

Selected Data from Form ETA 581 Quarter Ending March 31, 2004

Quarterly Highlights: Audits completed was the highest since 2Q2000.

As shown on the audit chart below, the first quarter 2004 was an unusually high quarter for both completed audits and discovery of employees who had been misclassified as independent contractors (ICs). Across the nation, a record high of 35,484 misclassifications were discovered with 15 states each reporting 1,000 or more employee misclassifications. NJ (4,032), IN (2,856), IL (2,813) and CA (2,417) were the leading states. Reporting the number of employees discovered during audits that have been misclassified as ICs has been required since 1/1/2000 (see ET Handbook No. 401, 2nd Edition, Change 19). Almost all states are now complying with this requirement. Some of the increase shown in employee misclassifications is due to more states complying with the reporting requirements for this item. As shown on Table 6 in the Tables section of this report, Delaware, DC (completed no audits), Virginia and Alaska are the only states still unable to provide this required information in Item 52.

Typically, audit production lags in the fourth quarter, improves in the first quarter, and peaks in the second and third quarters of each year. Each year states are expected to complete audits totaling 2% of the number of contributing employers reported on their ETA 581 report for the quarter ending 9/30 of the preceding year. Although 30,610 audits were completed in the first quarter of 2004, in order to meet the national 2% objective states should complete approximately 34,800 audits each quarter in CY 2004. Thus, states fell short of reaching the national quarterly objective by 4,190 audits. However, if California's objective of 5,115 audits and its 238 completed audits were both excluded from the national totals, the SWAs would have exceeded the national objective; i.e., 29,685 audits would have been required and 30,372 audits would have been completed.

