

CHAPTER II

GENERAL PROCEDURES

COMPONENTS

INTRODUCTION

PLANNING FOR REVIEW

CONDUCTING SYSTEMS REVIEWS

SAMPLING

CONCLUDING REVIEW

INTRODUCTION

The TPS review is designed as a cost effective means to evaluate the State's UI tax operations. This chapter describes the general procedures to be followed in conducting the TPS review, and each subsequent chapter contains the specific data collection instruments to be used for the review of each tax function. The following major tax functions will be reviewed:

Tax Functions Examined

Status Determination

Cashiering

Report Delinquency

Collections

Field Audit

Account Maintenance

Two different methodologies are provided for evaluating the State tax operation. They can be used in concert with each other in order to comprehensively assess the strengths and weaknesses of each tax function. The methodologies are:

Methodologies

- 1 Computed Measures**
- 2 Program Reviews**
 - Systems Reviews**
 - Acceptance or Estimation Sample**

Figure II-1

TPS ASSESSMENT METHODS OVERVIEW

	Computed Measures	Program Reviews	
		Systems Reviews	Samples (60) *Cashiering sample 500
STATUS DETERMINATION	New determinations within 90 days New determinations within 180 days Successor determinations within 90 days Successor determinations within 180 days	Accuracy of new determinations Accuracy of successor determ. Accuracy of inactiv./terminations	New determinations Successor determinations Inactiv./terminations
CASHIERING	NA	Accuracy of employer remittance processing Accuracy of posting	Employer remittances (*Estimation Sample 500)
REPORT DELINQUENCY	Timely reports Reports secured within 90 days Reports secured or resolved within 180 days	Accurate identification of delinquent employers Take all reasonable actions to secure/resolve rpt del	Accounts with delinquent reports
COLLECTIONS	Timely payments Uncollectible Accounts receivable	Take all reasonable actions to manage accounts receivable	Accounts receivable
FIELD AUDIT	Change in total wages Contributory employers audited Total wages audited (annualized)	Ensure that audits meet ESM requirements	Completed audits
ACCOUNT MAINTENANCE	NA	Accuracy of contrib.rpt processing Accuracy of billings Accuracy of credits/refunds Accuracy of benefit charging Accuracy of experience rating	Active contributory accounts Contrib./reimb. accounts receivable Accounts payable credits/refunds Accounts due benefit charges Employer experience ratings

Computed Measures

Specific indicators have been developed for the Status Determination, Report Delinquency, Collections, and Field Audit functions. Data elements for these indicators will be gathered from the current system used by states to electronically report quarterly data to the U.S. Department of Labor.

These measures will be automatically transformed into indicators of timeliness and completeness by the TPS ADP system and provided to the TPS reviewer to aid in the final evaluation of state tax operations.

Computed Measures

Status Determination

- . % New determinations made within 90 days
- . % New Determinations made within 180 days
- . % Successor Determinations made within 90 days
- . % Successor Determinations made within 180 days

Report Delinquency (contrib. & reimb.)

- . % Timely Reports
- . % Reports Secured within 90 days
- . % Reports resolved within 180 days

Collections (contrib. & reimb.)

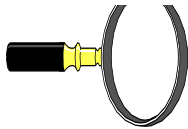
- . % Timely Payments
- . % Receivables declared uncollectible
- . % Accounts Receivable

Field Audit

- . % Total wage change
- . % Contributory employers audited
- . % Total wages audited (annualized)

The timeliness and completeness findings from these indicators should be presented along with the findings about accuracy from program reviews when evaluating the quality of a particular tax function in the Annual Report.

Program Reviews



The Program Review methodology is designed to alert the TPS reviewer to the tax functions that are producing inaccurate, untimely, or incomplete outputs. This is done as a two-fold process: Systems Review and Acceptance Sampling.

Systems Review

To ensure accurate and timely tax operations, each state has built in various internal controls and quality assurance systems such as edits and checks, reviews of completed work and audit trails. However, such systems are not absolute. The systems themselves could be flawed, or stated policy may not always be followed. Therefore, the TPS review begins with an extensive examination of the state's controls, verifying their existence and use, documenting areas of potential "risk" where controls are weak or non-existent.

Acceptance Sampling

To confirm that state controls are producing the desired outputs (such as accurately determining the status of potential employers, properly resolving delinquent reports, and following state procedures when collecting accounts receivable), small "acceptance" or "discovery" samples are examined for each tax function. Due to the small number of samples, this test is intended simply to signal potential problem areas in those tax functions where 3 or more cases are found to fail. It indicates - with a 90% confidence level - that the particular tax function has an error rate of 8.8% or more. For more details or to determine a specific level of error, the reviewer may draw a larger sample (see Appendix A).

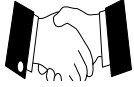
Review Steps

To conduct the TPS Review, the reviewer will need to complete four major steps: Plan for the Reviews, Conduct Systems Reviews, Acceptance Sampling, and Conclude Reviews (see Figure II-2). The following sections of this chapter provide directions for the review steps. Chapters three through eight provide TPS data collection instruments for the review of each major tax function.

Figure II-2

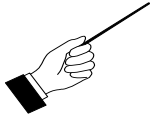
OVERVIEW OF REVIEW STEPS

I. PLANNING FOR REVIEWS



- a. Review All TPS Materials
- b. Ensure that Records are Retained
- c. Schedule and Conduct Introductory Meetings
- d. Lay Groundwork for Reviews and Computed Measures
- e. Develop Workplans for Reviews

II. CONDUCTING SYSTEMS REVIEWS



- a. Begin Reviews
- b. Gather Information
- c. Verify the Source of Information
- d. Complete the Systems Review Forms
- e. Complete the Program Review Chart (preliminary)

III. ACCEPTANCE SAMPLING



- a. Select Samples
- b. Replace Missing Cases (if needed)
- c. Review Samples
- d. Post Coding Sheets
- e. Prepare Preliminary Findings
- f. Select and Examine Expanded Samples (if needed)
- g. Sampling by Exception

IV. CONCLUDING REVIEWS,



- a. Assess Computed Measures' Findings
- b. Complete Program Review Chart
- c. Prepare Draft Report
- d. Conduct Exit Interview
- e. Prepare Annual Report

I. PLANNING FOR REVIEWS



a. Review All TPS Materials

To complete the Program Review, the reviewer must be thoroughly familiar with the TPS review procedures. Knowing the required review steps of Computed Measures, Systems Review, and Acceptance Sampling will allow the reviewer to conduct all necessary activities without undue delays. Understanding the review questions is also essential to building reviewer credibility. If the reviewer is not knowledgeable, respondents may think their time is being wasted and be less cooperative.

The reviewer should thoroughly examine the materials in this handbook and other TPS background materials before contacting the state UI tax staff regarding the review. *If there are any questions, please call the Regional TPS staff for clarification.*

b. Ensure that Records are Retained

Upon familiarization with the TPS design, the reviewer must ensure that the state is retaining the necessary records from the specific tax functions to such a degree as to allow all Acceptance Sample questions to be answered (e.g., paper copies, imaging, microfiche, back up discs, etc). If employers are registering and reporting electronically, or entering data directly into the state's automated system, the exact information entered must be recorded by the state, along with an electronic audit trail including the entry's date and identity of the employer or representative entering the data.

For example, in the Status Determination chapter an Acceptance Sample question asks if, at the time of the TPS review, evidence exists the account had been correctly set up. In this instance to properly answer the question the state must have retained sufficient documentation for the reviewer to make that determination, whether examining the registration form or a printout of an electronic data screen which captured the original information entered by the employer. Another question asks if the employer provided all the information that is material to the Inactivated/Terminated Determination. For the reviewer to properly answer this question, documentation authorizing the termination must exist. Such documentation may be found in the form of a letter for the termination from the employer, or a report from state field staff indicating the business is closed, or on a computer listing of accounts terminated after the required quarters have lapsed with no reported wages.

It is the responsibility of the TPS reviewer to become knowledgeable about the information requested in the Acceptance Samples and ensure if the State is not currently retaining the information that arrangements are made to do so. In each chapter's Acceptance Sample instructions, information is provided that will also assist the reviewer in clarifying what work product must be retained by the State.

At a minimum, documentation must be recorded and maintained until the TPS Annual Report has been reviewed and approved by the Regional Office. The records can be retained in their original hard copy form, on microfiche or any other means that provides sufficient detail; or the State must maintain an audit trail which permits the reviewer to follow the flow of the work in complete enough detail so as to allow the Acceptance Sample to be answered in full.

c. Schedule and Conduct Introductory Meetings

The next step of the TPS review is to meet with the UI Director and the Tax Chief to ensure management support for scheduling and conducting the review. In addition, the State administrator who will deal with the reviewer in terms of TPS findings and recommendations must be identified.

A meeting should be scheduled with all appropriate personnel including unit supervisors and ADP staff to discuss the review, to request necessary materials, procedures, charts, etc. and to ensure that data processing staff are informed of their involvement in the creation of sampling universes and the processing of computed measures.

At both administrative and tax staff meetings the TPS reviewer must explain the purpose and content of the TPS review. It should be explained that the primary purpose of the review is to produce information for the State to use to improve the quality of their revenue operation; and that the secondary purpose is to make a formal judgment about whether reasonable assurance of quality exists in each of the functional areas.

GENERAL PROCEDURES

PLANNING FOR REVIEWS

Other items to explain include:

the tax function subjected to review

the role of Computed Measures

the role of System Reviews, Acceptance Samples and Expanded Samples

the steps of the review

the highly detailed nature of the review including the need to identify information sources to verify findings

Other activities to be covered at the initial meeting with unit supervisors are:

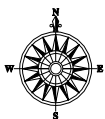
Providing copies of all review documents to the units involved in the review. This includes the individual tax functions (i.e., the Status unit, Cashiering, Delinquency unit, Field operations, and Accounting), as well as the Data Processing section.

Drafting a Flow Chart of the Tax Operation to serve as a road map to the TPS Program Review. It should show units responsible for each function and subfunction which will be reviewed and should identify the individuals to contact about each. This will also guide the reviewer in scheduling interviews, and clarify the operational flow of the tax functions.

Arranging to obtain materials describing the State's revenue procedures and rules. These materials should include UI Tax laws and regulations, manuals, and other written descriptions of organization and procedures.

d. Lay the Groundwork for Reviews and Computed Measures

The first objective of the reviewer is to learn enough about the applicable laws, rules and regulations of the State tax operation to effectively plan and administer the TPS review. The reviewer will complete the following tasks as part of the preparation:



Examine the data elements for Computed Measures. The reviewer must ensure that they are being gathered and that Federal definitions are being interpreted and reported as intended.

Complete or update the Organizational Chart. The TPS review will examine six tax functions in every State, but each State's tax agency is organized differently. Some agencies may call these functions by different names or have parts of a single function managed by many different units. By understanding who does what, the reviewers will become familiar with the specific structure of the State's Revenue organization prior to conducting the review.

Listing the staff to contact for information on each TPS subfunction will provide the reviewer with an understanding of the structure of revenue operations.

Assemble and review the materials including State's organization chart, laws, regulations, manuals and procedures. Many questions in the Program Review materials ask the reviewer to determine whether State procedures ensure that staff are correctly applying State UI tax laws and regulations. Questions on Recorded Information & Instructions ask whether such documentation reflect accurately and completely the current laws and regulations.

GENERAL PROCEDURES

PLANNING FOR REVIEWS

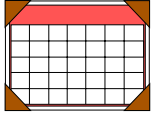
To prepare to answer these questions the reviewer should examine State UI tax laws, regulations and other written policies. These materials may be lengthy. If the reviewer is very familiar with the TPS review instruments it should be possible to identify those sections of State law and regulations which are most relevant. The reviewer might develop a reference sheet prior to conducting the review which could note key features of the State law, citations, and dates of enactment.

If an audit of the State has been recently performed by groups or firms outside the State tax area, the reviewer should examine the findings and the State's response to those findings. Information from the findings can aid the reviewer in developing a comprehensive understanding of the State's tax operation. Since audits are financial in nature, their focus is likely to be different from that of the TPS review. Therefore, the existence of a recent audit will not replace an TPS review.

During the preparation for this review, the reviewer should determine if there might be any questions in the Acceptance Sample Questionnaire which have no material effect on the current or future payment of UI tax.

If such questions are identified in the Acceptance Samples, the State will need to coordinate with the Regional representatives to obtain necessary approval to enter a code of "Not Applicable" one time for the entire column deemed not material. Regions will produce a brief memorandum attesting that due to State regulations, a particular question is Not Applicable. This memo will be attached as part of the State's Annual Report.

e. Develop Workplan for Reviews and Schedule Interview



A central part of the preparation and workplan development will be to schedule all interviews, Acceptance Sample reviews, and meetings with agency staff. The reviewer should develop a workplan which lists dates of review activities. The workplan should include starting dates as well as target completion dates for review of Computed Measures findings, Systems Reviews, Acceptance Sampling and completion of the Annual Report.

During the implementation of TPS, an integral part of the preparation and workplan is the examination of the Acceptance Sample universe time frames and required identification dates to determine whether each universe is to be identified by the "build as you go", or the "identify after the fact" method (see Appendix A).

The workplan should ensure that all required review steps are anticipated, that data processing is in simultaneous progression, that the State tax staff know when to expect review activities, and that all parties know whether the review is on schedule.

The contact person for each tax function should be informed of progress and findings so that no misunderstandings arise, and be made aware of any problem areas in the units as soon as possible.

In States where tax functions are spread out over many different locations, the reviewer should factor this into planning. Ideally, all locations should be examined each year, but if this is not possible, the reviewer should plan to visit a number of different locations each year, so that by the end of the four year Systems Review cycle, each location has been visited and evaluated.

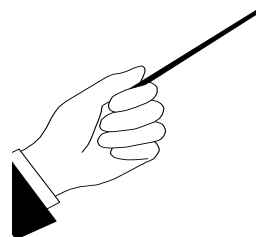
The reviewer will submit a workplan for each upcoming year to the RO. The RO will require progress reports to ensure that projected work is being completed on schedule, to the extent possible, and that the TPS Annual Report will be completed on time.

(Figure II-3 displays anticipated scheduling of Acceptance Sampling.)

Figure II-3

Figure II-3, done on "Pagemaker," will be inserted on this page. It was originally recorded as C:\document\PMDOCS\TPS\exhib2-5.PM5, but this filename has been changed and Bob Timms has the correct filename.

II. CONDUCT SYSTEMS REVIEWS



a. Begin Systems Review

The Systems Review is an organized assessment of each State's internal controls or quality assurance systems. The presence of these controls should ensure that the State's UI revenue transactions are processed accurately.

A system of "**internal controls**" is typically based on methods and policies designed to prevent fraud, minimize errors, promote operational efficiency, and achieve compliance with established policies.

A "**quality assurance review**" system is a periodic review, generally conducted at a point in the process where errors are likely to occur. The review may be performed by an individual or team within or outside the unit, to measure the performance of a function and make recommendations for improvements where warranted.

The internal controls included in the TPS Systems Review are based on the standards set for auditing which were published by the General Accounting Office (GAO/AIMD-00-21.3.1, Nov 1999). In each chapter of this handbook, internal controls will be modified as they relate to each particular tax function. Universal criteria are described below with added clarification.

GENERAL PROCEDURES

SYSTEMS REVIEWS

States should have the following types of internal controls:

Recorded Information and Instructions

Training Systems

Recording of Transactions and Events

Execution by Authorized Individuals

Systems to Assure Execution of Events

Review of Completed Work

Recorded
Instructions

The State establishes requirements, rules, and procedures to implement laws and regulations. Information about systems and procedures which guide how work is to be performed should be clearly documented and readily available for examination. Relevant information should be available to the appropriate staff both at the central and field offices. Recorded information and instructions should be sufficient or complete enough to ensure that personnel can learn and understand their jobs and perform their duties properly. Instructions should also be up-to-date, reflecting current procedures or laws

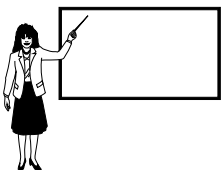


Recorded information may include manuals, handbooks, desk aids, computer help screens, training guides, organized collections of procedures or policies, or other readily accessible instructions which can help staff do their work correctly. Instructions will normally include both general information such as compilations of relevant laws and regulations, as well as detailed instructions for carrying out individual jobs in the agency. This means that reviewers may need to look in many places to examine all relevant instructions.

GENERAL PROCEDURES

SYSTEMS REVIEWS

Training Systems



Managers and employees responsible for key decisions should possess and maintain a level of expertise which enables them to accomplish their assigned duties. Training systems should be sufficient to ensure that personnel understand and perform their duties properly. (New employees should have some form of training, and experienced employees also benefit from refresher courses.)

When reviewing training systems, reviewers must look for formal training procedures (e.g., the training is conducted using an established schedule and using set guidelines to make judgments about the quality of work being produced). There should be procedures for identifying general and specific training needs and for delivering training as needed.

Recording of Transactions and Events



Transactions and other significant events are to be recorded and properly classified. The entire life cycle of a transaction or events should be promptly recorded. This includes recording the action which initiated the transaction(s), recording the transaction(s) that took place and recording the end result.

Whether systems are manual or automated, audit trails are necessary so that original information is recorded and retained. Hard copies, microfiches or imaging of original information can provide audit trails.

For employers filing or reporting electronically, on disk or tape, a copy of the reported information loaded into the employers' account/file would be considered an "original" document and provide an audit trail. Subsequent changes or deletions to the file must also be recorded. If the reviewer comes across a system which simply overlays new information over the original, without any apparent provision for an audit trail, the IT unit should be contacted to locate back up files such as tapes, disc, etc. of the computer program runs. The IT or Internal Security units should be able to explain how original information is recreated (short of running every back up tape), and the method used to catalog information so that the reviewer can be assured he or she is looking at original, versus adjusted, information.

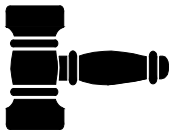
Electronic source data will not have the same appearance as the more-familiar paper document versions. For the TPS reviewer to understand and identify information when examining a string of fixed width fields in various data rows, the IT unit may have to provide a data dictionary, or assist in deciphering record specifications.

GENERAL PROCEDURES

SYSTEMS REVIEWS

Reviewers will determine whether State audit trail requirements provide for the classification and prompt recording of all significant events. The reviewer will also need to determine whether records are readily available to be used as needed for agency operation and management review.

Execution by
Authorized
Individuals



Transactions and other significant events are to be executed only by persons acting within the scope of their authority. Only authorized individuals have access to and accountability for resources such as employer remittances.

Reviewers will determine whether State requirements provide for the execution of significant events by only authorized individuals.

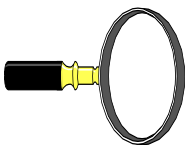
Systems to Assure
Execution of Events



Systems and controls such as monitoring procedures, exception identifications, checks and balances, reconciliations and edits should be routine in operational procedures. Automated or manual exercise of these controls as an integral part of program operations assures accurate and timely execution of transactions and events.

Reviewers should determine if such program management systems have been built into the State revenue operation.

Review of
Completed Work



Qualified and continuous review is to be provided to ensure that objectives which are material to the proper payments of tax are achieved. The following tasks are involved:

Systematic review of assigned work on a regular, ongoing basis.

Systematic review to determine whether systems and procedures are working as intended.

GENERAL PROCEDURES

SYSTEMS REVIEWS

Review of completed work can take many forms. It may be traditional supervision where a manager reviews and approves the work outputs of immediate subordinates. For some functions, such as cashiering, supervisory review may take the form of checking to assure that reconciliations are being performed. Other agencies may use peer review or quality assurance techniques where representative samples of the work of a tax unit are periodically reviewed, and based on the review, new procedures, training or assignments are implemented to improve quality.

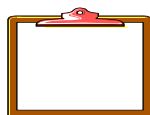
Not all tax functions are similarly affected by each internal control. Completing the TPS Systems Review questions for some internal controls like Recorded Information and Instructions, and Training may be repetitive in States where the same people (e.g., Technical Support Services or Training Section) provide different training for various units; or where there is only one manual, handbook, etc. for the entire tax operation.

Most of the questions in the Systems Review guide are **evaluative**. If the reviewer can not confirm that a particular control exists and that no other compensating control exists, a weakness is presumed to exist in the system and the State is judged to be at "risk". Some Systems Review questions are **non-evaluative** and for informational purposes only. Lack of these controls does not put State at risk. These informational questions, identified by an asterisk (*), are planned to be used to provide technical assistance for States in their various tax functions.

Note that if a State elects to operate with a weakness/risk in its system and no major changes have been put in place, the reviewer does not have to perform another Systems Review on that tax function the following year. However, that tax function will be deemed at "Risk" until the problem is resolved.

While it is important to identify areas of strengths and weaknesses for program improvement - **the final evaluation is based on the Acceptance Sample findings, not the Systems Review**. The design of Program Review focuses on the downstream effect -if there is no material effect on current or future payment of UI tax (as evidenced by the sample results), then the State has reasonable assurance of a quality tax operation.

b. Gather Information



The Systems Review is directed and organized by a set of fact finding questions and narratives. They are not intended to be "interview instruments" where the contents of a dialogue between the reviewer and State staff are simply recorded. Rather, the questions and narratives should serve as a vehicle for reviewers to record and **verify** information from many sources about the systems and controls States have installed to assure accuracy and timeliness in their tax operations. The reviewer will use and probe as many sources as necessary to come to conclusions as to the proper answer to each question.

A typical Systems Review will require the reviewer to gather information from three sources:

Examinations of manuals, handbooks, laws and other documentation

Interviews with State staff

Direct observation

The reviewer will need to use all of these sources to complete the Systems Review, and in most cases will need to go back and forth between the sources to fill in gaps. For example, a reviewer may have an idea of the responsibilities of an individual staff member based upon a review of the desk procedures for the person's job. Later, when interviewing the person the reviewer may hear a different description of the responsibilities. By returning to the documentation the reviewer can clarify the answers to the questions and identify additional questions which need to be asked to avoid any confusion.

GENERAL PROCEDURES

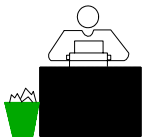
SYSTEMS REVIEWS



Examination of Documentation. The least intrusive means of data collection is review of documentation. By examining materials describing agency practices the reviewer can obtain preliminary answers to Systems Review questions without bothering agency staff or interrupting their work. More importantly, when it does come time to interview staff, the reviewer will get more accurate answers if he or she is credible.

The reviewer must be knowledgeable about both the TPS process and agency procedures to assure the respondents that their time is not being wasted. Review of documentation will help the reviewer become familiar with agency procedures and terminology.

Interviewing Staff. A major source of information for the Systems Review will be discussions with State staff who are familiar with the tax function being reviewed.



While the questions in this handbook are a start, they should not be the end. The reviewers will need to ask additional questions to be sure they fully understand the responses. They also need, in most instances, to speak with several staff persons to get full answers to all questions. Additionally, they may need to come back to some questions later if they cannot verify the response by examining documentation or by directly observing the system at work.



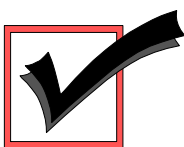
Direct Observation. The review of documentation and interviews with staff will leave the reviewer with an understanding of the way systems "are supposed to" operate, or the way administrators think they are operating. It is the reviewers' responsibility to assure themselves, through direct observation, that the systems actually operate that way. Any number of methods exist to observe a process, including: (1) reviewing reports, calculator tapes and other evidence of a procedure, (2) observing a process on-site, or (3) checking for the presence of a procedure while reviewing the Acceptance Sample.

GENERAL PROCEDURES

SYSTEMS REVIEWS

All Systems Review guides begin with a form to list people and documents that have been reviewed (Interview Sheet). This list is to be kept up to date as the review proceeds. The list will help other reviewers in subsequent years in conducting their review by serving as a recorded register of information sources used in support of the review effort. (It should be part of the TPS workpapers, but does not have to be submitted with the Annual Report.)

c. Verify the Information Obtained



The reviewer is expected to document the evidence obtained to support each "Yes" answer in the Systems Review checklist. Informational questions (marked with an asterisk) do not require any verification since they are not evaluative. This evidence will be recorded for each question or clusters of related Systems Review questions as the "Verification Source", often noted on the forms simply as VS. **The Verification**

Source should be the most direct evidence to support the answer recorded. Only when no other source is available will the verification source be solely the response from an interview.

In completing the Systems Review, verification of some answers may only be possible after examining a sample of outputs or after completion of the Acceptance Sample (e.g., to answer whether certain actions taken by field audit staff are being documented in their audits). The Systems Review will be in final form only after completion of Acceptance Sampling. Following are several examples of appropriate review activities and verification sources for specific areas of inquiry:

Question: Does the State have recorded information and instructions to assist employees performing Status functions in each category in accordance with State laws and written policies?

Review Activities: Read the manual, handbook, or procedures that were assigned to employee; interview staff to confirm use, etc.

Verification Source: Record the precise name and section or page number of documents containing information and instructions for making status determinations.

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SYSTEMS REVIEWS

Question: Does the State use Employer account number edits (e.g., hash totals, check digits) to assure accurate processing of employer contribution reports?

Review Activities: Read recorded instructions; interview staff to confirm or modify knowledge of how system works; and observe computer edits while in process for inputting reports or review system rejects.

Verification Source: Record the procedure or evidence observed (e.g., observing actual inputting of contribution reports using hash totals or check digits, or checking system edit rejects).

Question: Is there a systematic review of the accuracy of new employer status determinations? If yes, what type of review? (e.g., supervisory, peer, quality review, etc.)

Review Activities: Review procedural manual; interview supervisor and employees; and use Acceptance Sample to look for initials on forms or other evidence that supervisory review occurred. If Quality Review (QR) System is said to exist, review the procedures, interview QR supervisor and employees, and examine the evidence that review occurred or observe actual test run in process.

Verification Source: Record the procedure or evidence observed (e.g., supervisor's initials on forms, or observation of actual Quality Review in process).

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SYSTEMS REVIEWS

Question: Does the State have a means to assure prompt deposit of checks that must be removed from normal processing (suspense account/exception file) due to problems (i.e., reports received from new employers whose liability has not yet been determined, or reports with no employer account number, etc.)?

Verification Test: Review procedures State uses and select several employer remittance items at random with unidentified employer account numbers from their suspense account or exception file at beginning of the quarter, and at end of quarter check to see what disposition has been made of items selected for the sample.

Verification Source: Record suspense account procedures used by the State and note the findings of the verification test conducted.

Question: Is there an automated system indicator to identify accounts that are delinquent?

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

Verification Test: Interview programming staff as to the frequency of program changes. (These may be infrequent.) If programming changes are occurring, observe system checks to verify accuracy. If no programming changes are occurring, interview programming staff on the process that would be followed to verify changes are made properly.

Verification Source: Record observations if programming changes have occurred. Document interviews with programming staff if no changes have occurred.

Verification Sources should be listed in detail for each question. If a particular control or quality assurance measure can not be verified (and no compensating control can be identified), the answer to that Systems Review question will be "No", and the reviewer will have identified a "risk" in that tax function. It should be clearly noted on the Systems Review coding sheet and referenced in the comments of the Annual Report.

GENERAL PROCEDURES

SYSTEMS REVIEWS

d. Complete the Systems Review Forms

For each tax function, System Review forms are provided in this handbook. They consist of the review form, coding sheets, and narratives. Several common features of the forms are described below.

Review Form. Most questions on the form are answered either Yes or No; however, some questions request a particular number or a percentage. The reviewer should record the correct answer to each question based upon review of all sources of information.

Some questions on the form provide for "A" (Not Applicable), which should be used **only** when appropriate. An example of using an "A" could be the answer to a Review question in Account Maintenance which states, "Does the State apply a tolerance level for differences between amount due and amount received?", when the State does not use a tolerance level for such discrepancies.

Some questions ask the reviewer to explain or describe something. Space is provided to write answers out in their entirety.

Questions marked with an asterisk (*) are for information only and are non-evaluative. **(NOTE: a portion of a question may be asterisked, but other, sub components of the same question such as "a.", "b.", "c.", etc. may not be asterisked. In such a circumstance, only the asterisked portion is non evaluative.)** Informational questions in the Systems Review are not evaluative and do not require verification or explanation of "No" responses.

Coding Sheet. Data entry procedures described in a separate handbook.

GENERAL PROCEDURES

SYSTEMS REVIEWS

Narratives. The System Review forms provide a narrative section following each set of internal control questions to explain any "No",

"NA" or "Other" responses or exceptions that the reviewer thinks warrant further details. *Should there have been a Compensating Control that has been identified, verified, and authorized by the Regional staff as an appropriate control, it must also be described here.*

Additional space at the end of each tax function's Systems Review is provided to describe any exemplary procedures or practices used in a particular tax function. *If additional controls were identified beyond those mentioned in the TPS review, they are to be described as well, and this form is to be sent to the Regional Office who will transmit it to the National Office at the end of the Program Review as technical assistance.*

e. Complete the Program Review Chart (preliminary)

The Program Review Chart serves to compile the results of the Systems Reviews and Acceptance Sampling. Upon completion of the Systems Review, enter the preliminary findings on the Program Review Chart (Figure II-4). There are three possible entries for the Systems Review findings - the State's system of internal controls could be: (C) Complete, (R) Risk identified, or (O) Other Compensating Control identified. (Note: Later, after completion of the Acceptance Sampling, if any case has been found to be unacceptable, yet the System review was coded as "Complete", the reviewer may need to review the systems again to resolve the inconsistency between the Systems Review and the Acceptance Sample findings. Such additional review may yield some revisions to the Program Review Chart to identify the particular systemic weakness which caused the case to fail.)

GENERAL PROCEDURES

SYSTEMS REVIEWS

- Complete For each tax function, record "C" if all internal controls and quality assurance systems listed in the Systems Review were in place. This means that all evaluative questions were verified (VS) and answered "Yes", except for questions marked "Other"; and questions which are marked with an asterisk (because they are non-evaluative).
- Risk If any "No" answers appear in the Systems Reviews, it identifies a potential risk or weakness in that area of State controls. The reviewer must enter an "R" to signal the area of risk. The actual significance of the problem may not be evident until a sample of outputs is examined during the Acceptance Sampling phase of review. If any sample cases are coded as having "failed", the reviewer can quickly scan the Program Review Chart for the presence of an "R" to see what may have caused the problem.
- Other If a "No" answer is entered for a particular control, but the State has an "Other" control thought to compensate for this weakness or risk, the reviewer must examine the control, verify its existence (VS), and describe it in the spaces provided. *Regional staff must agree that the control adequately substitutes for the missing control. (Acceptance Sampling results should aid in this decision.)*
- An example for using "other" might be a State which does not reconcile total benefits charged with benefits paid to ensure accuracy of their charges. Normally, this would result in a "Risk" in their system of internal controls. However, a legitimate compensating control could be the State's system of sampling each potential charge allocation scenario on a random basis to confirm accuracy. TPS's Acceptance Sampling would confirm the effectiveness of the State's control and no "risk" would be assigned. An "O" is to be entered after the final judgement is made by the Regional Office that this Compensating Control is adequate.

GENERAL PROCEDURES

SYSTEMS REVIEWS

State : _____

Review Period : _____

Figure II-4
PROGRAM REVIEW FINDINGS

Tax Function	Systems Review Verified Controls for:						Sampling		
	Recorded Instructions	Training	Recording of Events	Authorized Individuals	Execution of Events	Review of Work	EXCEPTIONS	COMPLETE	*
STATUS DETERMINATION									
New									
Successor									
Inact/Term.									
CASHIERING									
REPORT DELINQUENCY									
COLLECTIONS									
FIELD AUDIT									
ACCOUNT MAINTENANCE									
Contrib Rpt Processing									
Employer Debits/Billings							Contr Reimb	Contr Reimb	
Employer Credits/Refunds									
Employer Charging									
Employer Tax Rates									

SYSTEMS REVIEW:
 C = All controls verified as present
 R = Risk, 1 or more controls missing
 O = Other control compensated for missing control (requires Regional approval)

SAMPLING EXCEPTIONS:
 S = Size of universe too small
 I = Invalid universe or not sampled
 E = Exemption, tempo (Exp Rate only)
 F = Failed due to missing case information
 W = Waived, tempo (requires Regional approval)

SAMPLING COMPLETE:
 P = Passed
 F/# = Failed/ # of Cases Failing
 F/I = Failed/ Invalid or not sampled
 F/M = Failed/ Missing case information
 N = Not marked complete
 U = Undeterminable (Cashiering only)
 * = Out of tax unit's authority

III. ACCEPTANCE SAMPLING



a. Select Samples

Acceptance Samples are not meant to stand alone. They are to be the means of confirming the performance of a system whose internal controls have already been assessed by a Systems Review. If risks have been identified in the Systems Review, the samples will likely verify that system outputs fail to meet minimum levels of accuracy or completeness. If a system is deemed to be risk-free, samples of outputs should confirm this fact. For these purposes, it is not necessary to draw large samples for estimating the defect or error rate. Large samples are costly and time consuming. Since the purpose of the samples in the TPS Program Review is to verify a level of performance, much smaller samples can be used.

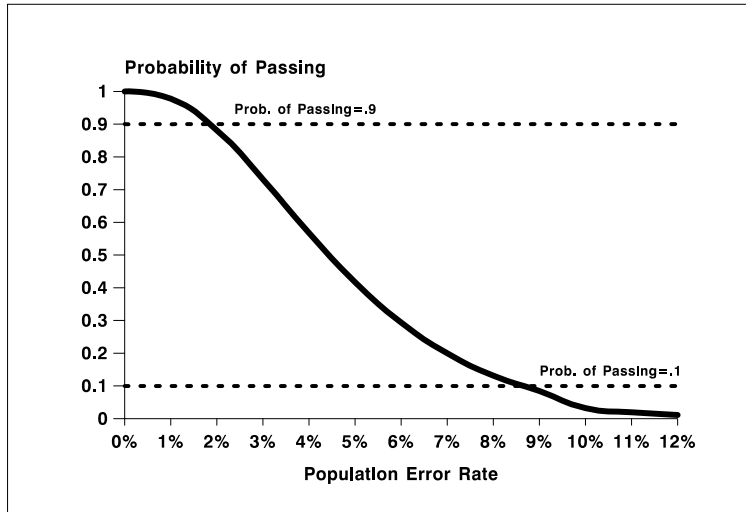
In assembling files from which samples will be selected, the state must ensure that they are randomized, or that a randomized algorithm is used before the sample is selected.

Once the Systems Review is complete, draw a sample of 60 cases from each tax function to confirm that system outputs meet minimum levels of accuracy or completeness (e.g., all appropriate actions are being taken to resolve delinquent reports, and field audits meet ESM requirements).

The desired accuracy/completeness level is 98% - that is, 98% of the tax function's outputs or work products should be accurate. For a tax unit operating with an underlying accuracy level of 98%, there is an 88% chance that two or fewer errors will be discovered in a sample of 60 cases. As the tax function's underlying accuracy level increases, there is a proportional increase in the chances of passing. Conversely, as the tax function's accuracy level decreases, the more cases in the sample are likely to fail.

The failure of three or more cases is reason to conclude that the exception rate for that function is at an unacceptable level. As the graph below shows, tax functions with accuracy levels below 98% still have a chance to pass the sample review, but the probability of passing rapidly decreases as the underlying accuracy level decreases. For instance, if the underlying error is 9%, there is only an 8% chance of passing the sample.

Probability of Acceptance Sample Passing
Sample Size=60 Allowable Errors=2



b. Case Removal or Non Use.

There are three instances where cases may not be used, or case removal may be necessary.

1. The particular case selected should **not** have been in the universe to be sampled. Note that this should not occur if, when developing sampling systems, the universe files were properly reviewed. There may be instances when the universe was not assembled correctly. For example, when building the universe of Collection cases, an account receivable which had less than \$100.00 unpaid UI tax due, could be inadvertently included. (The universe should consist of \$100.00 or more in unpaid tax.) However, it is important to have some evaluation of each tax function if at all possible. If cases that should not be in the universe are selected, do not replace them; instead, continue extracting samples. As long as the sample contains a minimum of 53 valid cases (i.e., cases that meet the universe definition), two cases can still fail and the results of the Acceptance Sample will remain consistent with that of 60 case samples. In such instances, the Regional Office needs to notify the National Office, which will ensure that the SUN system accepts such modification on a case-by-case basis. If the sample size drops below 53, that tax function cannot be evaluated

The IT section should be alerted in order to make modifications for future sampling efforts. The reviewer must then advise the Regional Office to ensure that future universes will be sound. Note must also be included in the Annual Report of the problem as well as corrective action steps taken to rectify the situation.

A non-evaluated tax function can not be found to have reasonable assurance of quality and will be counted as a failure. Code the Program Review Findings Chart's Sampling Exceptions cell with an "I". This will generate a failing score in the tax function's Sampling Complete cell. The only permissible exceptions for non-sampling are universes that are too small ("S"), Experience Rate samples not due for a review ("E"), or Federally-approved waivers ("W").

2. In Collections, any cases selected that had been subject to a TPS review the previous year, for which no subsequent debt was created, should be removed.

3. The particular case selected cannot be reviewed due to a missing case folder, or other documentation is missing, such as the microfiche or image of source documents. Sometimes documents cannot be found in order to make a ruling on the case's accuracy. Records may have been destroyed through circumstances beyond control (e.g., fire, flood, etc.). The documents may be misfiled or "checked out" to some other staff member and cannot be found.

In instances of this type removal is allowed for one and only one lost case.

Before removal the reviewer must: Assure (to the extent possible) that the work on the case was actually done, and make every effort to find the information. Check all possible places/ persons where the information could be located. Inform the Regional Office of the removal.

If a second case in the sample is missing then the reviewer cannot reach a conclusion that there is reasonable assurance of accuracy, and the entire sample will fail. The failure will count towards the total number of tax functions that have failed TPS quality review. Code the Program Review Findings Chart's Sampling Exceptions cell with an "F". This will generate a failing score in the tax function's Sampling Complete cell. Further details on the finding can be explained in the Annual Report.

While the review may stop at this point, tax managers may wish to continue the review in order to get an unofficial assessment of how the tax function is faring or to see the extent of missing documentation.

c. Review Samples



Once the sample is selected, each case in it must be reviewed, using the appropriate sample questionnaire. Each questionnaire contains a series of questions which must be answered for each case to determine whether it is correct.

One of the more difficult aspects of rating the cases involves deciding whether or not a given case is acceptable. For some transactions, the decision is relatively simple. For example, if a given employer contribution was not credited to the proper account in the right amount, then the transaction is not acceptable. However, Status Determinations, Collections, and Field Audits have many more elements in them. Some of those elements may be incomplete or inaccurate without materially affecting the accuracy of the outcome. In each function, every effort has been made to identify the essential elements for analysis and to exclude unnecessary elements.

Any question that the reviewer and State has about materiality of an element should be resolved with Regional staff as per the earlier Planning for Reviews section.

Note that if a sample case uncovers that something was done in error, but that the error was subsequently discovered and rectified due to the State's internal controls, the case would not fail. If, however, the error is rectified due to the employer bringing it to the State's attention, the case fails.

Appeals When a case appearing in the sample is under appeal, the review procedure should not be affected when the reason or basis for an appeal or its outcome is not germane to the purposes of the review. However, the appeal is a structured legal proceeding. The reviewer should determine if the agency has followed established procedure up to the point at which the case is being reviewed.

d. Complete the Acceptance Sample Coding Sheet

The answers to the Acceptance Sample Questionnaire questions should be recorded on the coding sheet for the respective function. The coding sheet allows space to record an answer for each question on the questionnaire. Most questions are coded Yes or No; however, some questions on the form provide for "I" (Information Not Available) or "A" (Not Applicable) which should be used only when appropriate.

GENERAL PROCEDURES

ACCEPTANCE SAMPLES

Information There may be instances when information is not available. For example:
Not There is a question for the Collections sample which asks, "Were telephone
Available contacts made...for the most recent quarter of liability?". It cannot be answered "yes" if no evidence can be located in the employer file to confirm a specific telephone call. However, if a letter referencing a previous phone call is found the TPS reviewer may draw the conclusion that such a phone call had probably been made. Under such circumstances "I" would be the appropriate answer. If no evidence exists that a phone call was made, yet State procedure requires one be made, then the answer to this question would be "No". This is a judgment call on the part of the reviewer, based on the information at hand and an understanding of the State's particular policy regarding collections procedures.

Not Acceptance Sample questions are to be answered "A" only when appropriate.
Applicable This means that an "A" response is acceptable only if the State does not utilize that process in their tax operations.. *Regional Office approval would be sought and this question would no longer be asked of the State.*

The second instance when an "A" response would be acceptable is when the process being reviewed was unnecessary in the case being examined. In the Collection chapter a question is asked, "Did State procedures require enforcement actions be taken to collect?" An example when "A" would be appropriate is if the money was received after a couple of calls and further enforcement action was unnecessary.

When all cases have been reviewed, the total number of acceptable cases should be entered at the bottom of the coding sheet. At this time, the reviewer may wish to begin the process of entering sample data into the SUN system.

An Acceptance Sample Explanation Sheet has been included in each chapter. Any sample case that fails should be identified, and the potential responsibility for its failure should be noted. This will assist reviewers later when they attempt to correlate systemic weaknesses with resultant inaccuracies in various tax functions' output.

e. Prepare Preliminary Findings and Meet with State Staff



At the conclusion of the Systems Reviews and Acceptance Sampling, the reviewer should complete the Reasonable Assurance Chart and draw conclusions as to whether the State has accuracy in all of the functions examined. (Soon after each review is finished tax managers should also be made aware of any problems that may have been found so they can clarify any misunderstandings or begin to consider potential program improvement strategies.)

Systems Reviews and Acceptance Sampling results are complementary. There are four possible outcomes after both procedures have been conducted: If no risk was found in the review of State controls, passing Acceptance Sampling is a **consistent** outcome. So is the situation of having identified risks in the State's internal controls and having failed sampling. However, findings of risk coupled with passing sampling; and findings no risk and failing sampling are **inconsistent** and require analysis and explanation.

SYSTEMS REVIEW

ACCEPTANCE SAMPLE

No Risk Found

Pass (consistency)

Fail (inconsistency)

Risk Found

Pass (inconsistency)

Fail (consistency)

The reviewer must take whatever steps are necessary to make the findings from the Systems Review and the Acceptance Sampling Review rational and consistent. For both inconsistent outcomes, additional analysis will be necessary to resolve the findings or provide an explanation for the inconsistency. Only then is the reviewer finished with preliminary findings.

FRAMEWORK FOR PROGRAM REVIEW ANALYSIS

SYSTEMS REVIEW
FINDING

ACCEPTANCE SAMPLE
FINDING

No Risk Found

Acceptance Sample Passes

Finding: the tax function's controls are in place and producing high quality outputs.

No Risk Found

Acceptance Sample Fails

Further Work: Re-examine the failed cases to confirm that they should have been judged as having failed. Examine the cause of sample failure, determine if it had simply been due to a rare case of human error and whether another sample case should be pulled.

Re-examine Systems Review findings. Are there any controls that should have been deemed at risk? If controls are proper, are they being executed by staff - is there a defect in the control's design? - Were the controls verified to be in place? Consider drawing second sample to confirm or refute findings, or drawing an expanded sample to produce a specific error level.

Finding: The tax function's controls are at risk and allowing inaccurate or incomplete outputs.

OR

Expanded sampling indicates that the tax function's controls are in place and producing quality outputs.

Risk Found

Acceptance Sample Passes

Further Work: re-examine area at risk to determine whether 1) there is significant risk; or 2) the existing controls are strong enough to produce quality outputs; or 3) compensating controls have been overlooked; or 4) there are off-setting factors (still considered a risk by TPS) such as long-time competent employees in place.

Consider selecting another sample to confirm that the outputs are truly accurate. The sample design is such at there is a change of passing (2 or fewer errors in a sample of 60) even though there is an underlying error rate of 8.6% - this may be such a situation.

Finding: The tax function's controls are in place/or have offsetting factors/or are strong enough to produce accurate outputs. Produce recommendations for improving any controls.

OR

Additional sampling has produced failed cases - confirming that the tax function's controls are at risk and allowing inaccurate outputs.

Risk Found

Acceptance Sample Fails

Further Work: Analyze the cause and effect relationship of risk to failure. Consider drawing an expanded sample to estimate a true error rate. Develop recommendations for improvement.

Finding: The tax function's controls are at risk and allowing inaccurate outputs.

As always, it is important that State staff be integrally involved in the review process. Therefore, the reviewer should meet at this point with the appropriate State decision-maker (e.g.,

UI Director and/or Tax Director) to discuss the preliminary findings. At the meeting the reviewer should briefly remind the State staff of the objectives and sub-objectives being analyzed. All findings should be discussed, the cause and impact of any problems should be presented, and means of addressing the problems should be considered.

The reviewer should also have examined the findings from Computed Measures, before meeting with State staff

If the State decision maker agrees with the findings the reviewer may proceed with data entry into the SUN system and the preparation of a written "draft" Annual Report. If the State decision maker does not agree with the findings, the reviewer will need to gather additional information. The reviewer may choose at this point to return to parts of the Systems Review. For example, the State staff might indicate that the reviewer has misunderstood something which was reviewed, or that additional information is available from a source which the reviewer did not use. The reviewer can repeat segments of the Systems Review to revise the findings or to confirm that the findings are correct. The State may elect to draw a second Acceptance Sample to confirm or deny the initial findings. Only two Acceptance Samples may be selected for each function.

If the State does not agree with the findings from the second Acceptance Sample, the next required step in the Program Review process becomes Expanded Sampling.

f. Select and Examine Expanded Samples

The purpose of expanded sampling in TPS is to support the findings of the review of internal controls, quality assurance systems and the acceptance or procedure review samples. Expanded sampling is not necessary when the State concurs with the findings. If, however, the State does not agree, then an expanded sample is necessary to estimate the potential impact of the weakness on program quality. Even when the State might agree with a finding, the reviewer has the option to select an expanded sample when there is uncertainty about the nature of findings and more detailed information is desired.

Expanded samples will be used to assess the extent of the problems identified by acceptance sampling. They will need to be large enough to develop precise estimates of the error rate. The State and TPS reviewer also may choose to use expanded sampling to identify the nature and cause of errors found during acceptance sampling. When used for these purposes it may be appropriate to draw the expanded sample only from a particular type of transaction.

As the name implies, an expanded sample is an expansion of the acceptance sample. Therefore, expanded sampling follows the same steps and the preparation conducted for the acceptance sampling review can be used directly in conducting the expanded sampling.

The steps are:

- 1) determine the sample size
- 2) identify the transaction types and time periods
- 3) select the sample
- 4) review the sample, using the questionnaire for the function.

The steps are described in detail in Appendix A of this handbook.

g. Sampling by Exception

The TPS Program Review examines the routine processing of work in each major tax function by extracting samples of work products. By examining small samples of the majority of the State's work, assessment is made on the quality of the overall tax operation. However, some States may also be concerned about potential problems outside the routine flow of work. Areas that are more error-prone may warrant special attention: an example could be employer charge statements with credits which involve claimants with overpayments and/or monetary redeterminations.

These areas have not been included in the basic TPS design even though they are much more likely to result in error, because they only represent a small proportion of the tax operation's output.

If the State wishes to examine such exceptions, they may design an Acceptance Sample for these error-prone cases, or they may contact the Regional Office for assistance. *Regional staff may have knowledge of similar sampling processes used by other States, or the National Office may have a design that would be applicable*

The State may also want or need more information about a risk which the Systems Review identifies or a problem which reoccurs in Acceptance Sample cases. In these instances States may design a "special study" for informational purposes. Such a study may involve designing special questions and selecting a sample where the questions may be used to gather information or, in the case of an expanded sample, to determine the error rate. *States should contact their Regional Office for additional information regarding exception sampling.*

IV. CONCLUDING REVIEW



a. Assess Computed Measures' Findings

Program Reviews are intended mainly to assess reasonable assurance of accuracy in the tax operation. Computed Measures provide indicators of end-product timeliness and completeness. An assessment of a tax operation must weigh all these factors (i.e., timeliness and accuracy are both important in the Status operation - however, timeliness of determinations should not be at the cost of accuracy. An acceptable balance must be sought). Computed measures will be generated based on data derived from routine State reports.

TPS has developed reports which display trends over time within a State and among States. These reports are on the TPS section within the SUN system should be examined by the TPS reviewer along with the findings from Program Reviews to develop a comprehensive evaluation of the State's tax operation. Links to national tax data are also available at the web site [www://ows.doleta.gov](http://ows.doleta.gov), under "Unemployment Insurance", "Performance Management", "UI Performs Performance Measures" and under "Tax Performance System".

Refer to Appendix B for data processing instructions for Computed Measures.

b. Complete the Program Review Chart

Before completing the Annual Report, reviewers need to complete the Program Review Chart. The purpose of the chart is to:

Summarize the results of the Acceptance Sampling relative to which functions have reasonable assurance of accuracy,

Record how individual portions of the System Reviews contribute to reasonable assurance of quality.

Reviewers should fill in every cell on the Chart which is not shaded. The allowable entries are described. (Note that the electronic version of this Chart on the SUN system has slightly different codes to reflect the automated nature of the SUN version.)

COMPLETION OF THE PROGRAM REVIEW CHART

Systems Review

ENTRY	MEANING
C (Complete)	All internal controls were verified as being in place and operating
R (Risk)	One or more controls were missing or not verified (One or more "No" answers to evaluative questions)
O (Other)	Another, "compensating control" was verified as being in place and operating (Regional approval required)

Acceptance Sampling

ENTRY	MEANING
Y (Pass)	Fewer than 3 cases failed sampling (internal controls are effective in producing quality outputs)
N (Fail)	Three or more cases failed sampling review (internal controls are not effective in producing quality outputs) or Two or more cases were missing (insufficient documentation to rule on quality of outputs)
D (Discard)	Sample was discarded

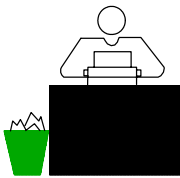
At this point the data from the Systems Reviews and Acceptance Sampling should be consistent, in which case judgments are reasonably straight forward. When/if there is inconsistency between findings from the two sources and it's impossible to resolve them, the overall determination of the tax function's quality is to be based on the findings of the Acceptance Sample (or Expanded Sample if one was used). Inconsistencies should be noted in the Annual Report.

GENERAL PROCEDURES

CONCLUDING REVIEWS

The Program Review Chart should be attached to the Annual Report. *Any Regional comments such as those dealing with compensating controls or approval of "A" categories in Acceptance Sampling should also be included.*

c. Prepare Draft TPS Report



Upon completion of all portions of the review, the reviewer will prepare a draft report of the findings. The report should follow the structure of the TPS Report (example provided in Appendix D) with the exception of the section on State response, which is not completed at this time.

The draft report is to include information from Systems Reviews, Acceptance Sampling, Expanded Sampling (as necessary), and Computed Measures. It is meant to convey in narrative form the areas of strengths and weaknesses in the State tax operation. The TPS Report should simply and clearly inform State Administrators and Regional representatives of the areas of concern, exemplary practices and program improvements.

The report should be organized under the following topics:

- Purpose A brief statement of the purpose of the report and the date the review was completed.
- Summary of Findings The purpose of this part of the report is to provide a synopsis of what was found, recommendations, and exemplary practices. (The remainder of this report goes into greater depth on how the data was gathered, sources, cause, effects, and more detailed recommendations.)
- Objectives Explain what was reviewed and the methodologies used.

GENERAL PROCEDURES

CONCLUDING REVIEWS

Principal Findings

Provide a detailed analysis of overall findings, identifying the tax functions that failed Acceptance Sampling, and areas identified as needing improvement.

For each tax function indicate:

If any cases failed, the number, and why they failed.

The risks identified during the Systems Review and where they were found.

List any compensating controls found to exist. (Attach Regional approval of the ability of such controls to substitute for TPS-listed controls)

List any controls that were said to be in place but could not be verified (VS).

Correlate any Acceptance Sample failures with risk found in the Systems Review, or explain any inconsistencies (e.g., risks but pass, no risks but fail)

If computed measures data is provided for the function, examine the trends they reveal, and if appropriate, correlate them with Program Review findings.

Make recommendations - if appropriate, discuss possible solutions with the individual responsible for the tax function being reviewed.

GENERAL PROCEDURES

CONCLUDING REVIEWS

Exemplary Practices

Mention practices that are positive which could be used by other units within the State or other States. Bring these to the Region's attention.

Global/Systemic Trends

Mention any overall trends where risks are found or areas of concern were noted. If systemic strengths are noted throughout the various reviews, they should be elaborated on in this area of the report.

As the reviewer analyzes TPS findings, potential recommendations should be developed. Input could be sought from those most directly involved with the tax functions at the State and Regional levels.

d. Conduct Exit Interview

At the Exit Interview the entire review team should meet with the UI Director, Tax Director and other staff designated by the State. The meeting will cover each section of the written report and is to be shared with the State. If the preliminary meeting on findings was detailed, and if no expanded sampling was done, this portion of the Exit Interview may be brief. It may simply confirm that the written document incorporates previous understandings.

The second portion of the Exit Interview will be a discussion of State activities which could be undertaken to correct problems identified or to expand the approaches which are producing high quality products.

e. Prepare the TPS Annual Report

The Report should consist of a 1- or 2-page Executive Summary which briefly describes principal findings and summarizes suggested improvements, and a more detailed section which evaluates every tax function in terms of accuracy, timeliness and completeness. It must include information from: Computed Measures, Program Reviews (i.e., Systems Reviews and Acceptance Sampling), and Expanded Sampling (if performed).

Any comments the agency wishes to make should become a part of the report. Action(s) taken and/or planned to be taken to correct any areas identified as needing improvement should also be reported.

GENERAL PROCEDURES

CONCLUDING REVIEWS

The final evaluation of the State's tax operations is based on Computed Measures data and Acceptance Sample findings. The Systems Review serves to identify areas of strengths and weaknesses for program improvement. The TPS design focuses on the downstream effect - if there is no material effect on current or future payment of UI tax (as evidenced by sample findings in which all cases "pass" i.e., meet quality standards), then the State has reasonable assurance of a quality tax operation. For instance, when risks are identified in the Status operation, but the unit is still able to produce accurate and timely determinations, the TPS Annual Report will indicate that there are specific areas of risk (and what the recommended solutions may be), but that the State presently has confirmed acceptable levels of accuracy for its Status Determinations.