

CHAPTER VIII

ACCOUNT MAINTENANCE

COMPONENTS

INTRODUCTION

PROGRAM REVIEW

INTRODUCTION

The Account Maintenance function involves receiving, processing and producing data from other units within the tax program. The following are some of the tasks included in Account Maintenance:

Receive status determinations (new and successor changes)

Process quarterly contribution reports

Establish and issue debit and credit notices

Charge or non-charge employer accounts for benefits paid

Produce employer charge notices periodically

Produce employer tax rate notices

PRIMARY OBJECTIVE

The primary objective of the Account Maintenance function is to maintain employer accounts accurately and timely. To accomplish this, the Account Maintenance function will need to achieve four sub-objectives:

1. Maintain employer status information accurately (**Accuracy**)
2. Maintain quarterly contribution information accurately and timely (**Accuracy and Timeliness**)
3. Maintain accuracy in benefit charging (**Accuracy**)
4. Maintain employer experience rating information accurately (**Accuracy**)

ACCOUNT MAINTENANCE

INTRODUCTION

Accuracy To determine the accuracy of State Account Maintenance operations, a Program Review will be conducted to ascertain the existence of necessary internal controls and to determine whether or not such controls are functioning properly. Due to the complexity of the Account Maintenance function and the likelihood that various portions of the function are performed by different units in the State, the review has been divided into the following five components: (1) **Contribution Report processing**, (2) **Employer Debits/Billings**, (3) **Employer Credits/Refunds**, (4) **Benefit Charging**, and (5) **Employer Tax Rates**.

Timeliness To assess State effectiveness in processing quarterly contribution information timely, the Acceptance Sample for delinquent reports will ascertain whether or not the report was identified properly as being delinquent (e.g, a contribution report which was received timely but was not processed timely, would be erroneously identified as being delinquent).

REVIEW METHODOLOGIES

Program Review

The Program Review to be conducted for the Account Maintenance functions has two sections, a Systems Review and an Acceptance Sample.

The Systems Review covers the following topics:

Recorded Information and Instructions

Training

Recording of Transactions and Events

Systems to Assure Execution of Events

Review of Completed Work

REVIEW METHODOLOGIES

Program Review cont.

The Systems Reviews will be used to identify the internal controls and quality assurance systems necessary for effective Account Maintenance functions, and to verify that the State has such controls in place.

Acceptance Samples examine the following:

- 60 Active Contributory Accounts
- 60 Accounts with Contributions due
- 60 Accounts with Reimbursable Amounts due
- 60 Accounts with Credits/Refunds due
- 60 Accounts with Benefit Charges
- 60 Experience Rated Accounts

In conjunction with the Systems Reviews, Acceptance Samples for each component will be examined to determine the effectiveness of the controls, and confirm the accuracy of the State's outputs.

The completed Program Review will identify areas of risk or systems that may need improvements. The TPS Program Review should also identify information about exemplary practices which may be shared with other States.

NOTE: Although various components of the Account Maintenance function are closely related and may impact each other, **each component is to be assessed independently for the TPS Annual Report.**

ACCOUNT MAINTENANCE

CONTRIBUTION REPORT PROCESSING

PROGRAM REVIEW

COMPONENTS

SYSTEMS REVIEW

ACCEPTANCE SAMPLES

SYSTEMS REVIEW

**ET HANDBOOK NO. 407
TAX PERFORMANCE SYSTEM**

CHAPTER EIGHT

ACCOUNT MAINTENANCE

Report processing

PROGRAM REVIEW

SYSTEMS REVIEW

Recorded Information and Instructions

In the State Contribution Report processing operation, recorded information and instructions should include procedures for processing updates to employer accounts from contribution reports and adjustments to contribution reports in accordance with State laws and written policies.



The reviewer should examine recorded instructions available to the staff and compare procedures to the laws and written policies of the State to determine if the recorded information and instructions are current, accurate, and complete. The reviewer should also observe the Contribution Report process and talk with employees to learn whether or not the recorded instructions are available and being used.

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there are no recorded instructions, describe in the narrative how the staff becomes aware of the proper procedures to perform the tasks of the Contribution Report processing function.

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TAX PERFORMANCE SYSTEM**

CHAPTER EIGHT

ACCOUNT MAINTENANCE

Report processing

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

1. Does the State have recorded information and instructions to assist employees processing contribution reports in accordance with State laws and written policies?

Yes ___ No ___

2. If yes, are all the recorded information and instructions:

Yes No

- a. Current?
- b. Accurate?
- c. Complete?
- d. Readily available to staff?.....

VS:(Questions1&2 _____)

3. If any of the preceding evaluative questions are answered "no", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

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

VS: (Question3 _____)

ACCOUNT MAINTENANCE

Report processing

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A", and "Compensating Controls"
(when deemed necessary)

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Question Number Answers to "If yes, describe" and "Other":

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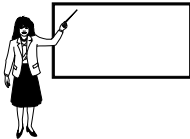
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SYSTEMS REVIEW

Training

The State needs to have systems and procedures to identify training needs and deliver training to employees who perform duties within the Contribution Report processing function. New employees need to learn the procedures for processing and recording employer remittances. Existing employees benefit from periodic refresher courses and additional training when procedures change and/or quality defects occur at an unacceptably high rate.

The reviewer should respond to the following questions after discussing with management the training systems used for Contribution Report processing staff, and after examining the training packages utilized.



In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there are no formal training systems, then describe how the staff knows the laws and written policies and the proper procedures to perform the Contribution Report processing function duties.

SYSTEMS REVIEW QUESTIONS

1. Does the State have methods or procedures to provide training for newly hired employees?
Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom Training?
- b. *On the Job Training?.....
- c. *One-on-One Training?
- d. *Individual Self-guided Training?.....
- e. *Other?.....

Describe the type and frequency of training in the narrative.

2. Does the State have methods or procedures to provide refresher training for experienced employees?

Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom (e.g., refresher courses)?
- b. *On the Job Training?.....
- c. *One-on-One Training?
- d. *Individual Self-guided Training?.....
- e. *Other?.....

Describe the type and frequency of training in the narrative.

SYSTEMS REVIEW QUESTIONS

3. Does the State provide training when there are:

Yes No N/A

- a. State law changes?
- b. Policy/procedure changes?
- c. Needs identified from review of finished work
(e.g., supervision, quality assurance review)?
- d. Hardware/software changes?
- e. *Other?.....

4. Does the State have processes (e.g., back-up training or organizational flexibility) to assure that staff absences will not disrupt operations?

Yes ___ No ___

If yes, describe in the narrative section.

VS: (Questions 1-4 _____)

SYSTEMS REVIEW QUESTIONS

5. *In the opinion of the supervisor or manager, does the training meet the needs of the Contribution Report processing function? (E.g., are sufficient resources available--training packages, facilities, staff, etc.)

Yes ___ No ___

6. If any of the preceding evaluative questions were answered "No", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

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

VS:(Question- 8 _____)

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CHAPTER EIGHT

ACCOUNT MAINTENANCE

Report processing

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Explanation of "N/A" and "Compensating Controls"
Number (when deemed necessary)

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Question Answers to "If yes, describe" and "Other":
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SYSTEMS REVIEW

Recording of Transactions and Events

The State should have a method to assure that updates* to employer account records (e.g., updates to taxable wages, updates to tax due, application of payments) are recorded and that the source information (e.g., contribution reports, audit reports, investigations, etc.) is readily available for examination. Whether the State system is automated or manual, an audit trail should lead from the wage, tax and payment data in the employer account record to the information source upon which the update was made.

The reviewer must become familiar with the types of updates to employer records that require an audit trail and the types of source documents used by the State to update employer accounts.



In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there is no audit trail maintained, then explain how the State is assured that the employer account records are accurate.

*Note: Update is a transaction that either increases or decreases the employers' account balance and/or payroll amounts.

SYSTEMS REVIEW QUESTIONS

1. Does the State have a method to assure that updates to employer accounts can be traced to their source (even if source is via electronic media)?

Yes ___ No ___

2. Does the audit trail identify:

Yes No

a. The type update made to the employer account?.....

b. The date of the update?.....

c. The State employee(s) who authorized and entered the update?

3. Is source documentation required to support updates to employer accounts?

Yes ___ No ___

VS: (Questions 1 – 3 _____)

SYSTEMS REVIEW QUESTIONS

4. *Which of the following source documents does the State use to identify updates to employer accounts:

Yes No

- a. *Contribution reports?
- b. *Supplemental reports?.....
- c. *Field Audit change notices?.....
- d. *Other adjustment reports?.....
- e. *Batch control files?.....
- f. *Electronic media?
- g. *Other?.....

5. Are original and amended information sources, including electronic source documentation, retained and accessible for State use?

Yes ___ No ___

VS: (Question 5 _____)

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

Yes ___ No ___ N/A ___

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

VS: (Question-6 _____)

ACCOUNT MAINTENANCE

Report processing

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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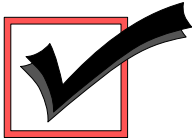
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SYSTEMS REVIEW

Systems to Assure Execution of Events

Built in reviews should be in place to assure the execution of events such as mailing contribution reports to employers and accurately and promptly processing contribution reports that have been received. The review may be automated (e.g., quarter and year edits, math computation edits) or manual (e.g., pre-audit or post-audit procedures).

The reviewer must become familiar with the types of built-in checks used by the State to assure the accurate mailing of all contribution reports to employers, and that all quarterly reports are processed accurately and promptly when received.



In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section.

SYSTEMS REVIEW QUESTIONS

1. Does the State have system procedures and/or controls to assure that quarterly contribution reports are mailed to all known employers that were active during the reporting period?

Yes ___ No ___

- a. *If yes, which method does the State use:

Yes No

- (1) *Batch Controls (System Controls)?.....
(2) *Mailroom Count?
(3) *Other?

VS: (Question 1 _____)

2. Does the State have systems procedures and/or internal controls to assure accurate processing of employer contribution reports?

Yes ___ No ___

SYSTEMS REVIEW QUESTIONS

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

Yes No

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

VS: (Question 2 _____)

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

Yes ___ No ___

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

Yes ___ No ___

SYSTEMS REVIEW QUESTIONS

4. a. If yes, is an error suspense file used? Yes ___ No ___
- (1) If yes, is the suspense file aged? Yes ___ No ___

VS: (Questions 3 and 4 _____)

5. Does the State have systems, procedures, or internal controls to verify that contribution report information (including account adjustments) received from employers, field auditors or other State units has been completed and the work can be tracked by:
- Yes No
- a. Following up on field investigations?.....
- b. Keeping a work flow log?.....
- c. *Other?.....

VS: (Question 5 _____)

ACCOUNT MAINTENANCE

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PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

6. Are verification procedures in place to assure that updates to quarterly report information are accurate ("in house" review of account transactions)?

Yes ___ No ___

VS: (Question 6 _____)

7. *Does the State have an automated report processing system?

Yes ___ No ___

- a. If Yes, is a system check performed every time a program is changed?

Yes ___ No ___ N/A ___

VS: (Question 7a _____)

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

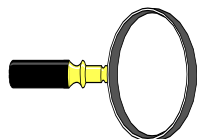
Yes ___ No ___ N/A ___

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

SYSTEMS REVIEW

Review of Completed Work

For the Contribution Report processing function, the State should be conducting systematic reviews of the accuracy of the Contribution Report information being posted to the employer's account. The information received and the action taken should be checked against the information recorded in the employer's account.



The reviewer must consider the kind of supervisory program and/or quality assurance review the State uses to assess the Contribution Report processing Unit. Is the review procedure different for new employees? If the State uses a quality assurance review, who (position and organizational location) performs it? A review of completed work should be done on a regular basis for all staff members involved in processing documents for the employer's account. This review may be done on an individual basis for each staff member, or by sampling work done throughout the entire unit.

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there is no supervisory and/or quality assurance review, describe how quality is assured in the Contribution Report processing function.

For all staff members involved in Contribution Reports processing, are the following components subject to some form of systematic review. If review is performed, enter a "Y" in the appropriate column(s). For Yes answers, also enter "Y" in column 6. If there are no reviews, answer "N" for No in column 6 which is the evaluative question.

Component	Type of review					
	*1 Supv	*2 Peer	*3 QR Qual.Rev.	*4 Support (Clerical)	*5 Other	6 Review Conducted?
a. The mailing of the Contribution Reports?						
b. The posting of the Contribution Reports?						
c. Adjustments made to Contributions Reports?						

VS: (Question 6 _____)

* Informational

ACCOUNT MAINTENANCE

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SYSTEMS REVIEW QUESTIONS

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

Yes ___ No ___ N/A ___

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

VS: (Question 7 _____)

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PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A", and "Compensating Controls"
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Question Number Answers to "If yes, describe" and "Other":

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PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

Additional Controls

1. *Does the State have internal controls or quality assurance systems in the Contribution Reports function which this review failed to identify?

Yes ___ No ___

If yes, describe below:

2. *Are there any exemplary practices for the Contribution Reports function?

Yes ___ No ___

If yes, describe below:

ACCEPTANCE SAMPLES

ACCEPTANCE SAMPLE INSTRUCTIONS

Purpose/Intent

To assure that the contribution report processing function is accurately processing the quarterly contribution reports.

To confirm that the State maintains accurate quarterly contribution information.

To determine that employers who do not file timely are being properly identified.

Scope

The scope of the review will focus on:

1. The processing of the returns received from employers.
2. The identification of employers who should have filed a return, but failed to do so.

Universe

The universe to be identified for the Contribution Report processing function will include all contributory employers who are active on the date the universe is identified.

The universe will exclude all reimbursing employers.

Note: Employers added to the State's master files after the universe has been identified will not be added to the universe.

ACCEPTANCE SAMPLE INSTRUCTIONS

Timing/Frequency

The universe will be identified once during the calendar year.

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

Sampling Procedures

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

1. Select universe identification date.

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

2. Identify the universe.

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

Excluded from the universe are all Reimbursing employers.

3. Select 60 samples.

The samples should be selected between May 1 and June 30. Date of selection should be after the first quarter report delinquency notice run.

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

ACCEPTANCE SAMPLE INSTRUCTIONS

Sampling Procedures cont.

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

If the system is automated, the Reviewer must work closely with ADP. A thorough understanding of what the universe includes and excludes and when the samples are to be selected is essential.

Reviewing Samples

Assemble the following information for the employer's account:

1. A copy of the contribution report submitted by the employer and any adjustment forms affecting the report.
2. The employer account information on the State's computer files. If the employer filed electronically, the only source document may be the information posted to the account. If no conflicting information exists, a printout of the employer's entry or a copy of the state's "employer status screen" can be used as the source document.

The review should be completed as soon as possible after selecting the sample, and no later than September 30.

ACCEPTANCE SAMPLE INSTRUCTIONS

Drawing Conclusions

Using this information, answer the questions on the Acceptance Sample Questionnaire.

If no report was received by the review date, the only evaluative question to be answered is:

- #2. Identification of the employer as failing to file a timely report. (NOTE: Use N/A if no report is owed, e.g, employer was inactivated/terminated.)

If a report was received, the following questions are evaluative:

- #3a Accuracy of the employer account number.
- #3b Accuracy of the quarter and year.
- #3c Accuracy of the amount of money remitted.
- #3d Accuracy of the total gross and/or taxable wages.
- #5 Accuracy of the computation of tax due.

A "No" answer to question 2, 3(a-d), or 5 will mean that the sampled account was not processed accurately and is not considered an acceptable case.

Of the 60 cases, if three or more are not acceptable, then the reviewer must conclude that accuracy in the State's processing of Contribution Reports cannot be confirmed.

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

ACCEPTANCE SAMPLE INSTRUCTIONS

Documentation

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

ACCEPTANCE SAMPLE QUESTIONNAIRE

Identification of Delinquent Employers

1. *Was a Contribution Report received for the account by the TPS review date? Yes ___ No ___

If No, answer question #2, and end review

2. Was the account appropriately identified as delinquent? Yes ___ No ___ N/A ___

Accuracy and Timeliness of Posting

3. Was the following Contribution Report information posted accurately:
- | | <u>Yes</u> | <u>No</u> |
|---|------------|-----------|
| a. the employer account number? | ___ | ___ |
| b. the quarter and year? | ___ | ___ |
| c. the amount of money remitted? | ___ | ___ |
| d. the total gross and/or taxable wages?
(Depending on State posting requirements) | ___ | ___ |

4. * Was the Contribution Report processed promptly according to State policy and procedures? Yes ___ No ___

Accuracy of Computations

5. Did the State correctly compute the tax due on the report? Yes ___ No ___

TAX PERFORMANCE SYSTEM
Account Maintenance Sampling Coding Sheet
Quarterly Contribution Report processing - Checklist #1

State: _____ Period Covered: _____ Date: _____ Reviewer: _____
 Sample Type: Acceptance Expanded

Case Number	Employer Identification Number	1	2	3a	3b	3c	3d	4	5	Pass/ Fail Y/N

TAX PERFORMANCE SYSTEM
Account Maintenance - Sample Explanation Sheet
Quarterly Contribution Report processing

State: _____ *Period Covered:* _____ *Date:* _____ *Reviewer:* _____

Sample Type: *Acceptance* *Expanded*

<i>Case Number</i>	<i>Employer Identification Number</i>	<i>Explanation</i>

ACCOUNT MAINTENANCE

EMPLOYER DEBITS/BILLINGS

PROGRAM REVIEW

COMPONENTS

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ACCEPTANCE SAMPLES

SYSTEMS REVIEW

**ET HANDBOOK NO.407
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CHAPTER EIGHT

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

SYSTEMS REVIEW

Recorded Information and Instructions

For employer billings, recorded information and instructions should include procedures for assuring that employer accounts with unpaid tax balances are properly billed. The procedures should be in accordance with State laws and written policies.



The reviewer should examine the recorded information and instructions available to the employees involved in the employer billing process and compare them to the laws and written policies.

The reviewer should also observe the employer billing process and talk with employees to learn whether or not recorded instructions are available and being used.

In the narrative section following the questions, explain "Other" responses, and describe any "Compensating Controls". Identify the question being explained by referencing the number and section. If there are no recorded instructions, describe in the narrative how the staff becomes aware of the proper procedures to perform the tasks of the Employer Debit/Billing function.

SYSTEMS REVIEW QUESTIONS

1. Does the State have recorded instructions to help employees properly bill employers in accordance with State laws and policies?

Yes ___ No ___

2. If yes, are all the recorded information and instructions:

Yes No

- a. Current?
- b. Accurate?
- c. Complete?
- d. Readily available to staff?.....

VS:(Questions 1 and 2 _____)

3. If any of the preceding evaluative questions are answered "no", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

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

VS: (Question 3 _____)

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
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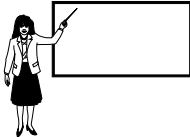
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SYSTEMS REVIEW

Training

New employees need to learn the requirements for processing employer accounts that create debits and the methods used to establish employer billings. Experienced employees benefit from periodic refresher courses and need additional training when changes occur, and when quality defects or a significant number of errors appear in a particular area.



The reviewer should respond to the following questions after discussing with management the training systems used for the Employer Debits/Billing function, and examining the training packages utilized.

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". If there are no formal training systems, describe how the staff knows the laws and written policies and the proper procedures to perform the Employer Debit/Billing Function. Identify the question being explained by referencing the number and section.

SYSTEMS REVIEW QUESTIONS

1. Does the State have methods or procedures to provide training for newly hired employees?

Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom Training?
- b. *On the Job Training?.....
- c. *One-on-One Training?
- d. *Individual Self-guided Training?.....
- e. *Other?.....

Describe the type and frequency of training in the comments.

2. Does the State have methods or procedures to provide refresher training for experienced employees?

Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom (e.g., refresher courses)?
- b. *On the Job Training?.....
- c. *One-on-One Training?
- d. *Individual Self-guided Training?.....
- e. *Other?.....

Describe the type and frequency of training in the narrative.

SYSTEMS REVIEW QUESTIONS

3. Does the State provide training when there are: Yes No N/A
- a. State law changes?
 - b. Policy/procedure changes?
 - c. Needs identified from review of finished work
(e.g., supervision, quality assurance review)?
 - d. Hardware/software changes?
 - e. *Other?.....

4. Does the State have processes (e.g., back-up training or organizational flexibility) to assure that staff absences will not disrupt operations?

Yes ___ No ___

If yes, describe in the narrative.

VS: (Questions 1-4) _____.

SYSTEMS REVIEW QUESTIONS

5. *In the opinion of the supervisor or manager, does the training meet the needs of the Employer Billing function? (e.g., Are sufficient resources available--training packages, facilities, staff, etc.)

Yes ___ No ___

6. If any of the preceding evaluative questions were answered "No", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

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

VS:(Question 6 _____)

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
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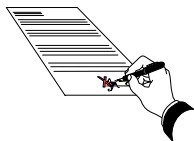
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SYSTEMS REVIEW

Recording of Transactions and Events

The State should have a method to assure that notices of employer debt (billing notices) are recorded and that the source information (e.g., contribution reports, audit reports, adjustments) is readily available for examination. Whether the Stats system is automated or manual, an audit trail should lead from the wage, tax and payment data in the employer account record to the information source upon which the update was made.

The reviewer should become familiar with the types of updates to employer records that require an audit trail and the types of source documents used by the State to update employer accounts.



In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". If there are no recording or reconciliation of the Employer Account's Receivables, explain how the State staff is assured of the account's accuracy. Identify the question being explained by referencing the number and section.

SYSTEMS REVIEW QUESTIONS

1. Does the State have a method to assure that debits posted to employer accounts can be traced to their source (even if source is via electronic media)?

Yes ___ No ___

2. Does the audit trail identify:

Yes No

- a. The type of update made to the employer account?.....
- b. The date the debit was established?.....
- c. The State employee(s) who authorized and entered the update?

3. Is source documentation required to support the debit posted to employer accounts?

Yes ___ No ___

VS: (Questions 1 – 3 _____)

SYSTEMS REVIEW QUESTIONS

4. *Which of the following source documents does the State use to identify the posting of debits to employer accounts?

- | | | |
|----|-----------------------------------|----------------------|
| | | <u>Yes</u> <u>No</u> |
| a. | *Contribution reports? | |
| b. | *Supplemental reports?..... | |
| c. | *Field Audit change notices?..... | |
| d. | *Other adjustment reports?..... | |
| e. | *Wage Record detail?..... | |
| f. | *Electronic media? | |
| g. | *Other?..... | |

5. Are original and amended information sources, including electronic source documentation, retained and accessible for State use?

Yes ___ No ___

VS: (Questions 5 _____)

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

Yes ___ No ___ N/A ___

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

VS:(Question 6 _____)

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
(when deemed necessary)

Question Number Answers to "If yes, describe" and "Other":

SYSTEMS REVIEW

Systems to Assure Execution of Events

Systems should be in place to assure the execution of events such as establishing tax debits, issuing billings, suppressing billings, and reconciling employer account unpaid balances to the State's Account Receivables.

The reviewer should become familiar with the systems used by the State to assure that employer debits/billings are being issued accurately.



In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section.

SYSTEMS REVIEW QUESTIONS

1. Does the State have system procedures and/or internal controls to identify all employers that have unpaid balances?

Yes ___ No ___

VS (Question 1 _____)

2. Does the State apply a tolerance level to differences between amounts due and received? (If the amount unpaid is within a certain dollar amount, is it considered not a receivable?)

Yes ___ No ___

- a. *If yes, which type tolerance is used?

Yes No N/A

- (a) *Dollar amount? - _____
(b) *Percent? - _____
(c) *Other?.....

3. *Does the State have an automated billing system?

Yes ___ No ___

- a. If yes, is a system check performed every time a program is changed?

Yes ___ No ___

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

4. Is there a method by which to suppress bills/notices?

Yes ___ No ___

VS: (Questions 2, 3 and 4 _____)

5. Is there a reconciliation of the sum of employer account unpaid balances to the State's Accounts Receivable control total (e.g., General Ledger)?

Yes ___ No ___

a. *If yes, indicate frequency. (Check all that apply).

- (1) *Daily
- (2) *Weekly
- (3) *Monthly
- (4) *Quarterly
- (5) *Semi-annually
- (6) *Annually
- (7) *Other.....

VS: (Questions 5 _____)

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

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

Yes ___ No ___ N/A ___

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

VS:(Questions 6 _____)

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Explanation of "N/A" and "Compensating Controls"
Number (when deemed necessary)

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Question Answers to "If yes, describe" and "Other":
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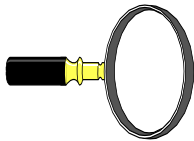
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SYSTEMS REVIEW

Review of Completed Work

For the Employer Billing process, the State should be conducting systematic reviews of the accuracy of the debit being established and the accuracy of the notice being mailed to the employer. A review of this information should be done during each billing cycle. The following questions are designed to determine how these reviews are conducted.



The reviewer must consider the kind of supervisory program and/or quality assurance review the State uses to assess the Employer Billing processing Unit. Is the review procedure different for new employees? If the State uses a quality assurance review, who (position and organizational location) performs it? A review of completed work should be done on a regular basis for all staff members involved in processing debits established for the employer's account. This review may be done on an individual basis for each staff member, or by sampling work done throughout the entire unit.

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there is no supervisory and/or quality assurance review, describe how quality is assured in the Employer Debit/Billing function.

For all staff members involved in the Employer Debits/Billing process, are the following components subject to some form of systematic review. If review is performed, enter a "Y" in the appropriate column (s). **For Yes** answers, also enter "Y" in column 6. If there are no reviews, answer "N" for No in column 6. Column 6 is the evaluative question.

Component	Type of review					
	*1 Supv	*2 Peer	*3 QR Qual.Rev.	*4 Support (Clerical)	*5 Other	6 Review Conducted?
a. Comparing source documents to the information on the employer's account?						
b. Billing notices prior to mailing.						
c. If yes to (b), is the information on the billing notice compared to the employer's file?						

VS: (Question 6 _____)

* Informational

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

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

Yes ___ No ___ N/A ___

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

VS: (Question 7 _____)

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
(when deemed necessary)

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Question Number Answers to "If yes, describe" and "Other":

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SYSTEMS REVIEW QUESTIONS

Additional Controls

1. *Does the State have internal controls or quality assurance systems in the Employer Debit/Billing function which this review failed to identify?

Yes ___ No ___

If yes, describe below:

2. *Are there any exemplary practices for the Employer Debit/Billing function?

Yes ___ No ___

If yes, describe below:

ACCEPTANCE SAMPLES

ACCEPTANCE SAMPLE INSTRUCTIONS

Purpose/Intent

To assure accuracy in the establishment of employer underpayments (debits).

To assure that the State maintains employer debit (accounts receivable) information accurately and timely.

To assure that the State accurately issues debit memorandums or billing notices to employers for underpayments of UI contributions due.

Scope

The scope of the review will focus on:

1. Debits for **contributory employers** established during the processing period which remain unpaid at the end of the processing period.
2. Debits for **reimbursing employers** for benefits paid during the selected time period which remain unpaid at the end of the processing period.

ACCEPTANCE SAMPLE INSTRUCTIONS

Universe

There are two universes to be identified.

CONTRIBUTORY EMPLOYERS

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

The processing period is defined as the time period during which the quarterly reports and contributions are processed after the selected quarter has ended. E.g., if the 2nd quarter is selected for review, the processing period would begin July 1 and end on the cut off date the State uses to identify delinquent employer reports, approximately August 20. This definition is for the sole purpose of defining the time frame from which the universe of debits established for contributory employers is to be drawn.

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

ACCEPTANCE SAMPLE INSTRUCTIONS

Universe cont.

3. Excluded from this universe are:
 - a. Contributory Employers with only interest and/or penalty due.
 - b. Contributory Employers with only other State mandated taxes due, e.g., State Disability Withholdings, etc.
 - c. Contributory Employers with debits established and cleared during the processing period.
 - d. Contributory employers with debits within tolerance level established by State (amounts that State does not issue debit memorandums for).
 - e. All Reimbursing Employers

REIMBURSING EMPLOYERS

1. All **reimbursing employers** who have an unpaid debit balance for benefits paid during the period selected. The balance may include interest and penalty.

Debits for reimbursing employers are limited to those debits which are **past due**. This does not include the debits initially established on the benefit charging Statement or the initial request for payment which allows an established period of time for the reimbursing employer to pay.

ACCEPTANCE SAMPLE INSTRUCTIONS

Universe Cont.

2. Excluded from this universe are:
 - a. Reimbursing Employers with only interest and/or penalty due.
 - b. Reimbursing Employers with only other State mandated taxes due., e.g., State Disability Withholdings, etc.
 - c. Reimbursing Employers who paid their charges within the "grace period."
 - d. Reimbursing Employers within a tolerance level for which State does not issue debit (or charge) notices
 - e. All Contributory Employers.

Timing/Frequency

The two samples will be selected once per calendar year.

The universe of **contributory employers** quarter will cover the processing period for either the 1st, 2nd or 3rd quarter and will be identified immediately at the end of the processing period.

The universe of **reimbursing employers** covers one of the time periods shown in step one of the Sampling Procedures below and will be identified immediately at the end of the period of time allowed for the employer to pay from the first notice, e.g., the charge Statement.

ACCEPTANCE SAMPLE INSTRUCTIONS

Sampling Procedures

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

1. Select period for review

For **Contributory Employers**, this will be either the 1st, 2nd, or 3rd quarter.

For **Reimbursing Employers**, the time period will be either:

- a. The entire year, if the State bills its reimbursing employers only once a year.
 - b. Either the 1st, 2nd, or 3rd quarter if the State bills its reimbursing employers quarterly.
 - c. Three consecutive months of charges if the State bills its reimbursing employer more frequently than quarterly, e.g., monthly, biweekly. (It may be possibly to use only one month of charges. Contact N.O. for instructions.)
2. Identify Universes.

The universe for **contributory employers** will be identified immediately at the end of the processing period for the quarter selected.

ACCEPTANCE SAMPLE INSTRUCTIONS

Sampling Procedures Cont.

The universe for reimbursing employers will be identified immediately at the end of the "grace period" for payment of reimbursing charges.

States who do not build the universes as debits are established, and whose automated systems overwrite the pertinent fields, may find it necessary to identify the populations of each type employer at the beginning of the applicable period and again at the end of the period and then compare the two populations to isolate those employers who had a debit increase established during the applicable period that remains unpaid. These employers constitute the sampling universes.

3. Select 60 cases, or if universe is small, select the number of cases based on Table in Appendix A-III

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

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

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

ACCEPTANCE SAMPLE INSTRUCTIONS

Sampling Procedures

Cont.

If the State bills **reimbursing employers** more frequently than quarterly, the State should discuss sampling procedures with the Regional Office Representative.

In some States, the entire universe of reimbursing employers may be very small. In these cases, see Appendix A for number to be reviewed.

If the system is automated, the Reviewer must work closely with ADP. A thorough understanding of what the universe includes and excludes and when the samples are to be selected is essential.

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

Reviewing the Samples

Assemble the following information for the employer's account:

1. A copy of the original debit memorandum/ billing notice or a facsimile of the original computer billing notice and a copy of any payment history.
2. The original source of the information on the State's files; e.g., contribution reports, adjustment reports, benefit charges, rate changes, etc.

ACCEPTANCE SAMPLE INSTRUCTIONS

Reviewing the Samples

Cont.

3. The account information maintained on the State's employer records.

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

The review should be completed within 45 days after the samples are selected.

Drawing Conclusions

Using this information, answer the questions on the Acceptance Sample Questionnaire.

The following questions on the Acceptance Sample Questionnaire are evaluative:

- #1. Establishing to proper account.
- #2. Accuracy of dollar amount and time frame.
- #4. Accuracy of the billing notice.
- #5. Accurate processing of the debit established.

A "No" answer to 1, 2, 4, or 5 will mean that the sampled account was not processed accurately and is not an acceptable case.

An inaccurate penalty or interest assessment will not cause the case to fail.

ACCEPTANCE SAMPLE INSTRUCTIONS

Of the 60 cases, if three or more are not acceptable, then the reviewer must conclude that accuracy in the Employer debit/billing processing function cannot be confirmed.

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

Documentation

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

ACCEPTANCE SAMPLE QUESTIONNAIRE

Accuracy of Debit

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 1. Was the debit established on the proper employer's account?
If No, case fails, do not proceed with Questionnaire. | _____ | _____ | |
| 2. Was the debit for the correct: | | | |
| a. Dollar Amount? | _____ | _____ | |
| b. Quarter(s) and Year? | _____ | _____ | |

Accuracy of Billing Notices

- | | | | |
|--|-------|-------|-------|
| 3. *Was an employer billing notice issued for the debit? | _____ | _____ | |
| If <u>Yes</u> , answer question #4.
If <u>No</u> , answer question #5 | | | |
| 4. Did the billing notice accurately reflect the dollar amount receivable? | _____ | _____ | |
| 5. Was the billing notice withheld in accordance with State's established procedures? (e.g., State policy, State law, bankruptcy status, etc.) | _____ | _____ | _____ |

TAX PERFORMANCE SYSTEM
Account Maintenance - Sample Explanation Sheet
 Employer Debits/Billings

State: _____ Period Covered: _____ Date: _____ Reviewer: _____
 Sample Type: Acceptance Expanded

Case Number	Employer Identification Number	Explanation

ACCOUNT MAINTENANCE

CREDITS/REFUNDS

PROGRAM REVIEW

COMPONENTS

SYSTEMS REVIEW

ACCEPTANCE SAMPLES

SYSTEMS REVIEW

SYSTEMS REVIEW INTERVIEW SHEET

Function	Reviewer
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Persons Interviewed			Documents Reviewed	
Date	Name:	Title:	Title:	Form#:

**ET HANDBOOK NO.407
TAX PERFORMANCE SYSTEM**

CHAPTER EIGHT

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

SYSTEMS REVIEW

Recorded Information and Instructions

For employer credits/refunds, recorded information and instructions should include procedures for assuring that employer accounts with overpayments are properly credited and monies refunded when applicable. The procedures should be in accordance with State law and written policies.



The reviewer should examine recorded instructions available to the staff and compare procedures to the laws and written policies of the State to determine if the recorded information and instructions are current, accurate, and complete. The reviewer should also observe the Credit/Refund process and talk with employees to learn whether or not the recorded instructions are available and being used.

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there are no recorded instructions, describe in the narrative how the staff becomes aware of the proper procedures to perform the tasks of the Employer Credits and Refunds function.

SYSTEMS REVIEW QUESTIONS

1. Does the State have recorded information and instructions to assist employees processing employer credits/refunds reports in accordance with State laws and written policies?

Yes ___ No ___

2. If yes, are all the recorded information and instructions:

Yes No

- a. Current?
- b. Accurate?
- c. Complete?
- d. Readily available to staff?.....

VS:(Questions 1 and 2 _____)

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

Yes ___ No ___ N/A ___

VS: (Question 3 _____)

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
(when deemed necessary)

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Question Number Answers to "If yes, describe" and "Other":

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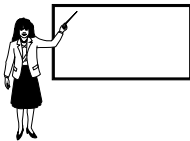
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SYSTEMS REVIEW

Training

Employees involved in processing employer credits/refunds should be given training to properly perform required tasks such as determining the amount of overpayments and issuing credit memorandums and/or refunds. New employees need to learn the procedures for processing employer overpayments, and existing employees benefit from periodic refresher courses and additional training when procedures change and/or quality defects occur at an unacceptably high rate.



The reviewer should respond to the following questions after discussing with management the training systems used for the Employer credits/refunds processing staff, and after examining the training packages utilized.

In the narrative section following the questions, explain any "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there are no formal training systems, then describe how the staff knows the laws and written policies and the proper procedures to perform the credits and/or refunds function duties.

SYSTEMS REVIEW QUESTIONS

1. Does the State have methods or procedures to provide training for newly hired employees?

Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom Training?
- b. *On the Job Training?.....
- c. *One-on-One Training?
- d. *Individual Self-guided Training?.....
- e. *Other?.....

Describe the type and frequency of training in the comments.

2. Does the State have methods or procedures to provide refresher training for experienced employees?

Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom (e.g., refresher courses)?
- b. *On the Job Training?.....
- c. *One-on-One Training?
- d. *Individual Self-guided Training?.....
- e. *Other?.....

Describe the type and frequency of training in the narrative.

SYSTEMS REVIEW QUESTIONS

3. Does the State provide training when there are:

Yes No N/A

- a. State law changes?
- b. Policy/procedure changes?
- c. Needs identified from review of finished work
(e.g., supervision, quality assurance review?
- d. Hardware/software changes?
- e. *Other?.....

4. Does the State have processes (e.g., back-up training or organizational flexibility) to assure that staff absences will not disrupt operations?

Yes ___ No ___

If yes, describe in the narrative.

VS: (Questions 1-4 _____)

SYSTEMS REVIEW QUESTIONS

5. *In the opinion of the supervisor or manager, does the training meet the needs of the Employer Credits/Refunds function? (e.g., Are sufficient resources available--training packages, facilities, staff, etc.)

Yes ___ No ___

6. If any of the preceding evaluative questions were answered "No", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

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

VS: (Question 6 _____)

**ET HANDBOOK NO.407
TAX PERFORMANCE SYSTEM**

CHAPTER EIGHT

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
(when deemed necessary)

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Question Number Answers to "If yes, describe" and "Other":

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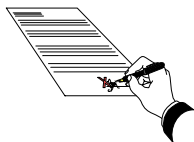
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SYSTEMS REVIEW

Recording of Transactions and Events

The State should have a method to assure that notices of employer credits and refunds (e.g., credit memos, letters, etc.) are recorded and that the source information (e.g., contribution reports, adjustments, etc.) is readily available for examination. Whether the State system is automated or manual, an audit trail should lead from the wage, tax and payment data in the employer account record to the information source upon which the update was made.

The reviewer must become familiar with the types of updates to employer records that require an audit trail and the types of source documents used by the State to update employer accounts.



In the narrative section following the questions, explain any "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there is no audit trail maintained, then explain how the State is assured that the employer credits and/or refunds are accurate.

SYSTEMS REVIEW QUESTIONS

1. Does the State have a method to assure that credits (overpayments) posted to employer accounts can be traced to their source (even if source is via electronic media)?

Yes ___ No ___

2. Does the audit trail identify:

Yes No

a. The type of update made to the employer account?.....

b. The date the credit was established?.....

c. The State employee(s) who authorized and entered the update?

3. Is source documentation required to support the credits posted to employer accounts?

Yes ___ No ___

VS: (Questions 1 – 3 _____)

**ET HANDBOOK NO.407
TAX PERFORMANCE SYSTEM**

CHAPTER EIGHT

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

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

Yes No

- a. *Contribution reports?
- b. *Supplemental reports?.....
- c. *Field Audit change notices?.....
- d. *Other adjustment reports?.....
- e. *Wage record detail?
- f. *Electronic media?.....
- g. *Other?.....

5. Does the State have a method to assure that refunds issued to an employer can be traced to their source?

Yes ___ No ___

6. Does the audit trail identify:

Yes No

- a. The type of update made to the employer account?
- b. The date the refund was issued?
- c. The State employee(s) who authorized the refund?

VS: (Questions 5 – 6 _____.

SYSTEMS REVIEW QUESTIONS

7. Are original and amended information sources, including electronic source documents, retained and accessible for State use?

Yes ___ No ___

VS: (Question 7 _____)

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

Yes ___ No ___ N/A ___

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

VS: (Question 8 _____)

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Explanation of "N/A" and "Compensating Controls"
Number (when deemed necessary)

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Question Answers to "If yes, describe" and "Other":
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SYSTEMS REVIEW

Systems to Assure Execution of Events

Built in systems should be in place to assure the execution of events such as establishing tax credits and issuing memorandums and/or refunds.

The reviewer must become familiar with the types of built-in checks used by the State to assure the accurate processing of all employer overpayments, and the issuing of proper credits and/or refunds to such employers.



In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section.

SYSTEMS REVIEW QUESTIONS

1. Does the State have system procedures and/or controls to identify all employers who have overpaid taxes?

Yes ___ No ___

VS: (Question 1 _____)

2. *Does the State issue Credit Memorandums to the employers?

Yes ___ No ___ N/A ___

If Yes, answer questions 3 & 4.

If No, continue to question 5.

VS: (Question 2 _____)

SYSTEMS REVIEW QUESTIONS

3. Does the State issue Credit Memorandums via an automated system?

Yes ___ No ___ N/A ___

If Yes, when there is a change to a program in the automated system, is the new program tested for accuracy?

Yes ___ No ___

VS: (Question 3 _____)

4. Prior to issuing credit memorandums, is a review done to determine if:

Yes No N/A

- a. Math computations are accurate?
- b. All tax due has been paid?
- c. Other?.....

VS: (Question 4 _____)

SYSTEMS REVIEW QUESTIONS

5. Does the State issue Refunds to employers?

Yes ___ No ___

6. *Indicate below which method of refunds your State uses:

- a. Automatically issues refunds
- b. Issues refunds on request
- c. Both.....

If both methods are used, explain the criteria for each method.

7. *Does the State issue refunds via an automated system?

Yes ___ No ___

a. If Yes, when there is a change to a program in the automated system, is the new program tested for accuracy?

Yes ___ No ___

VS: (Questions 5 and 7a _____)

SYSTEMS REVIEW QUESTIONS

8. Prior to issuing refunds, is an internal reconciliation done to determine if:

Yes No N/A

- a. Math computations are accurate?
- b. All tax due has been paid?
- c. Required contribution reports have been received?
- d. Other?.....

VS: (Question 8 _____)

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

Yes ___ No ___ N/A ___

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

VS: (Question 9)

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Explanation of "N/A" and "Compensating Controls"
Number (when deemed necessary)

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Question Answers to "If yes, describe" and "Other":
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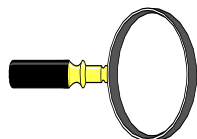
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SYSTEMS REVIEW

Review of Completed Work

For the Credits/Refunds function, the State should be conducting systematic reviews of the accuracy of the credit being established and the accuracy of the notice/refund being mailed to the employer. A review of this information should be done during each processing cycle. The following questions are designed to determine how these reviews are conducted.



The reviewer must consider the kind of supervisory program and/or quality assurance review the State uses to assess the Credits/Refunds processing unit. Is the review procedure different for new employees? If the State uses a quality assurance review, who (position and organizational location) performs it? A review of completed work should be done on a regular basis for all staff members involved in processing documents for the employer's account. This review may be done on an individual basis for each staff member, or by sampling work done throughout the entire unit.

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there is no supervisory and/or quality assurance review, describe how quality is assured in the Employer Credits/Refunds function.

For all staff members involved in Employer Credits/Refunds process, are the following components subject to some form of systematic review. For Yes answers, enter a "Y" in the appropriate column(s). **For Yes** answers, also enter "Y" in column 6. If there are no reviews, answer "N" for No in column 6 which is the evaluative question.

Component	Type of Review						
	*1 Supv	*2 Peer	*3 QR Qual.Rev.	*4 Support (Clerical)	*5 Other	6 Review Con- ducted?	7 N/A
a. Credits established on the employer's account?							
b. Credit memorandums mailed to the employers?							
c. Refunds mailed to the employer?							

VS: (Question 6)

* Informational

SYSTEMS REVIEW QUESTIONS

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

Yes ___ No ___ N/A ___

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

VS: (Question 7 _____)

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
(when deemed necessary)

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Question Number Answers to "If yes, describe" and "Other":

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SYSTEMS REVIEW QUESTIONS

Additional Controls

1. *Does the State have internal controls or quality assurance systems in the Employer Credits/Refunds function which this review failed to identify?

Yes ___ No ___

If yes, describe below:

2. *Are there any exemplary practices for the Employer Credits/Refunds function?

Yes ___ No ___

If yes, describe below:

ACCEPTANCE SAMPLES

ACCEPTANCE SAMPLE INSTRUCTIONS

Purpose/Intent

To assure accuracy in the establishment of employer overpayments (credits/refunds).

To assure that the State maintains employer overpayment (credit/refund) information accurately and timely.

To assure that the State accurately issues credit memorandums and/or refunds to employers for overpayments.

Scope

The scope of the review will focus on credits established during the processing period that are still outstanding (not refunded or applied to a liability) on the date the universe is identified.

Universe

The universe for employer overpayments (credits/refunds) will include all contributory employers who have overpayments (credits) established during the processing period of the selected quarter that remains outstanding at the end of the processing period.

The overpayments may relate to any quarter but must have been established during the processing period for the quarter selected for the review.

The credit is for overpaid contributions. (The credit may include penalty and interest monies overpaid.)

ACCEPTANCE SAMPLE INSTRUCTIONS

Universe Cont.

The universe will exclude the following:

1. All contributory employers who had an overpayment (credit) that was established during the processing period, but that was cleared by the end of the processing period, either through refund or application to a liability.
2. All contributory employers with credits within the tolerance level for which the State neither refunds nor issues credit refunds.
3. All reimbursing employers.

Timing/Frequency

The sample will be selected once per calendar year.

The universe covers the processing period for either the 1st, 2nd, or 3rd quarter and will be identified immediately at the end of the processing period.

Sampling Procedures

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

1. Select the quarter to review.

This will be either the 1st, 2nd, or 3rd quarter.

2. Identify the universe.

The universe includes all contributory employers who:

ACCEPTANCE SAMPLE INSTRUCTIONS

Sampling Procedures

Cont.

- a. Have an overpayment for any quarter (current or prior) which was established during the processing period, **and**
- b. The credit remains outstanding (not refunded or applied to a debit) at the end of the processing period.

The processing period is defined as the State time period during which the quarterly reports and contributions are processed after the selected quarter has ended. (e.g., if the 1st quarter is selected for review, the processing period would begin April 1 and end approximately June 30. This definition is for the sole purpose of defining the time frame from which the universe of credits established is to be drawn.

States who do not build the universe as credits are established, or whose automated systems make it difficult or impossible to locate the targeted credits may find it necessary to identify the population of all contributory employers at the beginning of the processing period and again at the end of the period and then compare the two populations to isolate those employers who had a credit balance established (or increased) during the defined processing period. These employers constitute the sampling universe.

ACCEPTANCE SAMPLE INSTRUCTIONS

***Sampling Procedures
Cont.***

3. Select 60 cases, or if universe is small, select the number of cases based on Table in Appendix A-III

Note: The reviewer will have to investigate procedures for issuing credits/refunds and then identify the appropriate sample selection date. (e.g., in some States there may be a lag time of 90 - 180 days before refunds are issued, etc. - thus the sample selection date would be after the 90 - 180 day time lag period.)

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

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

Reviewing the Samples

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

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

ACCEPTANCE SAMPLE INSTRUCTIONS

***Reviewing the Samples
cont.***

2. The original source of the information on the state's files, e.g, contribution reports, adjustment reports, wage detail adjustments, rate changes, etc.
3. The employer's account information on the state's computer files.

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

The review should be completed within 45 days after the sample is selected.

Drawing Conclusions

Using this information, answer the questions on the Acceptance Sample Questionnaire.

The following questions are evaluative:

- #1. Establishment to proper account.
- #2. Accuracy of dollar amount and time frame.
- #4. Accuracy of the credit memorandum or refund.
- #5. Accurate processing of the established credit.
- #6. Credit memorandum/refund issued to correct address
- #7. Accuracy of withholding credit memorandum/refund

A "No" answer to #1, 2, 4, 5, 6 or 7 will mean that the sampled account was not processed accurately and is not considered an acceptable case.

ACCEPTANCE SAMPLE INSTRUCTIONS

Drawing Conclusions

Note that when a credit or refund is due, in excess of *Contd.* established tolerance limits, the employer must be given the opportunity to request a refund, or to apply the credit to future tax obligations, or to automatically receive a credit or refund. If the sampled case indicates that the state did not fulfill this obligation (for instance, no attempt was made to advise the employer of credit or refund due, or no credit/refund adjustments were made), question 7 would be answered "No," and the case would fail.

Of the 60 cases, if three or more are not acceptable, then the reviewer must conclude that accuracy in the Credit/Refund processing function cannot be confirmed.

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

Documentation

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

ACCEPTANCE SAMPLE QUESTIONNAIRE

Yes No

Establishment of Credit

1. Was the credit established on the proper employer's account? _____
If No, case fails, do not proceed with Questionnaire.
2. Was the credit for the correct:
- a. Dollar amount? _____
- b. Quarter(s) and year? _____

Accuracy of Credit Memorandum/Refund

3. *Was a memorandum/refund issued for the credit? _____
If Yes, answer questions #4, 5, and 6.
If No, answer question #7.
4. Did the credit memorandum/refund accurately reflect the amount of the credit? _____
5. Was the credit memorandum/refund issued to the correct entity? (e.g., if 3rd party refund involved, was check made out to 3rd party) _____
6. Was credit memorandum/refund issued to correct address? _____
7. Was the credit memorandum/refund withheld in accordance with the State's established procedures? (e.g., The credit designated for future tax, etc.) _____

**ET HANDBOOK NO.407
TAX PERFORMANCE SYSTEM**

CHAPTER EIGHT

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

TAX PERFORMANCE SYSTEM
Account Maintenance - Sample Explanation Sheet
 Credits and Refunds

State: _____ Period Covered: _____ Date: _____ Reviewer: _____

Sample Type: Acceptance Expanded

Case Number	Employer Identification Number	Explanation

ACCOUNT MAINTENANCE

BENEFIT CHARGING

PROGRAM REVIEW

COMPONENTS

SYSTEMS REVIEW

ACCEPTANCE SAMPLES

SYSTEMS REVIEW

**ET HANDBOOK NO.407
TAX PERFORMANCE SYSTEM**

CHAPTER EIGHT

ACCOUNT MAINTENANCE

Benefit Charging

PROGRAM REVIEW

SYSTEMS REVIEW

Recorded Information and Instructions

Recorded information and instructions should include procedures to assure that employer accounts are accurately charged for benefits paid to claimants. The procedures should be in accordance with State laws and written policies.



The reviewer should examine recorded instructions available to the staff and compare procedures to the laws and written policies of the State to determine if the recorded information and instructions are current, accurate, and complete. The reviewer should also observe the Benefit Charging process and talk with employees to learn whether or not the recorded instructions are available and being used.

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there are no recorded instructions, describe in the narrative how the staff becomes aware of the proper procedures to perform the tasks of the Benefit Charging function.

SYSTEMS REVIEW QUESTIONS

1. Does the State have recorded information and instructions to assist employees in processing the benefit charges properly in accordance with State laws and written policies?

Yes ___ No ___

2. If yes, are all the recorded information and instructions:

Yes No

- a. Current?
- b. Accurate?
- c. Complete?
- d. Readily available to staff?.....

VS:(Questions 1 and 2 _____)

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

Yes ___ No ___ N/A ___

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

VS: (Question 3 _____)

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
(when deemed necessary)

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Question Number Answers to "If yes, describe" and "Other":

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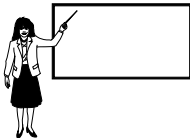
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SYSTEMS REVIEW

Training

The State needs to have systems and procedures to identify training needs and deliver training to employees who perform duties within the Benefit Charging function. New employees need to learn the procedures involved in charging employer accounts for benefits paid to claimants. Existing employees benefit from periodic refresher courses and additional training when procedures change and/or quality defects occur at an unacceptably high rate.

The reviewer should respond to the following questions after discussing with management the training systems used for Benefit Charging staff, and after examining the training packages utilized.



In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there are no formal training systems, then describe how the staff knows the laws and written policies and the proper procedures to perform the Benefit Charging function duties.

SYSTEMS REVIEW QUESTIONS

1. Does the State have methods or procedures to provide training for newly hired employees?

Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom Training?
- b. *On the Job Training?.....
- c. *One-on-One Training?
- d. *Individual Self-guided Training?.....
- e. *Other?.....

Describe the type and frequency of training in the narrative.

2. Does the State have methods or procedures to provide refresher training for experienced employees?

Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom (e.g., refresher courses)?
- b. *On the Job Training?.....
- c. *One-on-One Training?
- d. *Individual Self-guided Training?.....
- e. *Other?.....

Describe the type and frequency of training in the narrative.

SYSTEMS REVIEW QUESTIONS

3. Does the State provide training when there are:

Yes No N/A

- a. State law changes?
- b. Policy/procedure changes?
- c. Needs identified from review of finished work
(e.g., supervision, quality assurance review)?
- d. Hardware/software changes?
- e. *Other?.....

4. Does the State have processes (e.g., back-up training or organizational flexibility) to assure that staff absences will not disrupt operations?

Yes ___ No ___

If yes, describe in the narrative section.

VS: (Questions 1-4 _____)

SYSTEMS REVIEW QUESTIONS

5. *In the opinion of the supervisor or manager, does the training meet the needs of the Benefit Charging function? (e.g., Are sufficient resources available--training packages, facilities, staff, etc.)

Yes ___ No ___

6. If any of the preceding evaluative questions were answered "No", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

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

VS:(Question 6 _____)

ACCOUNT MAINTENANCE

Benefit Charging

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
(when deemed necessary)

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Question Number Answers to "If yes, describe" and "Other":

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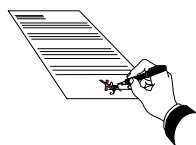
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SYSTEMS REVIEW

Recording of Transactions and Events

The State should have methods that benefit charging information (including but not limited to the decision to charge or non-charge, amount of benefits charged, the date of the charge, the claimant to whom benefits were paid, the individual who made the decision to charge, appeals, etc.) is accurately recorded and that the source information is readily available for examination. Whether the State system is automated or manual, an audit trail should lead from the benefit charging data in the employer's account record to the source document upon which the charge was based.



The reviewer must become familiar with the systems and procedures the State uses to track benefit charges to the source documents (e.g., claimant separation information, notice of charge or non-charge, benefit payment and overpayment records, adjustments to charges, appeal notices, etc.)

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there is no audit trail maintained, then explain how the State is assured that the employer benefit charging records are accurate.

SYSTEMS REVIEW QUESTIONS

1. Does the State have a method to track benefits charged to employer accounts for the claimant to whom benefits were paid?

Yes ___ No ___

2. Does the audit trail identify:

Yes No

- a. The amount of charges or credits (including electronic media)?.....
- b. The date of the charge or credit?
- c. The State employee(s) who made the decision to non-charge the employer?.....
- d. The documentation to support denial of the non-charging?
- e. The documentation to support the allocation of charges or credits to employers?

3. Is source documentation required to support updates to employer accounts?

Yes ___ No ___

VS: (Questions 1 – 3 _____)

SYSTEMS REVIEW QUESTIONS

4. *Which of the following source documents does the State use to identify changes to benefit charges:

Yes No

- a. *Claimant Separation Information?.....
- b. *Notice of Charge or Non-charge?.....
- c. *Benefit Payment Records?.....
- d. *Benefit Overpayment Notices?.....
- e. *Monetary Redeterminations?.....
- f. *Appeal Notices?.....
- g. *Electronic media?.....
- h. *Other Adjustment records?.....

5. Are original and amended information sources, including electronic source documentation, retained and accessible for State use?

Yes ___ No ___

VS: (Question 5 _____)

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

Yes ___ No ___ N/A ___

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

VS: (Question 6 _____)

SYSTEMS REVIEW NARRATIVE

Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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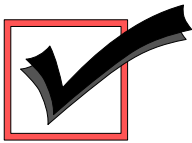
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SYSTEMS REVIEW

Systems to Assure Execution of Events

Systems should be in place to assure the execution of events such as accurately charging to the employer's account or the pool account benefits paid to claimants. Systems should also be in place to assure the reconciliation of benefits charged with benefits paid. The systems may be automated or manual.

The reviewer must become familiar with the types of built-in checks used by the State to assure the accurate charging to employer accounts for all benefits paid.



In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section.

SYSTEMS REVIEW QUESTIONS

1. *Does the State use an automated benefit charge system to apply charges to employer accounts or the pool account?

Yes ___ No ___

- a. If yes, is a review performed every time a program change is made?

Yes ___ No ___

2. Are verification procedures in place to assure that benefit charges are correctly made by comparing information sources to employer account transaction records?

Yes ___ No ___

VS: (Question 1 (a) and 2 _____)

3. Does the State reconcile benefits charged with benefits paid? (e.g., Is the State accounting for all benefits paid by charging either the employer account or the pool account?)

Yes ___ No ___

If Yes, answer 3a - 3d.
If No, go to question 4.

SYSTEMS REVIEW QUESTIONS

3. a. *Is the reconciliation performed by individual Social Security number (e.g., all benefit checks issued to a claimant are reconciled with the benefit charges that are charged to the claimant's employer(s) account(s) or the pool account)?

Yes ___ No ___

*If Yes, Frequency

- b. *Are aggregate benefit charges reconciled with aggregate benefits paid?

Yes ___ No ___

If Yes, Frequency

- c. *Other?

Yes ___ No ___

In the Narrative Section, describe the method the State uses to reconcile out-of-balance accounts (e.g., discrepancies charged to the general pool account or the overpayment accounts, etc. or does State track each discrepancy in order to balance the accounts).

- d. *Provide the following data for the most recently completed calendar year (or quarter) if available:

- (1) Amount of charges not reconciled to benefits paid:
(2) Total Benefits Paid:

VS: (Question 3 _____)

SYSTEMS REVIEW QUESTIONS

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

Yes ___ No ___ N/A ___

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

VS: (Question 4 _____)

SYSTEMS REVIEW NARRATIVE

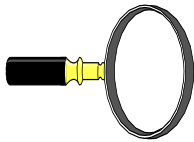
Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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SYSTEMS REVIEW

Review of Completed Work

For the Benefit Charging function, the State should be conducting systematic reviews for accuracy of the benefit charge information being posted to the employer's account.



A review of completed work should be done on a regular basis for all staff members involved in processing benefit charges for the employer's account. This review may be done on an individual basis for each staff member, or by sampling work done throughout the entire unit. The following questions are designed to determine how these reviews are conducted.

The reviewer must become familiar with the kind of review program the State uses to assess the work performed by the staff processing the employer's benefit charges.

In the narrative section following the questions, explain "other" responses, and describe compensating controls. Identify the question being explained by referencing the number and section. If there is no review performed, describe how quality is assured in the Employer Benefit Charging function.

For all staff members involved in Employer Benefit Charging process, are the following components subject to some form of systematic review. For Yes Answers, enter "Y" in the appropriate column(s). **For Yes** answers, also enter "Y" in column 6. If there are no reviews, answer "N" for No in column 6 which is the evaluative question.

Component	Type of review					
	*1 Supv	*2 Peer	*3 QR Qual.Rev.	*4 Support (Clerical)	*5 Other	6 Review Conducted?
a. Benefits charged to the employer's account?						
b. Benefits charged to the general pool account?						
c. Balancing of the benefits paid to the benefits charged?						

VS: (Question 6)

* Informational

ACCOUNT MAINTENANCE

Benefit Charging

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

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

Yes ___ No ___ N/A ___

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

VS: (Question 7 _____)

SYSTEMS REVIEW NARRATIVE

Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
-----------------	--

Question Number	Answers to "If yes, describe" and "Other":
-----------------	--

SYSTEMS REVIEW QUESTIONS

Additional Controls

1. *Does the State have internal controls or quality assurance systems for Employer Benefit Charging which this review failed to identify?

Yes ___ No ___

If yes, describe below:

2. *Are there any exemplary practices for the Employer Benefit Charging function?

Yes ___ No ___

If yes, describe below:

ACCEPTANCE SAMPLES

ACCEPTANCE SAMPLE INSTRUCTIONS

Purpose/Intent

To assure accuracy of benefit charges posted to employer accounts.

To assure that the State accurately maintains all data used to determine benefit charges for an employer's account.

To assure that the State accurately issues benefit charge Statements to employers.

Scope

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

Where a non monetary decision has been issued on the selected UI claim, the TPS review will focus on implementation of the decision as it affects charging of the selected employer. For instance, if a decision was made to charge the employer – was that employer charged? The decision itself or its merits will not be evaluated.

Universe

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

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

ACCEPTANCE SAMPLE INSTRUCTIONS

Timing/Frequency

The universe will be identified once during the calendar year.

The universe covers either:

1. The 1st, 2nd, or 3rd quarter, if the State issues benefit charge Statements on a quarterly basis, or
2. A year, if the State issues benefit charge Statements on a yearly basis or,
3. A month if the State issues benefit charge Statements on a monthly basis.

Sampling Procedures

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

1. Select the time period to review.

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

2. Identify the universe.

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

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

ACCEPTANCE SAMPLE INSTRUCTIONS

Sampling Procedures

Cont.

3. Select 60 samples.

The samples will be selected immediately after the Benefit Charge Statements are produced for the selected time period.

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

Appendix A describes actions for sampling in both manual and automated systems.

Reviewing the Samples

Assemble the following information for the employer's account:

1. A copy of the original benefit charge Statement or a facsimile created from the ADP file that created the original Statement.
2. A print-out of the selected claimant's pay history.

ACCEPTANCE SAMPLE INSTRUCTIONS

*Reviewing the Samples
Cont.*

The claimant will be selected as follows:

- a. If there are credits on the employer's charge Statement, select the last claimant with a credit;
 - b. If there are only debits on the charge Statement, select the last claimant.
3. The documentation for the decision to charge or credit the employer's account. This documentation will consist of whatever is used in the State to substantiate the charge or credit, whether a "canned" decision, text customized for the situation, discharge or quit decisions, etc. Whatever is needed for the reviewer to ensure that the appropriate charging action was taken. Note that the decision itself or its merits will not be evaluated.
 4. The employer's account information on the State's files.

Compare all documentation with the information on the employer's Master File.

The review should be completed approximately 45 days after selecting the sample.

ACCEPTANCE SAMPLE INSTRUCTIONS

Drawing Conclusions

Using this information, answer the questions on the Acceptance Sample Questionnaire.

The following questions are evaluative:

- #1 Accuracy of the charge or credit to the employer's account.
- #2 Accuracy of
 - a. the employer's account number.
 - b. the claimant's social security number.
 - c. the time period for the charge or credit.
 - d. the dollar amount charged (or credited).

A "No" answer to question 1, 2a, 2b, 2c, or 2d will mean that the sampled account was not charged (or credited) accurately and is not considered an acceptable case.

Of the 60 cases, if three or more are not acceptable, then the reviewer must conclude that accuracy in the Employer Benefit Charging function cannot be confirmed.

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

ACCEPTANCE SAMPLE INSTRUCTIONS

Documentation

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

ACCEPTANCE SAMPLE QUESTIONNAIRE

Yes No

Accuracy of Charge or Credit

1. Based upon the information available, did the State properly charge or credit the employer's account? _____

Accuracy of Charge Statement

2. Did the charge Statement accurately reflect the correct:
- a. employer's account number? _____
- b. claimant's (former employee) social security number? _____

- c. the correct period of time for the charge or credit? (e.g., were the charges for benefits paid in August posted to the 3rd quarter charge Statement?)*
- Yes No NA

- d. amount charged or credited for benefits paid? _____

*(Note: For CWC employers, time period may not be that precise.)

ACCOUNT MAINTENANCE

EMPLOYER TAX RATES

PROGRAM REVIEW

COMPONENTS

SYSTEMS REVIEW

ACCEPTANCE SAMPLES

SYSTEMS REVIEW

SYSTEMS REVIEW

Recorded Information and Instructions

For Employer Tax Rates, recorded information and instructions should include procedures to assure that employer tax rates are accurately computed and assigned. The procedures should be in accordance with current State laws and State policies.



The reviewer should examine recorded instructions available to the staff and compare procedures to the laws and written policies of the State to determine if the recorded information and instructions are current, accurate, and complete. The reviewer must also observe the Employer Tax Rate process and talk with employees to learn whether or not the recorded instructions are available and being used.

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there are no recorded instructions, describe in the narrative how the staff becomes aware of the proper procedures to perform the tasks of computing employer tax rates.

SYSTEMS REVIEW QUESTIONS

1. Does the State have recorded information and instructions to assist employees to properly calculate and assign employer tax rates in accordance with State laws and State policies?

Yes ___ No ___

2. If yes, are the recorded information and instructions:

Yes No

- a. Current?
- b. Accurate?.....
- c. Complete?.....
- d. Readily available to staff?

VS:(Questions 1 and 2 _____)

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

Yes ___ No ___ N/A ___

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

VS: (Question 3 _____)

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

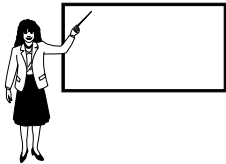
Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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SYSTEMS REVIEW

Training

The State needs to have systems and procedures to identify training needs and deliver training to employees who perform duties within the employer tax rate unit. New employees need training to understand the procedures involved in computing and assigning the tax rates. Experienced employees benefit from periodic refresher courses and need additional training when changes occur, and when quality defects or a significant number of errors appear in a particular area.

The reviewer should become familiar with the methods and procedures the State uses to identify and meet training needs of employees involved in computing employer tax rates.



In the narrative section following the questions, explain "other" responses and exceptions to the questions. Identify the question being explained by referencing the number and section. If there are no training programs, describe how the staff know the laws, rules, written policies and proper procedures to perform the Tax Rate process.

SYSTEMS REVIEW QUESTIONS

1. Does the State have methods or procedures to provide training for newly hired employees?

Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom Training?.....
- b. *On the Job Training?
- c. *One-on-One Training?
- d. *Individual Self-guided Training?
- e. *Other?

Describe the type and frequency of training in the narrative.

2. Does the State have methods or procedures to provide refresher training for experienced employees?

Yes ___ No ___

*If yes, identify the type of training:

Yes No

- a. *Formal Classroom (e.g., refresher courses)?.....
- b. *On the Job Training?
- c. *One-on-One Training?
- d. *Individual Self-guided Training?
- e. *Other?

Describe the type and frequency of training in the narrative.

SYSTEMS REVIEW QUESTIONS

3. Does the State provide training when there are:

Yes No N/A

- a. State law changes?
- b. Policy/procedure changes?.....
- c. Needs identified from review of finished work
(e.g., supervision, quality assurance review)?.....
- d. Hardware/software changes?.....
- e. *Other?

4. Does the State have processes (e.g., back-up training or organizational flexibility) to assure that staff absences will not disrupt operations?

Yes ___ No ___

If yes, describe in the narrative.

VS: (Questions 1-4 _____)

SYSTEMS REVIEW QUESTIONS

5. *In the opinion of the supervisor or manager, does the training meet the needs of the employer tax rate function? (e.g., Are sufficient resources available--training packages, facilities, staff, etc.)

Yes ___ No ___

6. If any of the preceding evaluative questions were answered "No", does the State have a substitute or compensating control?

Yes ___ No ___ N/A ___

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

VS:(Question 6 _____)

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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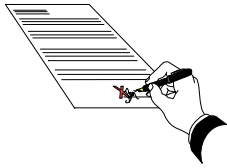
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SYSTEMS REVIEW

Recording of Transactions and Events

The State should have a method to assure that tax rates and tax rate changes are recorded and the source of the information (including, but not limited to the data used for the tax rate formula) is readily available for examination. Whether the State's system is automated or manual, an audit trail should lead from the tax rate recorded in the employer's account record to the source document upon which the rate or rate change was calculated.



The reviewer must become familiar with the systems and procedures the State uses to trace the elements used in rate computations and rate assignments to their source.

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If the State does not maintain source documents or an audit trail, describe how it assures that correct tax rate calculations have been made.

SYSTEMS REVIEW QUESTIONS

1. Does the State have a method to assure that the elements used to compute or change tax rates can be traced to their source (even if source is via electronic media)?

Yes ___ No ___

2. Does the audit trail identify the following information:

Yes No

- a. The information used to calculate rates (including surtax rates)?
- b. The date of the information used in tax calculations?
- c. The State employee who authorized changes to a tax rate?

3. Is a source document required to support tax rate changes?

Yes ___ No ___

VS: (Question 1-3 _____)

4. Are original and amended tax rate information sources, including electronic source documents, retained and readily accessible to support rate computations and assignments?

Yes ___ No ___

VS: (Question 4 _____)

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

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

Yes ___ No ___ N/A ___

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

VS: (Question 5 _____)

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
(when deemed necessary)

Question Number Answers to "If yes, describe" and "Other":

SYSTEMS REVIEW

Systems To Assure Execution of Events

Systems should be in place to assure that every employer tax rate is accurately computed and assigned in accordance with State law and State policies. The checks may be manual or automated. Systems should also be in place to assure the elements used to calculate tax rates are maintained, and that employers are experience rated when they should be.

The reviewer must become familiar with built in systems and automated or manual controls used by the State for computing and assigning of tax rates.



In the narrative section following the questions, explain "Other" responses, and "Compensating Controls". Identify the question being explained by referencing the number and section. If the State does not have internal controls or safeguards, describe how it assures the correctness of tax rate calculations.

SYSTEMS REVIEW QUESTIONS

1. *Does the State have an automated system for calculating employer tax rates?

Yes ___ No ___

a. If Yes, is a system check performed every time there is a program change?

Yes ___ No ___

b. Is there a system check prior to mailing rate notices?

Yes ___ No ___

2. Is there a check of the math computations used in tax rate calculations?

Yes ___ No ___

VS: (Question 1 (a-b) and 2 _____)

3. Is there a control to assure that accounts which are eligible to be experienced rated are assigned an experience rate when applicable?

Yes ___ No ___

VS:(Question 3 _____)

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

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

Yes ___ No ___ N/A ___

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

VS: (Question 4 _____)

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number Explanation of "N/A" and "Compensating Controls"
(when deemed necessary)

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Question Number Answers to "If yes, describe" and "Other":

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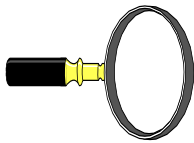
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SYSTEMS REVIEW

Review of Completed Work

For the Employer Tax Rate function, the State should be conducting systematic reviews for accuracy of the rate calculations, and of the changes made to employer tax rates.



The reviewer must consider the kind of supervisory program and/or quality assurance review the State uses to assess the Employer Tax Rate processing unit. Is the review procedure different for new employees? If the State uses a quality assurance review, who (position and organizational location) performs it? A review of completed work should be done on a regular basis for all staff members involved in making changes to employer tax rates. This review may be done on an individual basis for each staff member, or by sampling work done throughout the entire unit.

In the narrative section following the questions, explain "Other" responses, and describe "Compensating Controls". Identify the question being explained by referencing the number and section. If there is no supervisory and/or quality assurance review, describe how quality is assured in the Employer Tax Rate function.

For all staff members involved in Employer Tax Rate process, are the following components subject to some form of systematic review. For Yes answers, enter "Y" in the appropriate column(s). **For Yes** answers, also enter "Y" in column 6. If there are no reviews, answer "N" for No in column 6 which is the evaluative question.

Component	Type of review					
	*1 Supv	*2 Peer	*3 QR Qual.Rev.	*4 Support (Clerical)	*5 Other	6 Review Conducted?
a. Tax Rate notices issued to the employers?						
b. Changes made to employer tax rates?						

VS: (Question 6 _____)

* Informational

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

SYSTEMS REVIEW QUESTIONS

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

Yes ___ No ___ N/A ___

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

VS: (Question 7 _____)

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

SYSTEMS REVIEW NARRATIVE

Question Number	Explanation of "N/A" and "Compensating Controls" (when deemed necessary)
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Question Number	Answers to "If yes, describe" and "Other":
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SYSTEMS REVIEW QUESTIONS

Additional Controls

1. *Does the State have internal controls or quality assurance systems in the Employer Tax Rate function which this review failed to identify?

Yes ___ No ___

If yes, describe below:

2. *Are there any exemplary practices for the Employer Tax Rate function?

Yes ___ No ___

If yes, describe below:

ACCEPTANCE SAMPLES

ACCEPTANCE SAMPLE INSTRUCTIONS

Purpose/Intent To assure accuracy of the computation of employer's tax rate.

To assure that the State accurately maintains all data used in computation of the employer's tax rate.

Scope The scope of the review will focus on tax rates assigned to experienced rated employers who are active at the time the universe is identified.

Universe The universe to be identified for Employer Tax Rates will include all active contributory employers who are experience rated on the date the universe is identified.

The universe will exclude:

1.All reimbursing employers.
2.All non-experience rated contributory employers.
3.All employers who are not active on the date the universe is identified.

ACCEPTANCE SAMPLE INSTRUCTIONS

Timing/Frequency The universe will be selected once during the calendar year.

.....The universe will be identified after processing is completed for the tax rate notices to be issued during the review year.

If the previous year's samples of Tax Rates, Contribution Reports and Benefit Charges passed TPS review, and there have not been changes to the State's tax rating system that could have an impact on the accuracy of rate computation, the next examination of Tax Rates can take place at any time during the next four calendar years. Tax Rates are subject to TPS review some time within a four-year cycle. If one or more of the above mentioned tax functions do not pass TPS review, the Tax Rate sample must be conducted the following year.

Sampling Procedures The following describes the steps to establish the universe and select the sample accounts.

1.Determine the date the universe can be identified.

This date will vary from State to State. It will be after all the factors required to calculate the tax rates are available.

2.Identify the universe.

The universe includes all active contributory experience rated employers who will receive tax rate notices issued during the calendar year being reviewed by TPS. The tax rate notices may be for the current year or for the following year.

ACCEPTANCE SAMPLE INSTRUCTIONS

Sampling Procedures

Cont.

.....E. g., During a 2004 TPS review, in a State which issues 2004 tax rate notices in January, 2004, a sample of the 2004 notices issued in January would be selected and reviewed. For a State which issues 2005 tax rate notices in November, 2004, a sample of the 2005 notices issued in November, 2004 would be selected and reviewed.

3.Select 60 samples.

The samples will be selected from the universe immediately after the rate notices are prepared.

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

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

ACCEPTANCE SAMPLE INSTRUCTIONS

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

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

.....Assemble the following information for the employer's account:

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

ACCEPTANCE SAMPLE INSTRUCTIONS

Reviewing Samples

Cont.

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

.....The review should be completed within 60 days after selecting the sample.

Drawing Conclusions

Using this information, answer the questions on the Acceptance Sample Questionnaire. Note that the reviewer will not evaluate the accuracy of the contribution report data, only the accurate compilation and computation of the data.

Questions #1, 2, and 3 are all evaluative.

#1.Accuracy of the computation.

#2.Accuracy of the experience rate factor.

#3.Accuracy of any solvency surtax the State may use.

A "No" answer to question #1, 2, or 3 will mean that the sampled account was not processed accurately and is not considered an acceptable case.

Of the 60 cases, if three or more are not acceptable, the reviewer must conclude that accuracy in the Employer Tax Rate function cannot be confirmed.

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

ACCEPTANCE SAMPLE INSTRUCTIONS

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

ACCEPTANCE SAMPLE QUESTIONNAIRE

Accuracy of Annual Tax Rate Notice

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|---|------------|-----------|------------|
| 1. Were all employer specific items (e.g, wages, benefits, reserve balance, etc.,) accurately reflected on the tax rate notice? | _____ | _____ | |
| 2. Were all the State specific items, (e.g., tax table, schedule, ratio, etc.) accurately reflected on the tax rate notice? | _____ | _____ | |
| 3. If there is a solvency surtax charge, were the correct figures for the surcharge accurately reflected on the annual tax rate notice? | _____ | _____ | _____ |

