–Sep RQ
2.2	Secured		
2.3	Received in quarter after quarter due		
2.4	Final assessment		
2.5	Inactivation		
2.6	Changed liability date		
2.7	Suspended		
2.8	Cancelled, withdrawn, closed		

Counting Reports for Annual Reporting Employers

If annual reports are due in RQ being validated, include number of annually reporting employers in each category (timely, secured, resolved) based on the logic for those categories

If annual reports are not due in RQ being validated, these employers are all reported as timely by default

Insert a default ERQ and default received date that is before the due date

Population 3: Status Determinations – Overview

Used for TPS computed measures

Used for economic statistics

Programmers extract and load three or four types of status determinations (depending on whether state separately determines inactivations and terminations)

New

Successor

Inactivations

Terminations

DV Software Converts Extract File to Eight Subpopulations

Calculates time lapse for new and successor determinations

90d or less

180d or less

more than 180d

Validates ETA 581, Status Determinations, line 301

Subpopulations 3.1 to 3.3 validate newly established status determinations (report items 14–16)

Subpopulations 3.4 to 3.6 validate successor status determinations (report items 17–19)

Subpopulations 3.7 and 3.8 validate inactivations and terminations (report item 20)

Overall Population 3 DV Results

Out of 52 states:

12 states failed Population 3 DV overall

	Number of states failed (out of 12 that failed Population 3)
Data element validation: 1 random sample	
Status determination	4
Report validation: 7 validation report groups	
Total new	3
New, <= 90 days	4
New, <= 180 days	3
Total successors	7
Successor, <= 90 days	8
Successor, <= 180 days	7
Inactivations and terminations	4

Population 3: Building the Extract File

Column definitions

Observation number

EAN

Employer type

Status determination type indicator

Time lapse (Place a zero in this field; the DV software generates the time lapse and assigns the records to the correct subpopulation)

Status determination date

Liability date (met threshold)

End of liable quarter

Activation processing date

Reactivation processing date

Successorship processing date

Predecessor account number

Inactivation processing date

Termination processing date

User field

Population 3: Duplicate Detection Criteria

Different duplicate detection criteria apply depending on status determination type

New (subpopulations 3.1–3.3) and inactive or terminated (subpopulations 3.7 and 3.8)

    EAN

    Status determination date

Successor (subpopulations 3.4–3.6)

    EAN

    Status determination date

    Predecessor account number

Software rejects all records that match on these fields

Key Terms

Status determination

Establishes, modifies, changes, inactivates, or terminates employing unit's liability as an employer

Status determination date

Date account was established (entered into the state system)

Status determination for new employer

Status determination for successor employer

New Status Determination

Determination made during RQ which results in establishment of a new account

Employing unit that is determined, for the first time, as meeting definition of "employer" in state unemployment compensation law, or a previously terminated employing unit for which account is reestablished

Excludes

New accounts for successor employers

States that automatically make employer liable on the potentially subject date: this is not a countable determination if employer is not actually liable yet

Countable Status Determinations

Status determinations under appeal, even if employer is not required to submit reports while appeal is under consideration

Reimbursing employers electing to become contributory

Status determinations that reestablish account of formerly inactive/terminated employer, if state law defines such firms as newly liable employers and not as successors

Includes employers who take over another employer's business regardless of whether or not they take over tax rate

Duplicate accounts set up in error

Both accounts should be included in the count, unless the correction is made during RQ

Corrections to Status Determinations

Include when:

Correction is based on new information received by the State Workforce Agency (SWA), regardless of whether correction was made in RQ or subsequent quarter

Exclude when:

Change in status results from correction based on a clerical revision

Accounts are set up or reactivated only to make a correction or to post information or payments, and then immediately closed

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Successor Status Determination

Determinations made where state's legal definition of successorship was met, and employer was classified as successor

Successor: Employing unit that has acquired the organization, trade, or business, in whole or in part, of another employer, and is declared subject on the day it meets state's requirements for successorship

Includes:

Full and partial successorships

Status determinations establishing new accounts for successor employers or for employers who already had existing account and acquired all or a part of business of another employer with existing account

Employers who take over another employer's business, regardless of whether they take over the tax rate

Examples of Successor Determinations

Employer B acquires and continues the business of Employer A

Employer B has not been a subject employer before

Employer B is determined to be a successor and is counted on the ETA 581 as a successor rather than as a newly established account

Employer X, registered as active subject employer, acquires and continues the business of Employer Y

Employer X is determined to be the successor to Employer Y and should also be counted as a successor

Question about SUTA Dumping

Please enter into the chat yes or no whether your state has procedures in place to detect employers are engaged in SUTA Dumping?

If yes, please describe those procedures briefly in the chat

Status Determination Time Lapse

Calculated by DV software for new and successor status determinations (no time lapse for inactivation and termination determinations)

The number of days from end of quarter in which liability occurred to date that status information was officially entered into state's system

This is the activation or reactivation processing date (Columns 9 or 10)

For previously inactivated and/or terminated employers, count number of days from end of the quarter in which liability reoccurred

If status information is entered before end of quarter in which liability occurred or reoccurred, determination is automatically counted in the 90 days-or-less time lapse category

Inactive or Terminated Status Determinations

Include:

All accounts rendered inactive or terminated during RQ because no wages were reported for eight consecutive quarters

Terminated annually reporting employers should be counted in the quarter when inactivation or termination is effective, not the end of the calendar year in which inactivation or termination is effective

Exclude:

Terminations of employers previously inactivated

Population 4: Accounts Receivable – Overview

Validates the ETA 581

Contributory employer receivables, line 401, report items 22–26

Reimbursing employer receivables, line 403, report items 34–38

Used for TPS computed measures

Used for economic statistics

Overall Population 4 DV Results

Out of 52 states:

16 states reported and failed Population 4 DV overall

States' Population 4 DV Results

	Number of states failed (out of 16 that failed Population 4)
Data element validation: 1 random sample	
Accounts receivable	9
Sorting validation: 3 sorting groups	
Sort transaction type: established	1
Sort transaction type: liquidation	1
Sort transaction type: uncollectible	2
Report validation: 10 validation report groups	
Established in RQ (report item 22)	8
Liquidated in RQ (report item 23)	7
Total uncollectible (report item 24)	3
Total removed (report item 25)	4
Total balance end of quarter (report item 26)	5
Established in RQ (report item 34)	6
Liquidated in RQ (report item 35)	5
Total uncollectible (report item 36)	1
Total removed (report item 37)	3
Total balance end of quarter (report item 38)	5

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Population 4: Building the Extract File

Column definitions

Observation number

EAN

Employer type

Transaction date

Established Q/date

Employer report quarter (ERQ)

Due date

Transaction type/indicator

Amount established in RQ

Amount liquidated

Amount uncollectible

Amount removed

Balance at end of RQ

Age of receivable

User field

Population 4: Duplicate Detection Criteria

Different duplicate detection criteria apply depending on the transaction type

All subpopulations include the following in their duplicate detection criteria:

EAN

ERQ (contributory) or due date (reimbursing)

Established (subpopulations 4.1. and 4.9) also includes transaction date, established date, and amount established

Liquidated or declared Uncollectible (subpopulations 4.2–4.4 and 4.10–4.12) also includes transaction date, transaction type, and transaction amount

Removed (subpopulations 4.5, 4.6, 4.13, and 4.14) also includes removed amount

Balance remaining (subpopulations 4.7, 4.8, 4.15, and 4.16) also includes balance at end of quarter

Software rejects all records that match on these fields

Duplicate Detection Criteria

Subpop-ulations	EAN	ERQ (C)/ due date (R)	Transaction Date	Established Q/date	Transaction type	Transaction amount	Balance at end of report quarter
Established 4.1, 4.9	X	X	X	X		X (Established amount)	
Liquidated/ declared Uncollectible 4.2−4.4, 4.10−4.12	X	X	X		X	X (Liquidated/ Uncollectible amount)	
Removed 4.5, 4.6, 4.13, 4.14	X	X				X (Removed amount)	
Balance at end of Q 4.7, 4.8, 4.15, 4.16	X	X					X

How Population 4 Validates 581 Reports Mapping of Subpopulations to Report Items

581 Report line/column	Total beginning (21)	New (22)	Liquidated (23)	Uncollectible (24)	Removed (25)	Total end (26)
401 contributory	Not validated	4.1	4.2	4.3, 4.4	4.5, 4.6	4.7, 4.8
403 reimbursing	Not validated	4.9	4.10	4.11, 4.12	4.13, 4.14	4.15, 4.16

Eight Subpopulations Each for Contributory and Reimbursing Employers

1. **New amounts established in RQ**

2. **Amounts liquidated during RQ**

3. **Amounts declared uncollectible during RQ and less than 8 Q's old**

4. **Amounts declared uncollectible during RQ and more than 8 Q's old, but established during RQ or RQ-1 or RQ-2**

5. **Amounts removed at least 8 Q's old and established prior to 2 Q's before RQ**

6. **Amounts removed at least 8 Q's old and established 2 Q's before RQ**

7. **Remaining balances not 8 Q's old**

8. **Remaining balances 8 Q's old but established within RQ or RQ-1**

Extracting Receivable Records

Extract receivables activity related to wage reports and contributions that are past due and occurred during the RQ

Include:

Receivables amounts established, liquidated, declared uncollectible, and removed during RQ (by transaction date) and balances remaining at the end of the RQ

Exclude:

Penalties, interest, and taxes collected by SWA for purposes other than unemployment compensation (that are not owed to the Trust Fund)

Extract both the RQ and the established date for contributory employers

DV software assigns these records to subpopulations 4.4, 4.5, 4.6, and 4.8

Extract both the due date and the established date for reimbursing employers

DV software assigns records to subpopulations 4.12, 4.13, 4.14, and 4.16

Classifying Receivable Transactions and Statuses

Programmers insert a transaction type/indicator in Column 7 of the Population 4 file for each receivable record extracted

For records of Newly Established Receivable During RQ, insert E

For records of Liquidation Transaction (payment or adjustment) During RQ, insert L

For records of Receivable Declared Uncollectible During RQ, insert U

For records of Receivables Removed at End of RQ, insert R

For records of Balances Remaining at End of RQ, insert B

Receivables Established During RQ

Amount of contributions or payments determined past due during RQ, based on:

Required reports received without full payment of taxes

Audit findings

Adjustments

Legally enforceable estimates, assessments, and final assessments

Receivables are counted in the quarter they are set up in

States have the option of establishing receivables for delinquent reports

Do not net out receivables with overpayments or credits in aggregate; report the full amount of the receivable regardless of offsetting employer payments or credits

Receivables Established Criteria

Includes:

Past due receivables set up during the quarter even if paid later in quarter, otherwise liquidated, or declared uncollectible

Legally collectible and enforceable assessments

Amounts due as a result of audit findings

Payments made on debts previously declared uncollectible or removed

> Set up receivable in amount paid, then count it as amount liquidated

Excludes:

Amounts from a contribution or required report received early without payment establishing a debit, if the payment is received timely

> Exception: States whose systems can only treat this as a receivable should do so, then treat the payment as a liquidated receivable

Assessments that are not legally enforceable and collectible

Receivables Liquidated During RQ

Amount liquidated during RQ which partially or fully reduces amounts existing at beginning of RQ or established during RQ (other than by being declared uncollectible or removed)

An amount received (payment) or an adjustment that partially or fully cancels a previously established receivable

Includes:

Payments received during quarter for amount previously declared uncollectible, written off, or removed (amount would be reestablished and liquidated)

For example, if state reduces amount owed as part of payment plan agreement with employer, the amount the payment is reduced by is reported as amount liquidated

Receivables Declared Uncollectible During RQ

A receivable amount for which all reasonable collection efforts have been exhausted and which has been officially written off and/or authorized for removal from the state's active accounts receivable file and transferred to suspense (no further action to be taken)

Includes:

Full or partial receivables declared uncollectible

Excludes:

Amounts previously reported as removed on the ETA 581, if such amounts were later declared uncollectible by state

Netting Adjustments Within the Quarter

States should not include negative values for any receivable amount

If a receivable is fully or partially adjusted in a later quarter, adjustment is reported as a positive value

Upward adjustment to the amount owed is reported as a newly established receivable

Payment or negative adjustment to amount owed is reported as a positive amount liquidated

Report the net result for transactions made to an account that are fully or partially adjusted within same quarter

Adjustments should only be netted when they happen *and are discovered* within the same RQ

In these same-quarter situations, states may net adjustments, but are not required to net if they prefer to maintain records of each transaction

Reporting Adjustments to Receivables

Error in new receivable identified and corrected within same reporting period

Report net result in Determined Receivable

$100 overstatement of new receivable identified and corrected in following quarter: +$100 Liquidation in next quarter's report

$500 check received in RQ, returned by bank for insufficient funds in same quarter: The net result is $0 and nothing is reported

$500 check received in RQ, returned by bank for insufficient funds in following quarter: +$500 Liquidated in RQ +$500 new Receivable in report for RQ+1

Removing Receivables from 581 Report

Removing aged receivables provides a more realistic accounting of amounts owed by employers that are likely to be collected

Receivables are removed from 581 (not from state system) if due date (RQ for contributory, due date for reimbursing) is in ninth quarter before RQ

Exception is for receivables established in RQ or RQ-1 to give employers time to make payment

Exclude:

Amounts that were liquidated, declared uncollectible, or written off during RQ even if the receivable amount would have been removed if those transactions did not occur in the RQ

Two Sources of Receivables

Underpaid contributions report

Field Audit finding of additional taxes due

Employer could have two separate receivables for same ERQ that were established in different quarters and that will be removed from 581 report in different quarters

Removal logic requires states to maintain transaction history file for each receivable established, even if it is for the same ERQ and not just a single amount owed for that ERQ

Receivables have "two ages" from Due Date and Date Established

Example for 581 submitted in Q4 2019:

Due date	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018 RQ-3	Q1 2019 RQ-2	Q2 2019 RQ-1	Q3 2019 RQ
Due date	Overripe	Ripe for removal	Not ripe for removal							
Date established	Ripe for removal								Not ripe for removal	

Receivables Removed for Q3 RQ 2019, Submitted in October 2019

Due date	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Due date	Already removed unless Established in Q2 or Q3	Remove this Q	Not old enough to be removed							
Date established	Old enough to be removed									Not old enough to be removed

Extract Logic for Removing Receivables

If due date is within RQ-9 and established date less than RQ-2

Or

If due date before RQ-9 and established date is within RQ-3

This logic will remove receivables based on age from due date when "ripe" if established before RQ-2

And will remove receivables that are overripe based on age from due date when they are first "ripe" based on established date

Examples of Receivables Removed and Not Removed for 581 for RQ Q3 2019, Submitted in Q4

Due date/ Scenario	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019
Remove 1		Due	Estab							
Remove 2		Due		Estab						
Remove 3		Due			Estab					
Remove 4		Due				Estab				
Remove 5		Due					Estab			
Remove 6		Due						Estab		
Do Not Remove 1		Due							Estab	
Do Not Remove 2		Due								Estab
Do Not Remove 3	Due									Estab

Importing Receivables Declared Uncollectable into DV Software

Reported as uncollectible on ETA 581 and classified as uncollectible (code U) during RQ

Validation software assigns uncollectible records that could be removed to uncollectible subpopulations (4.3, 4.4, 4.11, and 4.12) based on the U transaction type/indicator in column 7

Population 5: Field Audit Activities

Validates the ETA 581. rows 501 and 502

Audits completed during the RQ

Counts of:

Total audits

Large employer audits

Change audits

Audit results:

Wages and contributions overreported and underreported

How Population 5 Validates Audit Counts

Four subpopulations used to validate 11 report items

Counts of the number of records in the four subpopulations validate three report items:

4.1 Large Employer Change Audits validates 581 Row 501 Items 45, 46, 47

4.2 Large Employer No Change Audits validates 581 Row 501 Items 45, 47

4.3 Not Large Employer Change Audits validates 581 Row 501 Items 46, 47

4.4 Not Large Employer No Change Audits validates 581 Row 501 Item 47

How Population 5 Validates Audited Wages

Sum of dollars in eight columns validate eight report items

	Column in Population 5	ETA report item
1	7: Pre-audit wages audited	Row 501, Item 49 – Pre-audit wages audited
2	8: Post-audit wages audited	Row 501, Item 50 – Post-audit wages audited
3	9: Total wages underreported	Row 502, Item 53 – Wages underreported
4	10: Total wages overreported	Row 502, Item 56 – Wages overreported
5	14: Taxable wages underreported	Row 502, Item 54 – Taxable Wages underreported
6	15: Taxable wages overreported	Row 502, Item 57 – Taxable Wages overreported
7	19: Contributions underreported	Row 502, Item 55 – Contributions underreported
8	20: Contributions overreported	Row 502, Item 58 – Contributions overreported

Overall Population 5 DV Results

Out of 52 states:

6 states failed Population 5 DV overall

	Number of states failed (out of 6 that failed Population 5)
Data element validation: 1 random sample	
Field audits	2
Report validation: 11 validation report groups	
Total large employer audits	1
Total change audits	3
Total audits	2
Total wages pre-audit	2
Total wages post-audit	2
Total wages underreported	3
Tax wages underreported	4
Contributions underreported	3
Total wages overreported	2
Tax wages overreported	3
Contributions overreported	3

Population 5: Building the Extract File

Column definitions

Observation number

EAN

Audit ID #

Employer size

Change audit

Audit completion date

Total wages pre-audit

Total wages post-audit

Total wages underreported

Total wages overreported

Total wages reconciliation amount

Taxable wages pre-audit

Taxable wages post-audit

Taxable wages underreported

Taxable wages overreported

Taxable wages reconciliation amount

Contributions pre-audit

Contributions post-audit

Contributions underreported

Contributions Overreported

Contributions reconciliation amount

User field

Population 5 Duplicate Detection Criteria

Software rejects records that are duplicates on the following fields:

EAN

Audit ID number

Key Terms

Large employer; not large employer

Change audit

Audit completion date

Total wages audited

Taxable wages

Contributions

Large Employer Audit

An audit of an employer who has:

Reported wages paid to 100 or more individuals during current or preceding calendar year

Or

Reported at least $1,000,000 in taxable payroll for the calendar year preceding the first quarter the employer is being audited in

States may choose either criterion in determining the employer audit size

State practice must be consistent between reporting and validation for the same report quarter

State may use either pre-audit or post-audit information to determine whether an employer should be classified as large

Not Large Employer Audit

An audit of an employer who has:

Reported wages paid to fewer than 100 individuals during current or preceding calendar year

Or

Reported less than $1,000,000 in taxable payroll for calendar year preceding first quarter being audited

Change Audit

Audit resulting in discovery of wages or taxes not previously reported or reported incorrectly by employer

Do not include delinquent employer reports obtained at the same time an audit is conducted but not related to any quarter covered by the audit

Audit Completion Date

Date audit is approved by a supervisor, if required by state procedures

Otherwise, the date the audit is completed and recorded or posted

A field audit should be counted on the ETA 581 after the auditor has completed all work, and it has been subjected to required state review and approved for processing as complete

It is not necessary for adjustments to be processed nor for the appeal to be heard before counting the audit on the ETA 581 report

Total Wages Audited

Pre-audit:

Total wages reported by employers for quarters audited

Includes:

Legally collectible estimates and/or assessments processed to employer's account in lieu of actual reports

Amended employer reports related to quarters covered by audit

Post-Audit:

Total wages recorded in audit summaries for audited quarters

Taxable Wages Audited

Taxable Wages, Pre-Audit: Amount of pre-audit taxable wages reported by employers for quarters audited

Taxable Wages, Post-Audit: Amount of post-audit taxable wages identified for quarters audited

Contributions Audited

Contributions, Pre-Audit: Amount of pre-audit contributions reported by employers for quarters audited

Includes:

Legally collectible estimates and/or assessments processed to employer's account in lieu of actual reports

Amended employer reports related to quarters covered by audit and submitted by audit completion date

Contributions, Post-Audit: Amount of post-audit contributions identified by employers for quarters audited

Under- and Overreported Wages and Contributions

Total wages audited, underreported: Amount of underreported total wages discovered as result of audit

Do not net underreported and overreported amounts on any individual audit or in total

Examples:

Total wages: $850,000 was underreported, and $1,000,000 was overreported

Net of $150,000 overreported

Taxable wages: $500,000 was underreported, and $50,000 was overreported

Net of $450,000 underreported

Contributions: $25,000 was underreported, and $10,000 was overreported

Net of $15,000 underreported

Reporting audit differences on ETA 581:

$850,000 should be included in item 53

$500,000 in item 54, $25,000 in item 55

$1,000,000 in item 56

$50,000 in item 57 and $10,000 in item 58

The net differences are not to be included.

If State Does Not Capture All Data Elements Required by Extract File

ETA 581 reports all field audits completed during the RQ

Data elements specified on record layout may not be captured on the state's system when they are not reported on the 581

They are included in auditor's files during validation for the cases sampled for Minimum DEV Sample

The column can be completed from the auditor's files during the validation for the selected cases

DV Software Calculates Reconciled Wages and Contributions

The validation software will reject records if the *total wages reconciliation* amount is not zero

The software does not reject records if the taxable wages or contributions reconciliation amounts are not zero

Column 11 (Audited wages reconciliation amount) calculates whether the amount over- or underreported matches the pre- and post-audit wage amounts reported in columns 7–10

Employers can both underreport and overreport wages on the same report:

Underreport: audit finds wages that should have been reported

Overreport: audit finds wages that should not have been reported

How DV Software Reconciles Wages and Contribution Amounts

Pre-audit total wages	Post-audit total wages	Under-reported wages	Over-reported wages	Reconciliation calculation
10,000	14,000	5,000	1,000	10k–14k = -4000 And 5k–1k = 4000 Reconciliation amount = 0

Reconciling Audit Findings

The DV software considers an audit to be a change audit if any Pre-Post difference is $0.01 or more

Some states do not consider an audit to be a change audit until Post-versus-Pre amounts exceed some dollar threshold or tolerance, e.g., $1 or $10

If this difference in approach causes the state to fail validation, state should note and document this fact in the Comments field on the RV screen and apprise the National Office so it can manually change the validation to Pass

Questions?

We welcome your feedback

Please give any feedback you have on today's clinic through the chat box or by email.

Also states can express interest in scheduling a state specific clinic or on site assistance in the next few months by emailing:

- **Rachel Beistel: Beistel.Rachel@dol.gov**

- **Jonathan Ladinsky: JLadinsky@mathematica-mpr.com**