

## **Supporting Statement**

This ICR is for an extension without change of a currently approved collection.

### **A. JUSTIFICATION**

**1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information.**

Social Security Act section 303(a)(1) gives the Secretary of Labor several responsibilities toward the Unemployment Insurance (UI) system. Among these is to oversee the performance of the system, and so ensure that it provides “full payment of unemployment compensation when due”. In general, this includes ensuring that states are in substantial compliance with their laws, which must embody the requirements of Federal law. The Secretary must also “certify from time to time to the Secretary of the Treasury for payment to each state which has an unemployment compensation law approved by the Secretary of Labor under the Federal Unemployment Tax Act, such amounts as the Secretary determines to be necessary for [the law’s] proper and efficient administration” [Social Security Act, Sec. 302(a)]. To carry out these responsibilities, the law gives the Secretary authority to require “such methods of administration...reasonably calculated to insure full payment of unemployment compensation when due” [SSA, Sec. 303 (a) (1)] and to require the making of reports [United States Code Title 42 section 503 (a)(6). Attached as Appendix A-1.]

The Department has interpreted these requirements to allow it to require all states to have and properly operate a Benefits Accuracy Measure (BAM) program. Since October 5, 1987, the regulation, at 20 CFR 602, published September 3, 1987, has required all entities considered states for UI purposes (except the Virgin Islands) to operate a BAM program. Section 602.1 of the regulation specifies that the purpose of the program is to “assess the timeliness and accuracy of state administration of the UI program” including both “claims processes and revenue collections.” The accuracy of certain benefit payment operations is reviewed by the BAM program which is approved by the OMB Information Collection Review under OMB Control No. 1205-0245. The Department is also reviewing the timeliness, accuracy, and completeness of certain tax collection (revenue) operations in the states utilizing the Tax Performance System (TPS) (formerly known as the Revenue Quality Control (RQC) program.) This request is for an extension of the TPS program. The handbook, which prescribes the operation of this program, is attached as Appendix A-2.

**Tax Performance System**  
**1205-0332**  
**July 2015**

**The UI Tax Operation and Tax Functions**

Most UI benefits are financed through a state payroll tax on covered employers. The tax is experience-rated; i.e., the rate charged each employer reflects the system's "experience" with paying benefits to the firm's former employees. Most employers are subject to the UI tax, the conditions of liability varying from state to state. (A small percentage of employers—mostly governmental and nonprofit entities—do not pay a payroll tax but reimburse the state UI agency dollar for dollar for benefits paid to their former employees.)

In accordance with state UI law, each quarter, subject employers must report their contributions due and send them, along with the funds, to the state agency. The Agency deposits the funds into a clearing account from which they are deposited into the state's account in the Unemployment Trust Fund which the U.S. Treasury invests. Trust funds are drawn out daily to match projected benefit payments. Nearly all states require employers also to report the wages paid to each employee; this information, kept in automated wage record files, is accessed to determine claimants' monetary eligibility for benefits.

Managing this system is usually described in terms of the following functions:

1. Status Determination. The agency must identify employers, determine which are liable, and process changes of status as firms go out of business, leave the state, or change ownership.
2. Cashiering. This function involves receiving and depositing contributions into the Clearing Account and crediting them to the appropriate employer's account.
3. Delinquent Reports. Contribution reports not received when due from employers in the state's employer file must be secured, or the Agency must determine that no report is due.
4. Collections. This is the function by which the Agency retrieves accounts receivable or declares them uncollectible. It is closely associated with the delinquent reports function.
5. Field Audit. This is the tax system's primary enforcement function. Subject employers are audited to determine whether contribution reports are filed completely and accurately and promote compliance with the tax code. It is often closely associated with delinquent reports and collections.
6. Benefit Charging. This process links the tax collection and benefit payment sides of the UI system. It involves determining whether the benefits paid to each claimant are chargeable to former employer(s), allocating chargeable benefits to the correct employer(s) and allocating any non-charged benefits to the social or pool account.

**Tax Performance System**  
**1205-0332**  
**July 2015**

7. Experience Rating. In most states the tax rate for the “contributions” which fund UI benefit payments reflects in part contributory employers’ history of contributions paid and benefits paid out to their former employees. In addition to the “experience” factor the tax rate may also contain components whose sizes depend on the present and projected status of the state’s trust fund.

8. Accounting. The core of the tax system, touching all of the above functions, is the accounting or accounts maintenance function. It either receives information from or triggers actions by all of the above functions, or both. The maintenance of accounts by employer is considered a tax function; the maintenance of accounts by claimant or covered employee is a benefit payment function.

### **Overview of the Design**

The quality of most of the above functions is examined. To do so in a cost-effective manner, the design combines several methodologies. “Computed Measures” are indicators of timeliness and completeness based on data from automated reports, most of which states are already reporting for other reasons. “Program Reviews” assess accuracy through a 2-part assessment. “Systems Reviews” examine tax systems for the existence of internal controls; and then small samples of those systems’ transactions are examined to verify the effectiveness of the controls.

**2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.**

The findings are of extensive use to both state and Federal UI staff. The various measures were developed very systematically, taking as the starting point the requirements of Federal law, and implied quality dimensions the law and regulations require. Many of the measures assess aspects of performance. TPS ensures both state administrators and Federal UI staff know whether state programs are being operated in accordance with the quality implied by Federal law. This information enables state managers to make informed program decisions, and give Federal staff the information they need to exercise oversight by providing technical assistance, sharing information, or persuading a state to take action in a particular area.

TPS data are an integral part of UI PERFORMS, the performance management system for the UI program. UI PERFORMS incorporates a strategic planning process of identifying priorities; ongoing collection and monitoring of valid data to measure performance; identification of areas of potential improvement; and development of specific action steps to improve performance, followed by use of available data to determine whether the action steps are successful.

**Tax Performance System  
1205-0332  
July 2015**

**3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology, e.g., permitting electronic submission of responses, and the basis for the decision for adopting this means of collection. Also describe any consideration of using information technology to reduce burden.**

In order to comply with the Government Paperwork Elimination Act, maximum use has been made of computer technology to limit burden. States are able to enter data using computers already in service for UIS. The Department has provided them with the appropriate database software, as well as software for their mainframes to create files and draw acceptance samples, and toll-free hotline support. The Department picks up data at night through autodial procedures entailing no burden on state staff. The Department is not aware of any obstacles to the use of these technologies.

**4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.**

The agency is unaware of any other system that collects this data; no other agency has a mandate to administer UI programs.

**5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.**

There is no burden on small businesses; the program reviews state tax operations only.

**6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.**

If TPS data were not collected, information relative to UI tax performance according to the requirements of Federal law would not be produced, and many deficiencies in state tax operations would go unnoticed.

The Department believes that the proposed schedule is a reasonable frequency given the normal state of UI tax operations. The cycle of systems review once every four years is sufficient for validation of changes in processing structure or patterns while not allowing deviation from patterns of proper control. Drawing small samples once every year is an inexpensive way to alert state and Federal staff whether something has gone amiss before the next scheduled systems review. The Computed Measures indicators are based on quarterly reports data, but the real conclusions based on them are actually based on annual data. Reviewing programs on less than

**Tax Performance System  
1205-0332  
July 2015**

an annual cycle allows excessive time to elapse between the onset of problems and their identification.

**7. Explain any special circumstances that would cause an information collection to be conducted in a manner:**

The program will not collect any data inconsistent with the guidelines.

**8. If applicable, provide a copy and identify the date and page number of publication in the Federal Register of the agency's notice, required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.**

**Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.**

**Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years - even if the collection of information activity is the same as in prior periods. There may be circumstances that may preclude consultation in a specific situation. These circumstances should be explained.**

As required by 5 CFR 1320.8(d), ETA solicited comments on the proposed extension of approval for TPS through publication in the 60-day *Federal Register* Notice published; January 23, 2015, (80 FR 3653) generated no responses.

**9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.**

Respondents to this program are state staff and do not receive gifts.

**10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy.**

The program produces no data on individual beneficiaries or business establishments and thus is not affected by Privacy Act considerations.

**Tax Performance System**  
**1205-0332**  
**July 2015**

**11. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. This justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.**

There are no questions of a sensitive nature.

**12. Provide estimates of the hour burden of the collection of information. The statement should:**

*\* Indicate the number of respondents, frequency of response, annual hour burden, and an explanation of how the burden was estimated. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices. \* If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens.*

*\* Provide estimates of annualized cost to respondents for the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included under 'Annual Cost to Federal Government'.*

The burden of this activity is the time required to conduct the investigations and provide the information to the Department of Labor.

The following continuing effort is involved: conducting Systems Review every fourth year and the accompanying samples every year; and data entry of the findings into the Sun computer. The actual transmission of data requires no time and effort to the states; the Department polls their computer systems periodically to update all records, including TPS records.

1. Continuing Activities. The Department provides one staff year per state for the conduct of this program's activities. The average hours worked per state averages about 1,739 per person. This is the estimate of burden per state.

Program Review. Every year, the state conducts a Program Review of each tax function which comprises of a Systems Review and examination of Acceptance Samples. Systems Reviews are conducted once every four years in a staggered manner over the four years.

**Tax Performance System**  
**1205-0332**  
**July 2015**

For example, systems reviews of three tax functions may be completed in year one, while systems reviews for a different three tax functions are conducted in year two. Systems reviews that identify risks in internal controls must be repeated in the subsequent year(s). Also, systems reviews of tax functions must be completed when changes to the state’s automated tax system occurred. In the years in which states do not conduct Systems Reviews for a tax function, they still draw and evaluate the samples for the tax function. Acceptance sampling for all tax functions is conducted each year.

Average Annual Burden: **1734 hours**

Data Entry. Each year, sampling results are entered into the database and once every four years, the results of the Systems Reviews are entered.

Average Annual Burden: **5 hours**

Total Average Annual (Continuing) Burden: **1739 hours** per state (**90,428 hours for 52 states**).

Every year, funding for one full-time staff is provided to each state. Responsibilities include generating findings on the quality of the state’s UI tax operation and providing these data electronically to the Department.

**Burden Associated with Site Selection Activities Table**

Activity	Respondents	Responses per Respondent	Total Number of Responses	Total Average Response Time (Hours)	Total Burden Hours	Time Value*	Monetized Burden Hours (Rounded to nearest \$)
TPS	52	1	52	1,739	90,428	\$44.69	\$4,041,227

\***Source:** The hourly rate is computed by dividing the FY 2015 national average PS/PB annual salary for state staff as provided for through the distribution of state UI administrative grants ([http://wdr.doleta.gov/directives/attach/UIPL/UIPL\\_19-14\\_Attachment\\_I\\_Acc.pdf](http://wdr.doleta.gov/directives/attach/UIPL/UIPL_19-14_Attachment_I_Acc.pdf)) by the average number of hours worked in a year 1,711. For FY2015, this calculation was: \$76,461/1,711 hours = \$44.69.

**13. Provide an estimate for the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden already reflected on the burden worksheet).**

**Tax Performance System  
1205-0332  
July 2015**

No additional operating costs other than what is noted in A-12 above.

**14. Provide estimates of annualized costs to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information.**

Federal costs are associated with the staff required for handling, maintaining, and verifying data. Costs are estimated to be the following:

Mathematical Statistician, GS-14/5	
Data validation	0.02 Staff Year
Data analysis	0.06 Staff Year
Report evaluation	0.02 Staff Year
Total 0.1 Staff Year	\$12,163
UI Program Specialist, GS-13/5	
Data management	0.5 Staff Year
Data review	0.3 Staff Year
Report preparation	0.1 Staff Year
Technical assistance	0.1 Staff Year
Total 1 Staff Year	\$102,932
Total—Salaries	\$115,095

Source for Federal costs are pay tables at <https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/pdf/2015/DCB.pdf>. (2015 OPM Locality Pay for Washington D.C.)

**15. Explain the reasons for any program changes or adjustments reported on the burden worksheet.**

No changes in burden hours.

**16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used. Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.**



**Tax Performance System**  
**1205-0332**  
**July 2015**

Data from this program are published on state servers and the Federal internal servers for state and Federal agency analysis. Data from this program are not intended to be published for general statistical use by the public.

**17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.**

The Department will display approval information.

**18. Explain each exception to the topics of the certification statement identified in “Certification for Paperwork Reduction Act Submissions” (5 CFR 1320.9).**

There are no exceptions.