

## **CHAPTER VIII**

# **ACCOUNT MAINTENANCE**

### **COMPONENTS**

**INTRODUCTION**

**PROGRAM REVIEW**



# **INTRODUCTION**



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

Receive status determinations (new and successor changes)

Process quarterly contribution reports

Establish and issue debit and credit notices

Charge or non-charge employer accounts for benefits paid

Produce employer charge notices periodically

Produce employer tax rate notices

### **PRIMARY OBJECTIVE**

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

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

ACCOUNT MAINTENANCE

INTRODUCTION

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

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

**REVIEW METHODOLOGIES**

*Program Review*

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

The Systems Review covers the following topics:

Recorded Information and Instructions

Training

Recording of Transactions and Events

Systems to Assure Execution of Events

Review of Completed Work

## REVIEW METHODOLOGIES

### *Program Review cont.*

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

Acceptance Samples examine the following:

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

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

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

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





**ACCOUNT MAINTENANCE**

**CONTRIBUTION REPORT PROCESSING**



# **PROGRAM REVIEW**

## **COMPONENTS**

**SYSTEMS REVIEW**

**ACCEPTANCE SAMPLES**



# **SYSTEMS REVIEW**





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

**CHAPTER EIGHT**

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ACCOUNT MAINTENANCE

Report processing

PROGRAM REVIEW

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## SYSTEMS REVIEW

### *Recorded Information and Instructions*

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



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

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



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**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes   No

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

VS:(Questions1&2 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS:                    (Question3 \_\_\_\_\_)



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**SYSTEMS REVIEW NARRATIVE**

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

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

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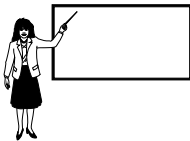


**SYSTEMS REVIEW**

*Training*

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

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



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





**SYSTEMS REVIEW QUESTIONS**

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

\*If yes, identify the type of training:

Yes No

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

Describe the type and frequency of training in the narrative.

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

Yes \_\_\_ No \_\_\_

\*If yes, identify the type of training:

Yes No

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

Describe the type and frequency of training in the narrative.

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**SYSTEMS REVIEW QUESTIONS**

3. Does the State provide training when there are:

Yes No N/A

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

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

Yes \_\_\_ No \_\_\_

If yes, describe in the narrative section.

VS: (Questions 1-4 \_\_\_\_\_ )

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 6 \_\_\_\_\_)

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**SYSTEMS REVIEW NARRATIVE**

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

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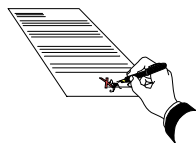


## SYSTEMS REVIEW

### *Recording of Transactions and Events*

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

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



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

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





**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

2. Does the audit trail identify:

Yes No

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

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

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

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

Yes \_\_\_ No \_\_\_

VS: (Questions 1 – 3 \_\_\_\_\_)

**SYSTEMS REVIEW QUESTIONS**

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

Yes No

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

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

Yes \_\_\_ No \_\_\_

VS: (Question 5 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question-6 \_\_\_\_\_)

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**SYSTEMS REVIEW NARRATIVE**

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

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

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**SYSTEMS REVIEW**

*Systems to Assure Execution of Events*

**Built-in reviews should be in place to assure the execution of events such as mailing contribution reports to employers who are to receive such reports, or updating and testing of the State's electronic reporting system in preparation for employer reporting; and accurate and prompt processing of information received from employers. The review may be automated (e.g., quarter and year edits, math computation edits) or manual (e.g., pre-audit or post-audit procedures).**

The reviewer must become familiar with the types of built-in checks used by the State to assure employers are notified of reporting requirements (e.g., mailing of contribution reports, notification of requirements, instructions on electronic reporting procedures), and that all quarterly report and payment information is processed accurately and promptly when received.



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



**SYSTEMS REVIEW QUESTIONS**

1. Does the state have procedures and/or controls to assure that each system of reporting contributions and wages (e.g., paper reporting, internet filing, telephone filing, third party electronic filing) is updated with accurate employer data at the start of each filing period?

Yes \_\_\_ No \_\_\_

Yes No N/A

- a. Does the state reconcile the count of reports that should be mailed to the number of reports that will be mailed? (E.g., subtract the number of reports suppressed from printing (electronic and third party filers, seasonal employers) from the number of active employers and compare that number to the count of mailed reports.)

Yes No N/A

- b \* Before mass mailing or before electronic reports are due, does the state review the data file used to print paper reports and/or used to populate web-based sites to ensure accuracy and correct record layout? (E.g., correct quarter, year, due date)

Yes No N/A

- c. Is a small sample of employer accounts from the data file used to print paper reports and/or used to populate web-based sites reviewed to ensure employer specific data are accurate? (E.g., correct name, address, pre-printed social security numbers, tax rate)

VS: (Questions 1a and c \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_

**SYSTEMS REVIEW QUESTIONS**

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

Yes No

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

VS: (Question 2 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_



**SYSTEMS REVIEW QUESTIONS**

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

VS: (Questions 3 and 4 \_\_\_\_\_)

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

VS: (Question 5 \_\_\_\_\_)

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**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

VS: (Question 6 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

VS: (Question 7a \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

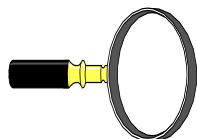




## SYSTEMS REVIEW

### *Review of Completed Work*

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



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

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



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

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

VS: (Question 6 \_\_\_\_\_)

\* Informational





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**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 7 \_\_\_\_\_)

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**SYSTEMS REVIEW NARRATIVE**

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

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**SYSTEMS REVIEW QUESTIONS**

*Additional Controls*

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

Yes \_\_\_ No \_\_\_

If yes, describe below:

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

Yes \_\_\_ No \_\_\_

If yes, describe below:



## **ACCEPTANCE SAMPLES**





**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Purpose/Intent***

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

To confirm that the State maintains accurate quarterly contribution information.

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

***Scope***

The scope of the review will focus on:

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

***Universe***

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

The universe will exclude all reimbursing employers.

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Timing/Frequency***

The universe will be identified once during the calendar year.

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

***Sampling Procedures***

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

1. Select universe identification date.

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

2. Identify the universe.

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

Excluded from the universe are all Reimbursing employers.

3. Select 60 samples.

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

*Sampling Procedures cont.*

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

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

*Reviewing Samples*

Assemble the following information for the employer's account: Contribution report, payment, and any additional, related information.

1. A copy of the originally filed paper or electronic contribution report or wage detail, and any adjustment forms affecting the report. Source documents could also include images; or screen copies or unformatted/ flat files of electronic reports; or line items of employer's allocation in magnetic media/diskettes. (Also see Ch. II-19 R04/03.)
2. A copy of the payment associated with this quarterly contribution report. Source documents could include: check images or cancelled checks; or line items of employer's payment on magnetic media/ diskettes; or employer payment confirmations that are specifically associated with the sampled employer; or line items or unformatted/ flat files of payment allocation as noted in bank deposit records; or copies of ACH deposits from the state's depository bank.
3. Any additional paper or electronic information related to the employer's account.

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Drawing Conclusions***

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

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

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

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

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

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

If payment was made by the TPS review date, payment posting accuracy must be examined regardless of whether the payment accompanied the employer's report or was submitted separately. Payment should have been applied to the proper quarter, based on the state's procedure.

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Documentation***

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



**ACCEPTANCE SAMPLE QUESTIONNAIRE**

*Identification of Delinquent Employers*

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

If No, answer question #2, and end review

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

*Accuracy and Timeliness of Posting*

3. Was the following Contribution Report and payment information posted accurately:
- |   | <u>Yes</u> | <u>No</u> |
|---|------------|-----------|
| a. the employer account number?   | ___        | ___       |
| b. the quarter and year?  | ___        | ___       |
| c. the amount of money remitted?  | ___        | ___       |
| d. the total gross and/or taxable wages?<br>(Depending on State posting requirements) | ___        | ___       |
4. \* Was the Contribution Report processed promptly according to State policy and procedures? Yes \_\_\_ No \_\_\_

*Accuracy of Computations*

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









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

*State:* \_\_\_\_\_ *Period Covered:* \_\_\_\_\_ *Date:* \_\_\_\_\_ *Reviewer:* \_\_\_\_\_

*Sample Type:*                      *Acceptance*                      *Expanded*

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



# **ACCOUNT MAINTENANCE**

## **EMPLOYER DEBITS/BILLINGS**



# **PROGRAM REVIEW**

## **COMPONENTS**

**SYSTEMS REVIEW**

**ACCEPTANCE SAMPLES**





# **SYSTEMS REVIEW**





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**ACCOUNT MAINTENANCE**

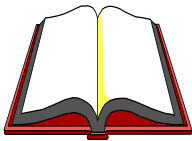
*Debits/Billings*

**PROGRAM REVIEW**

**SYSTEMS REVIEW**

*Recorded Information and Instructions*

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



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

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

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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes No

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

VS:(Questions 1 and 2 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 3 \_\_\_\_\_)





ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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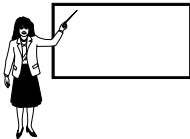
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**SYSTEMS REVIEW**

*Training*

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



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

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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

\*If yes, identify the type of training:

Yes No

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

Describe the type and frequency of training in the comments.

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

Yes \_\_\_ No \_\_\_

\*If yes, identify the type of training:

Yes No

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

Describe the type and frequency of training in the narrative.

**SYSTEMS REVIEW QUESTIONS**

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

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

Yes \_\_\_ No \_\_\_

If yes, describe in the narrative.

VS: (Questions 1-4) \_\_\_\_\_.

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS:(Question 6 \_\_\_\_\_)





ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

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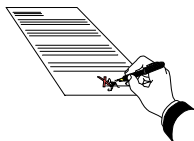


**SYSTEMS REVIEW**

*Recording of Transactions and Events*

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

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



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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

2. Does the audit trail identify:

Yes No

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

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

Yes \_\_\_ No \_\_\_

VS: (Questions 1 – 3 \_\_\_\_\_)

**SYSTEMS REVIEW QUESTIONS**

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

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

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

Yes \_\_\_ No \_\_\_

VS: (Questions 5 \_\_\_\_\_ )

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS:(Question 6 \_\_\_\_\_ )

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

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\_\_\_\_\_  
\_\_\_\_\_  
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**SYSTEMS REVIEW**

**Systems to Assure Execution of Events**

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

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



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

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

VS (Question 1 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_

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

Yes No N/A

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

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

VS: (Questions 2, 3 and 4 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_

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

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

VS: (Questions 5 \_\_\_\_\_)

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS:(Questions 6 \_\_\_\_\_)

ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

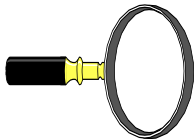
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**SYSTEMS REVIEW**

*Review of Completed Work*

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



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

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





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

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

VS: (Question 6 \_\_\_\_\_)

\* Informational



ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 7 \_\_\_\_\_)



ACCOUNT MAINTENANCE

Debits/Billings

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

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\_\_\_\_\_

\_\_\_\_\_

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**SYSTEMS REVIEW QUESTIONS**

*Additional Controls*

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

Yes \_\_\_ No \_\_\_

If yes, describe below:

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

Yes \_\_\_ No \_\_\_

If yes, describe below:





## **ACCEPTANCE SAMPLES**



ACCEPTANCE SAMPLE INSTRUCTIONS

*Purpose/Intent*

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

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

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

*Scope*

The scope of the review will focus on:

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

ACCEPTANCE SAMPLE INSTRUCTIONS

*Universe*

There are two universes to be identified.

CONTRIBUTORY EMPLOYERS

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

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

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

ACCEPTANCE SAMPLE INSTRUCTIONS

*Universe cont.*

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

REIMBURSING EMPLOYERS

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

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

ACCEPTANCE SAMPLE INSTRUCTIONS

*Universe Cont.*

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

*Timing/Frequency*

The two samples will be selected once per calendar year.

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Sampling Procedures***

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

1. Select period for review

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

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

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

2. Identify Universes.

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

ACCEPTANCE SAMPLE INSTRUCTIONS

*Sampling Procedures Cont.*

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

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

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

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

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

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



ACCEPTANCE SAMPLE INSTRUCTIONS

*Sampling Procedures*

*Cont.*

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

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

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

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

*Reviewing the Samples*

Assemble the following information for the employer's account:

1. A copy or image of the original debit memorandum/billing notice or a facsimile generated from the electronic data that created the original notice, and a copy or image of any payment history.
2. The original or imaged source documentation of information in the state's files that created the debit/billing e.g., contribution reports, adjustment reports, benefit charges, rate changes, etc.

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Reviewing the Samples***

***Cont.***

3. The electronic or paper account information related to the debit/billing in the state's employer file.

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

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

***Drawing Conclusions***

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

The following questions on the Acceptance Sample Questionnaire are evaluative:

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

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

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

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

***Documentation***

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

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

**CHAPTER EIGHT**

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**ACCOUNT MAINTENANCE**

*Debits/Billings*

**PROGRAM REVIEW**

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**ACCEPTANCE SAMPLE QUESTIONNAIRE**

*Accuracy of Debit*

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

*Accuracy of Billing Notices*

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









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

State: \_\_\_\_\_ Period Covered: \_\_\_\_\_ Date: \_\_\_\_\_ Reviewer: \_\_\_\_\_  
Sample Type:                      Acceptance                      Expanded

Case Number	Employer Identification Number	Explanation



**ACCOUNT MAINTENANCE**

**CREDITS/REFUNDS**



# **PROGRAM REVIEW**

## **COMPONENTS**

**SYSTEMS REVIEW**

**ACCEPTANCE SAMPLES**



# **SYSTEMS REVIEW**







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

**CHAPTER EIGHT**

**ACCOUNT MAINTENANCE**

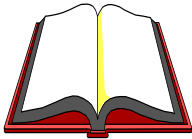
*Credits/Refunds*

**PROGRAM REVIEW**

**SYSTEMS REVIEW**

*Recorded Information and Instructions*

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



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

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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes No

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

VS:(Questions 1 and 2 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

VS: (Question 3 \_\_\_\_\_)



ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

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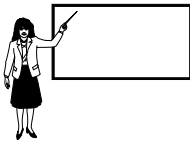




**SYSTEMS REVIEW**

*Training*

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



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

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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

\*If yes, identify the type of training:

Yes No

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

Describe the type and frequency of training in the comments.

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

Yes \_\_\_ No \_\_\_

\*If yes, identify the type of training:

Yes No

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

Describe the type and frequency of training in the narrative.

**SYSTEMS REVIEW QUESTIONS**

3. Does the State provide training when there are:

Yes No N/A

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

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

Yes \_\_\_ No \_\_\_

If yes, describe in the narrative.

VS: (Questions 1-4 \_\_\_\_\_)

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 6 \_\_\_\_\_ )

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

**CHAPTER EIGHT**

**ACCOUNT MAINTENANCE**

*Credits/Refunds*

**PROGRAM REVIEW**

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

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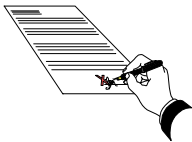


**SYSTEMS REVIEW**

*Recording of Transactions and Events*

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

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



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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

2. Does the audit trail identify:

Yes No

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

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

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

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

Yes \_\_\_ No \_\_\_

VS: (Questions 1 – 3 \_\_\_\_\_)

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

**CHAPTER EIGHT**

**ACCOUNT MAINTENANCE**

*Credits/Refunds*

**PROGRAM REVIEW**

**SYSTEMS REVIEW QUESTIONS**

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

Yes No

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

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

Yes \_\_\_ No \_\_\_

6. Does the audit trail identify:

Yes No

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

VS: (Questions 5 – 6 \_\_\_\_\_.

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

VS: (Question 7 \_\_\_\_\_ )

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 8 \_\_\_\_\_ )

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

*Systems to Assure Execution of Events*

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

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



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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

VS: (Question 1 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

If Yes, answer questions 3 & 4.

If No, continue to question 5.

VS: (Question 2 \_\_\_\_\_)

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

Yes \_\_\_ No \_\_\_

VS: (Question 3 \_\_\_\_\_ )

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

Yes No N/A

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

VS: (Question 4 \_\_\_\_\_ )

**SYSTEMS REVIEW QUESTIONS**

5. Does the State issue Refunds to employers?

Yes \_\_\_ No \_\_\_

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

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

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

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_

VS: (Questions 5 and 7a \_\_\_\_\_)

**SYSTEMS REVIEW QUESTIONS**

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

Yes No N/A

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

VS: (Question 8 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 9)

ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

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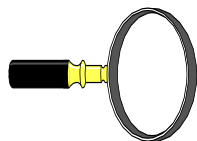




**SYSTEMS REVIEW**

*Review of Completed Work*

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



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

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



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

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

VS: (Question 6)

\* Informational



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 7 \_\_\_\_\_)



ACCOUNT MAINTENANCE

Credits/Refunds

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

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**SYSTEMS REVIEW QUESTIONS**

*Additional Controls*

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

Yes \_\_\_ No \_\_\_

If yes, describe below:

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

Yes \_\_\_ No \_\_\_

If yes, describe below:



## **ACCEPTANCE SAMPLES**



**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Purpose/Intent***

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

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

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

***Scope***

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

***Universe***

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

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Universe Cont.***

The universe will exclude the following:

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

***Timing/Frequency***

The sample will be selected once per calendar year.

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

***Sampling Procedures***

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

1. Select the quarter to review.

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

2. Identify the universe.

The universe includes all contributory employers who:

**ACCEPTANCE SAMPLE INSTRUCTIONS**

*Sampling Procedures*

*Cont.*

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

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Sampling Procedures  
Cont.***

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

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

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

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

***Reviewing the Samples***

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

1. A copy or image of the original credit memorandum or a facsimile generated from the electronic data that created the original notice (or advisement, such as a line item on the electronic or paper contribution report); or a copy of the cancelled check if a refund was issued; or a computer generated listing showing the employer account number, check amount, mail date and address.



**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Reviewing the Samples  
cont.***

2. The original or imaged source documentation of information in the state's files that created the credit/refund e.g., contribution reports, remittance, adjustment reports, wage detail adjustments, rate changes, etc.
3. The electronic or paper account information related to the credit/refund in the state's employer file.

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

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

***Drawing Conclusions***

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

The following questions are evaluative:

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Drawing Conclusions***

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

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

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

***Documentation***

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

**ACCEPTANCE SAMPLE QUESTIONNAIRE**

Yes No

*Establishment of Credit*

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

*Accuracy of Credit Memorandum/Refund*

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

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

**CHAPTER EIGHT**

**ACCOUNT MAINTENANCE**

*Credits/Refunds*

**PROGRAM REVIEW**





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

State: \_\_\_\_\_ Period Covered: \_\_\_\_\_ Date: \_\_\_\_\_ Reviewer: \_\_\_\_\_

Sample Type:                      Acceptance                      Expanded

Case Number	Employer Identification Number	Explanation





# **ACCOUNT MAINTENANCE**

## **BENEFIT CHARGING**



# **PROGRAM REVIEW**

## **COMPONENTS**

**SYSTEMS REVIEW**

**ACCEPTANCE SAMPLES**



# **SYSTEMS REVIEW**





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

**CHAPTER EIGHT**

**ACCOUNT MAINTENANCE**

**Benefit Charging**

**PROGRAM REVIEW**



**SYSTEMS REVIEW**

*Recorded Information and Instructions*

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



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

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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes No

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

VS:(Questions 1 and 2 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 3 \_\_\_\_\_)



ACCOUNT MAINTENANCE

Benefit Charging

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

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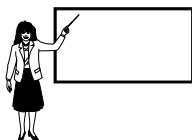


**SYSTEMS REVIEW**

*Training*

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

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



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





**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

\*If yes, identify the type of training:

Yes No

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

Describe the type and frequency of training in the narrative.

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

Yes \_\_\_ No \_\_\_

\*If yes, identify the type of training:

Yes No

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

Describe the type and frequency of training in the narrative.

**SYSTEMS REVIEW QUESTIONS**

3. Does the State provide training when there are:

Yes No N/A

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

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

Yes \_\_\_ No \_\_\_

If yes, describe in the narrative section.

VS: (Questions 1-4 \_\_\_\_\_)

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS:(Question 6 \_\_\_\_\_)



**SYSTEMS REVIEW NARRATIVE**

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

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

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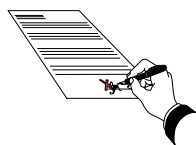
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**SYSTEMS REVIEW**

*Recording of Transactions and Events*

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



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

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





**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

2. Does the audit trail identify:

Yes No

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

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

Yes \_\_\_ No \_\_\_

VS: (Questions 1 – 3 \_\_\_\_\_)

**SYSTEMS REVIEW QUESTIONS**

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

Yes No

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

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

Yes \_\_\_ No \_\_\_

VS: (Question 5 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 6 \_\_\_\_\_)

ACCOUNT MAINTENANCE

Benefit Charging

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

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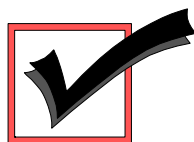


**SYSTEMS REVIEW**

*Systems to Assure Execution of Events*

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

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



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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_

VS: (Question 1 (a) and 2 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_

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

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

\*If Yes, Frequency

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

Yes \_\_\_ No \_\_\_

If Yes, Frequency

- c. \*Other?

Yes \_\_\_ No \_\_\_

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

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

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

VS: (Question 3 \_\_\_\_\_ )



ACCOUNT MAINTENANCE

Benefit Charging

PROGRAM REVIEW

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 4 \_\_\_\_\_)



ACCOUNT MAINTENANCE

Benefit Charging

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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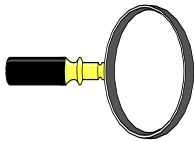
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## SYSTEMS REVIEW

### *Review of Completed Work*

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



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

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

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



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

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

VS: (Question 6)

\* Informational





ACCOUNT MAINTENANCE

Benefit Charging

PROGRAM REVIEW

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 7 \_\_\_\_\_ )



ACCOUNT MAINTENANCE

Benefit Charging

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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



**SYSTEMS REVIEW QUESTIONS**

*Additional Controls*

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

Yes \_\_\_ No \_\_\_

If yes, describe below:

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

Yes \_\_\_ No \_\_\_

If yes, describe below:



## **ACCEPTANCE SAMPLES**





**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Purpose/Intent***

To assure accuracy of benefit charges posted to employer accounts.

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

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

***Scope***

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

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

***Universe***

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Timing/Frequency***

The universe will be identified once during the calendar year.

The universe covers either:

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

***Sampling Procedures***

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

1. Select the time period to review.

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

2. Identify the universe.

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Sampling Procedures***

***Cont.***

3. Select 60 samples.

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

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

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

***Reviewing the Samples***

Assemble the following information for the employer's account:

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

*Reviewing the Samples  
Cont.*

The claimant will be selected as follows:

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

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

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

ACCEPTANCE SAMPLE INSTRUCTIONS

*Drawing Conclusions*

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

The following questions are evaluative:

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

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

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

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

ACCEPTANCE SAMPLE INSTRUCTIONS

*Documentation*

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

ACCEPTANCE SAMPLE QUESTIONNAIRE

Yes No

*Accuracy of Charge or Credit*

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

*Accuracy of Charge Statement*

2. Did the charge Statement accurately reflect the correct:
- a. employer's account number? \_\_\_\_\_
  - b. claimant's (former employee) social security number? \_\_\_\_\_
  - c. the correct period of time for the charge or credit? (e.g., were the charges for benefits paid in August posted to the 3rd quarter charge Statement?)\*  
Yes No NA  
\_\_\_\_\_
  - d. amount charged or credited for benefits paid? \_\_\_\_\_

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













# **ACCOUNT MAINTENANCE**

## **EMPLOYER TAX RATES**



# **PROGRAM REVIEW**

## **COMPONENTS**

**SYSTEMS REVIEW**

**ACCEPTANCE SAMPLES**





# **SYSTEMS REVIEW**



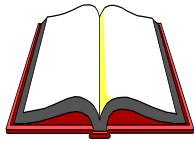




## SYSTEMS REVIEW

### *Recorded Information and Instructions*

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



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

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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes No

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

VS:(Questions 1 and 2 \_\_\_\_\_ )

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 3 \_\_\_\_\_ )





ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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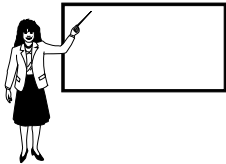


**SYSTEMS REVIEW**

*Training*

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

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



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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

\*If yes, identify the type of training:

Yes No

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

Describe the type and frequency of training in the narrative.

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

Yes \_\_\_ No \_\_\_

\*If yes, identify the type of training:

Yes No

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

Describe the type and frequency of training in the narrative.

**SYSTEMS REVIEW QUESTIONS**

3. Does the State provide training when there are:

Yes No N/A

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

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

Yes \_\_\_ No \_\_\_

If yes, describe in the narrative.

VS: (Questions 1-4 \_\_\_\_\_)

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS:(Question 6 \_\_\_\_\_)





ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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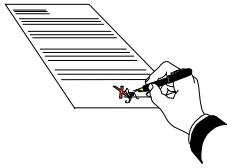
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## SYSTEMS REVIEW

### *Recording of Transactions and Events*

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



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

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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

2. Does the audit trail identify the following information:

Yes No

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

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

Yes \_\_\_ No \_\_\_

VS: (Question 1-3 \_\_\_\_\_)

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

Yes \_\_\_ No \_\_\_

VS: (Question 4 \_\_\_\_\_)

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 5 \_\_\_\_\_)

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

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\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_





**SYSTEMS REVIEW**

*Systems To Assure Execution of Events*

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

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



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



**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_

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

Yes \_\_\_ No \_\_\_

VS: (Question 1 (a-b) and 2 \_\_\_\_\_ )

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

Yes \_\_\_ No \_\_\_

VS:(Question 3 \_\_\_\_\_ )

ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 4 \_\_\_\_\_)

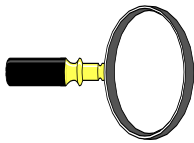




## SYSTEMS REVIEW

### *Review of Completed Work*

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



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

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





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

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

VS: (Question 6 \_\_\_\_\_)

\* Informational



ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

**SYSTEMS REVIEW QUESTIONS**

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

Yes \_\_\_ No \_\_\_ N/A \_\_\_

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

VS: (Question 7 \_\_\_\_\_)



ACCOUNT MAINTENANCE

Tax Rates

PROGRAM REVIEW

**SYSTEMS REVIEW NARRATIVE**

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

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

\_\_\_\_\_  
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\_\_\_\_\_  
\_\_\_\_\_



**SYSTEMS REVIEW QUESTIONS**

*Additional Controls*

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

Yes \_\_\_ No \_\_\_

If yes, describe below:

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

Yes \_\_\_ No \_\_\_

If yes, describe below:





## **ACCEPTANCE SAMPLES**



**ACCEPTANCE SAMPLE INSTRUCTIONS**

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

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

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

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

The universe will exclude:

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

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

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

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

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

1. ....Determine the date the universe can be identified.

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

2. ....Identify the universe.

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Sampling Procedures***

***Cont.***

.....E. g., During a 2010 TPS review, in a State which issues 2010 tax rate notices in January, 2010, a sample of the 2010 notices issued in January would be selected and reviewed. For a State which issues 2011 tax rate notices in November, 2010, a sample of the 2011 notices issued in November, 2010 would be selected and reviewed.

3. ....Select 60 samples.

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

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

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

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

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

1. ....Copies of the electronic or paper contribution reports and any adjustments to these reports used in the tax rate calculation for the most recent four quarters of the calculation period (or more depending on the calculation period). Electronic source documents could include screen images or unformatted flat files of electronic reports.
2. ....The benefit charges used in the tax rate calculation for the most recent four (or more) quarters of the calculation period.
3. ....Electronic or paper information from the employer's data file used in the tax rate calculation.
4. ....The State's experience rate factor (e.g., tax table, schedule, ratio, etc.).
5. ....Any other factors used by the State to calculate the employer's tax rate.

**ACCEPTANCE SAMPLE INSTRUCTIONS**

***Reviewing Samples***

***Cont.***

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

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

***Drawing Conclusions***

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

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

#1. ....Accuracy of the computation.

#2. ....Accuracy of the experience rate factor.

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

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

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

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

**ACCEPTANCE SAMPLE INSTRUCTIONS**

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



ACCEPTANCE SAMPLE QUESTIONNAIRE

*Accuracy of Annual Tax Rate Notice*

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





