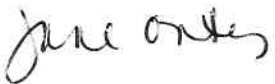


TRAINING AND EMPLOYMENT NOTICE	NO. 2-11
	DATE July 14, 2011

TO: STATE WORKFORCE AGENCIES

FROM: JANE OATES
Assistant Secretary 

SUBJECT: Selected Unemployment Insurance (UI) Tax Data from the Employment and Training Administration (ETA) 581, Contribution Operations Reports for the Calendar Year (CY) Ending December 31, 2010

1. **Purpose.** To provide a summary of selected ETA 581 data with associated charts and tables for CY 2010.

2. **References.**

- Employment and Training (ET) Handbook No. 401, 4th Edition, Section II, Chapter 2, *ETA 581 Contribution Operations*;
- ET Handbook No. 407, 4th Edition, *Tax Performance System Handbook*;
- Unemployment Insurance Program Letter (UIPL) No. 14-05, *Changes to UI Performs*; UIPL No. 14-05, Change 1;
- UIPL No. 02-11, *Changes to the Employment and Training Administration (ETA) 581 Contribution Operations Report, and Related Handbooks*;
- UIPL No. 03-11, *Implementation of the Effective Audit Measure*; and
- Form ETA 581, Contributions Operations (OMB Approval No. 1205-0178).

3. **Background.** The Tax Performance System (TPS) is intended to assist state administrators in improving their UI programs by providing objective information on the quality of their contribution (tax) operations. An important element of the TPS is the calculation and evaluation of computed measures (CMs). CM percentages are based on aggregate information taken from the quarterly ETA 581 Contribution Operations reports, the monthly ETA 2112 UI Financial Transaction Summary reports (OMB Approval No. 1205-0154), and the quarterly wage data from the Quarterly Census of Employment and Wages (OMB Approval No. 1220-0012) that is compiled by the Bureau of Labor Statistics. CMs indicate the timeliness and completeness with which basic and essential UI tax transactions occur.

Aggregate national CMs provide a basis for comparing individual state performance with national performance. National CMs are aggregate percentages rather than an average of individual state scores. Therefore, large states and small states each affect the national scores in direct proportion to the volume of transactions reported.

UIPL No. 03-11, Implementation of the Effective Audit Measure, established two new CMs. The new CMs are: (1) Average Number of Misclassified Workers Detected per Audit, and (2) Effective Audit Measure. This Training and Employment Notice and the National Summary Tables for CY 2010 on the ETA Web site at <http://www.ows.doleta.gov/unemploy/tax.asp>

provide data on the new CMs for CY 2010. The data for CY 2010 is provided only for information purposes.

The Effective Audit Measure has been designated as a new Core Measure in the UI Performs performance management system. Full implementation of the Effective Audit Measure will occur for the Fiscal Year (FY) 2015 State Quality Service Plan (SQSP) using CY 2013 audit data. A state that fails the measure will be required to write a Corrective Action Plan for the FY 2015 SQSP. Additional information on the Effective Audit Measurement is available in UIPL No. 03-11 at http://wdr.doleta.gov/directives/corr_doc.cfm?DOCN=2971.

- 4. Information.** National values for CMs are summarized on Attachment A - Summary of National Computed Measures for CY 2010 and CY 2009. State, regional and national CM percentages for each of the measures, along with much of the raw data used for computation of the percentages, are displayed in National Summary Tables on the ETA Web site at: <http://www.ows.doleta.gov/unemploy/tax.asp>. Click the specific year of the National Summary Tables under "Tax Performance Systems' (TPS) Computed Measures" to view the desired information.

The ETA Web site at <http://www.oui.doleta.gov/unemploy/tps.asp> also provides CM information by state. CM values by state may differ slightly from the CM values on the National Summary Tables because the state values may change due to occasional ETA 581 report adjustments made by states after the National Summary Tables were prepared. "As of" dates on the National Summary Tables show when the tables were prepared.

Attachment B – Analysis of Employment Training Administration 581 Report Data for Calendar Year 2010 provides additional information on contribution operations data for CY 2010. Attachment B is based on data as of May 2, 2011. Therefore, data on Attachment B may differ slightly from data presented in the National Summary Tables and CM Information by State on ETA's Web site.

- 5. Action Requested.** State Administrators are requested to distribute this notice to appropriate UI tax and TPS staff.
- 6. Inquiries.** Inquiries should be directed to the appropriate Regional Office.
- 7. Attachments.**
Attachment A - Summary of National Unemployment Insurance (UI) Tax Performance Computed Measures for Calendar Year (CY) 2010 and CY 2009

Attachment B - Analysis of Employment Training Administration 581 Report Data for Calendar Year 2010

**Attachment A – Summary of National Unemployment Insurance (UI) Tax Performance
Computed Measures for Calendar Year (CY) 2010 and CY 2009**

**Summary of National UI Tax Performance Computed Measures
For CY 2010 and CY 2009**

CM Number	National Summary Table Number on ETA Web Site ¹	CM Name	National CM Value for CY 2010 ²	National CM Value for CY 2009
1	1	Status Determinations – Percent of new employers established within 90 days from last day of the quarter in which employers became liable	86.5%	84.7%
2	1	Status Determinations – Percent of new employers established within 180 days from last day of the quarter in which employers became liable	91.7%	90.4%
3	1	Status Determinations – Percent of successor determinations made within 90 days from last day of the quarter in which employers became a successor	63.8%	62.8%
4	1	Status Determinations – Percent of successor determinations made within 180 days from last day of the quarter in which employers became a successor	75.9%	75.8%
5	2	Timely Contribution Report Filing, Contributory Employers - Percent of reports filed timely	89.3%	88.8%
6	2	Secured Contribution Report Filing, Contributory Employers – Percent of reports secured by end of the following quarter	93.0%	92.6%
7	2	Resolved Contribution Report Filing, Contributory Employers – Percent of reports secured plus delinquencies resolved within 180 days (i.e. two following quarters)	96.4%	96.4%
8	3	Timely Contribution Report Filing, Reimbursing Employers - Percent of reports filed timely	92.7%	93.1% ³
9	3	Secured Contribution Report Filing, Reimbursing Employers – Percent of reports secured by end of the following quarter	97.4%	97.9% ³
10	3	Resolved Contribution Report Filing, Reimbursing Employers – Percent of reports secured plus delinquencies resolved within 180 days (i.e. two following quarters)	99.0%	100.2% ³
11	4	Collections, Contributory Employers – Percent of amounts due paid timely ⁴	91.0%	90.7%
12	5	Collections, Reimbursing Employers – Percent of amounts due paid timely ⁴	86.0%	83.9%
13	6	Collections, Contributory Employers – Percent of amounts due declared to be uncollectible/doubtful	1.1%	1.4%
14	7	Collections, Reimbursing Employers – Percent of amounts due declared to be uncollectible/doubtful	0.7%	0.5%
15	8	Collections, Contributory Employers – Percent of amount due remaining unpaid at year end	2.4%	2.8%
16	9	Collections, Reimbursing Employers – Percent of amount due remaining unpaid at year end	5.3%	5.0%
17	10	Field Audits – Percent of change in total wages resulting from audits	7.2%	6.8%
18	11	Field Audits – Percent of contributory employers which were audited	1.4%	1.4%
19	12	Field Audits – Percent of total wages audited	1.6%	1.2%
20	13	Field Audits – Average number of misclassified employees per audit	2.0	N/A
21	14	Field Audits – Effective Audit Measure	20 states passed	N/A

Footnotes

- 1 ETA Web site address for National Summary Tables is <http://www.ows.doleta.gov/unemploy/tax.asp>.
- 2 Data for the Virgin Islands is excluded from all CMs since the Virgin Islands did not report data for the entire CY as of May 2, 2011.
- 3 Computations exclude Massachusetts (MA), since MA did not report data for this item for the entire CY 2009.
- 4 2009 and 2010 computations for Percent Paid Timely exclude data from Colorado deemed unreliable.

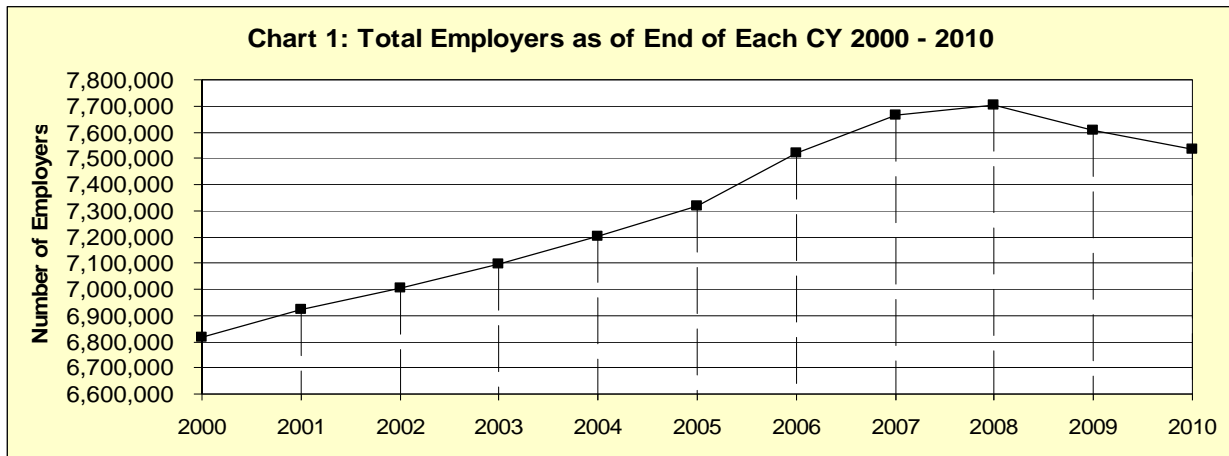
Attachment B – Analysis of Employment and Training Administration 581 Report Data for Calendar Year 2010

Analysis of ETA 581, Contribution Operations Data for Calendar Year 2010

Subject Employers

Table 1 below shows the change in the number of active employers subject to state unemployment compensation coverage from December 31, 2009, to the end of calendar year (CY) 2010. Chart 1 below graphs the number of active employers since the end of CY 2000. The table and chart include both contributory and reimbursing employers from all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands.

Table 1: Subject Employers - National Totals			
As of Date	Contributory Employers	Reimbursing Employers	Total Employers
12/31/2009	7,508,603	100,894	7,609,497
12/31/2010	7,438,176	100,502	7,538,678
Change during CY 2010	(70,427)	(392)	(70,819)



Notes regarding Table 1 and Chart 1 follow:

1. Part of the decrease in the number of active employers during CY 2010 is attributable to a correction of data by two states that had overstated the number of active employers in prior years by approximately 36,000 employers.
2. Since the Virgin Islands had not filed its ETA 581 report for the quarter ending December 31, 2010, as of the date when this Training and Employment Notice (TEN) was prepared (May 2, 2011), the number of active employers for the Virgin Islands as of September 30, 2010, is used as the estimated count as of December 31, 2010.

Status Determinations: New Employers

The timely discovery of liable employers and the prompt establishment of new accounts are tax functions vital to the successful operation of a state UI tax program. These functions affect the timely processing of UI claims and payments of benefits to eligible recipients. Computed Measure (CM) numbers 1-4, as shown on Attachment A, concern the timeliness in which states determine liability and establish accounts for new and successor employers.

States report new status determinations on the ETA 581 report. The count includes all determinations of liability made within the ETA 581 report quarter of employers who have actually met a state threshold of liability, plus determinations that reactivated inactive accounts.

Chart 2 below summarizes the number of new status determinations made by states in the last ten years.

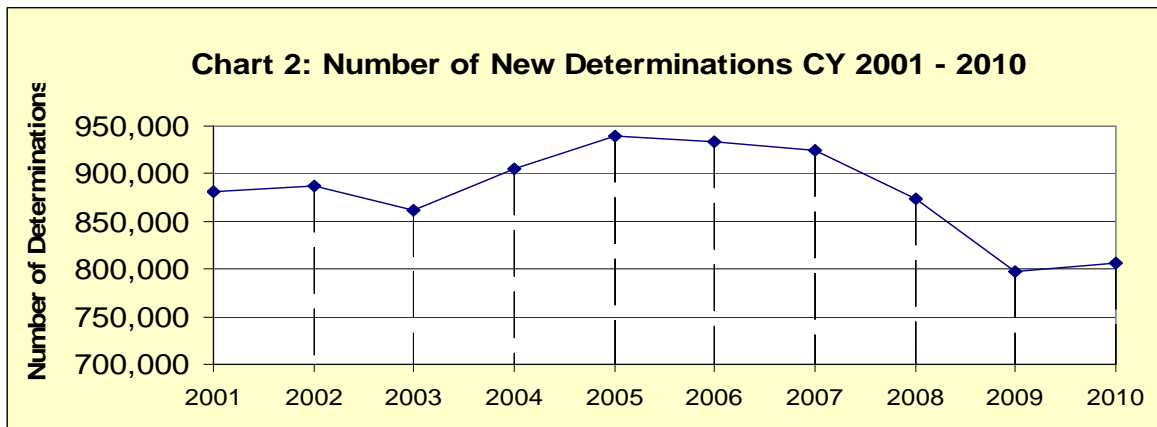
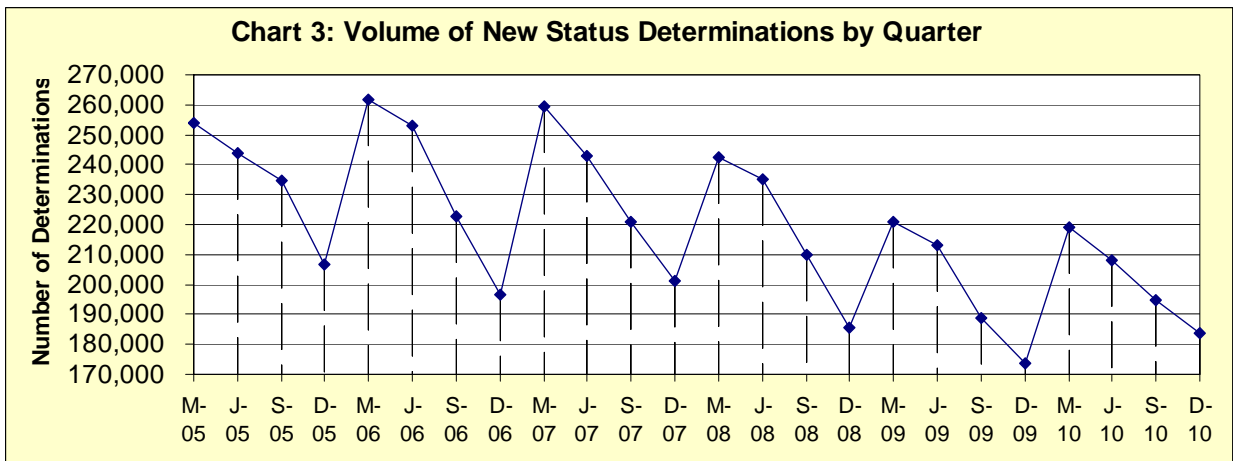


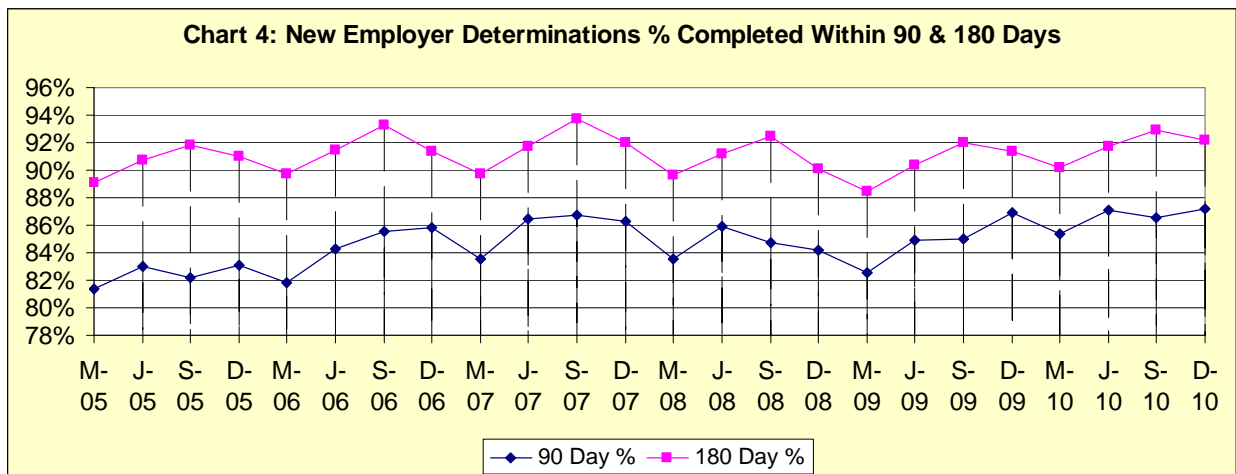
Chart 3 below displays graphically the typical surge in the number of new status determinations that occurs during the January – March quarters, contrasted with the lower count of determinations during the quarters ending in December.



Due to the importance placed on New Status Determinations, UI Performs includes a core measure that sets a minimum level of performance for timely discovery and establishment of new employers. The minimum level of performance for this measure for CY 2010 was to establish 70% of new accounts within 90 days from the last day of the quarter in which the new entities first became liable. Table 2, which appears on page 5 of this attachment, provides a summary of the national performance over the last 10 CYs for both new employer determinations and successor employer determinations.

The U.S. Department of Labor (Department) also established a Government Performance and Results Act (GPRA) goal for new determinations on a fiscal year (FY) basis (October 1 to September 30 of the next CY). The GPRA goal, in contrast to the 70% UI Performs minimum acceptable level of performance, was set higher at 90% for FY 2010 (October 1, 2009 to September 30, 2010). Nationally, the goal was not met for FY 2010 as the actual new employer timely status determination percentage for FY 2010 was 86.4%. The national GPRA goal for FY 2011 (October 1, 2010 to September 30, 2011) is 86.4%.

Chart 4 below graphs the percentages for new employer determinations completed within 90 and 180 days. The quarterly fluctuations indicate that it is more meaningful to analyze computed measures for status determinations on a CY or FY basis.



Status Determinations: Successor Employers

A successor status determination occurs when a state determines that an employer met the state’s legal definition of successorship, and was thus classified as a successor. Similar to status determinations for new employers, the largest volume of status determinations for successor employers occurred in the first and second quarters of each CY. Chart 5 below shows graphically the quarterly fluctuations of status determinations for successor employers.

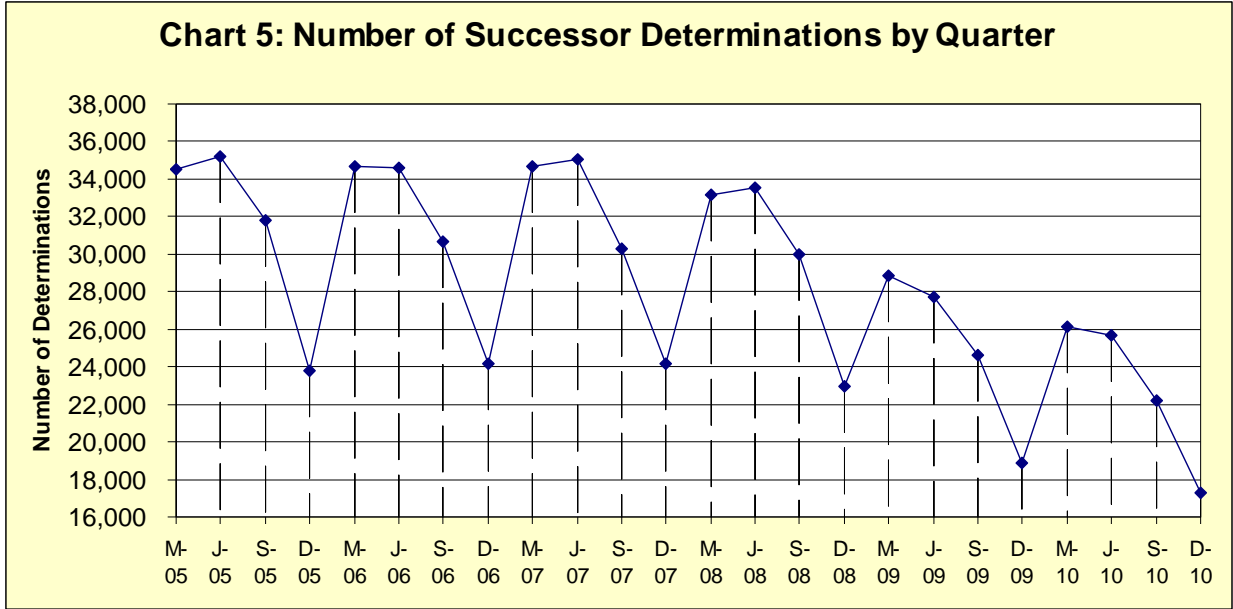
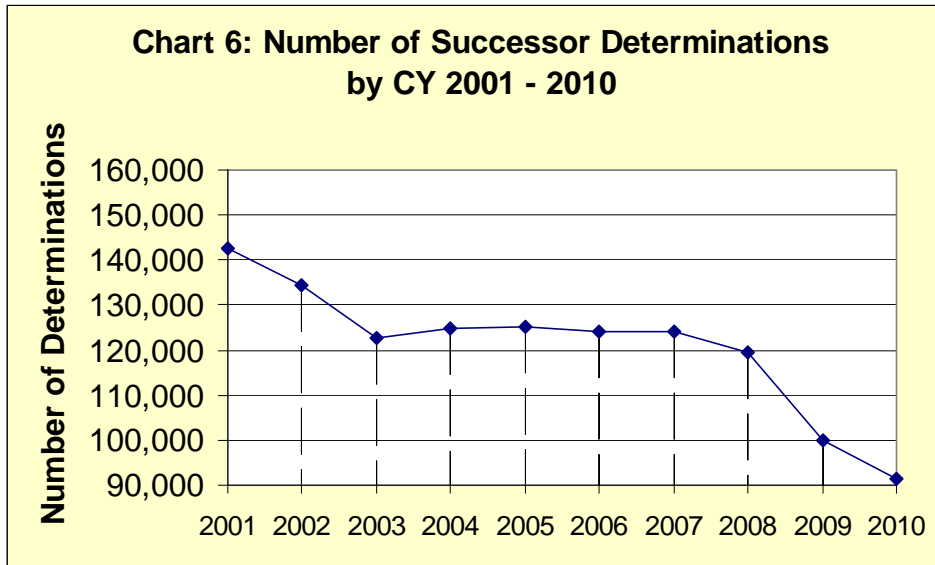


Chart 6 below summarizes the trend of successor determinations made by states since 2001.

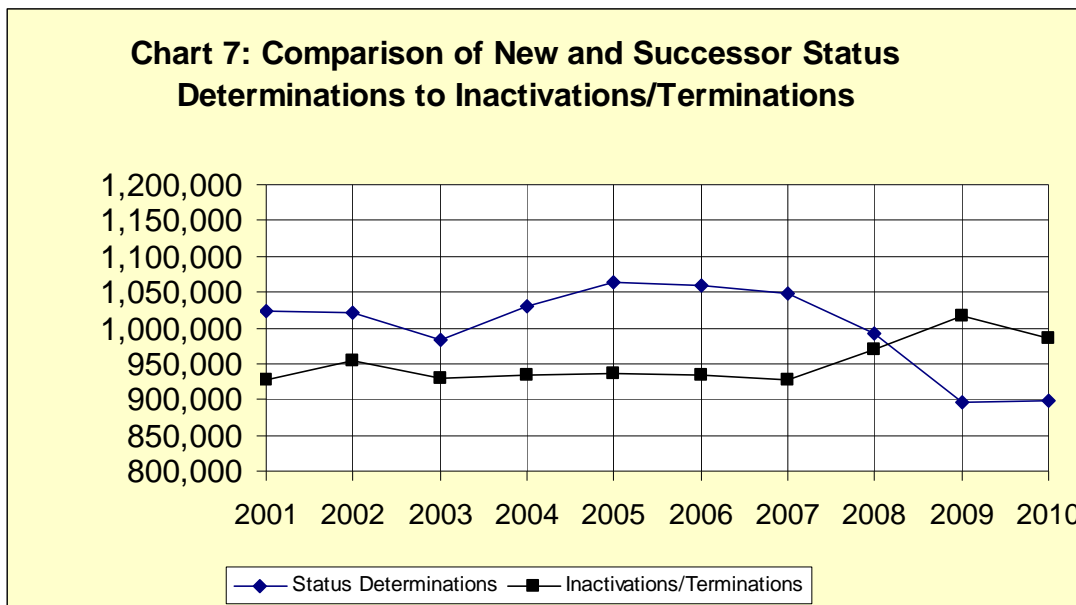


There was no change to the tendency for successor determinations to take longer than new liability determinations in CY 2010. This is illustrated in Table 2 below by comparing the percentages in the New within 90 Days column with the Successor within 90 Days column. The percentage of timely successor determinations is lower than new liability determinations for all 10 of the calendar years shown below.

Table 2: New and Successor Status Determinations						
Year	New Determinations	New within 90 Days	New within 180 Days	Successor Determinations	Successor within 90 Days	Successor within 180 Days
2001	880,964	78.6%	89.0%	142,671	65.9%	80.4%
2002	887,307	82.4%	90.2%	134,367	67.5%	81.3%
2003	861,661	83.3%	90.8%	122,628	70.7%	83.1%
2004	904,784	83.8%	91.3%	124,819	71.2%	83.1%
2005	938,927	82.4%	90.6%	125,276	69.1%	81.6%
2006	933,982	84.2%	91.4%	124,122	68.8%	81.5%
2007	924,378	85.7%	91.7%	124,211	66.6%	79.6%
2008	873,202	84.6%	90.8%	119,638	62.7%	76.2%
2009	796,725	84.7%	90.4%	100,116	62.8%	75.8%
2010	806,087	86.5%	91.7%	91,293	63.8%	75.9%

Comparison of Status Determinations to Account Inactivations/Terminations

Chart 7 below compares status determinations to account inactivations/terminations since 2001. Status determinations include determinations to establish new accounts and successor determinations. Chart 7 provides some insight regarding the changes in total subject employers that are graphed in Chart 1 on page 1 of this attachment. The number of inactivations and terminations exceeded the number of new and successor determinations for both 2009 and 2010.



Timely, Secured and Resolved Contribution Reports

CM numbers 5 through 10 as shown on Attachment A summarize the promptness with which employers file quarterly contribution and wage reports with the states. CM numbers 5, 6 and 7 summarize data for contributory employers and CM numbers 8 through 10 summarize data for reimbursing employers. A description of the measures for report filing follows:

1) The percentage of timely contribution reports received by the state. This CM measures reports for the quarter immediately preceding the ETA 581 report quarter that were filed prior to the delinquency cutoff date that each state established during the ETA 581 report quarter.

2) The percentage of secured delinquent contribution reports obtained by the state during the ETA 581 report quarter. This CM measures reports for the quarter immediately preceding the ETA 581 report quarter that are either secured by state staff or voluntarily filed between the date on which the reports first became delinquent and the end of the ETA 581 report quarter. Since the secured report count (items 7 and 10 on the ETA 581 report) includes all of the timely reports, the number of secured reports must always be equal to or greater than the number of timely reports recorded in items 6 and 9 on the ETA 581 report.

3) The percentage of delinquent reports that are resolved by the end of the report quarter. This CM measures delinquent reports for the second quarter preceding the ETA 581 report quarter that are resolved by the end of the report quarter. States may count a delinquent report as resolved by: a) determining that the report is no longer due, inactivating the account, or closing the account; b) establishing a judgment or assessment that is legally due and collectible for the estimated amount of tax due; or c) receiving the report through some other means such as voluntarily filing, field auditor contacts, subpoenaing records, etc. Because resolved reports (items 8 and 11 on the ETA 581 report) include all of the secured reports submitted for the second tax report quarter prior to the ETA 581 report quarter, the number of resolved reports recorded in items 8 and 11 on the ETA 581 report must be equal to or greater than the number of secured reports recorded in items 7 and 10 on the previous ETA 581 report.

Filing Reports – Contributory Employers

Table 3 below provides a comparison of the national aggregate computed measures for contributory employers for the last ten years.

Table 3: Filing Contribution and Wage Reports – Contributory Employers			
Calendar Year	% Timely	% Secured	% Resolved
2001	87.2%	92.1%	96.9%
2002	87.9%	92.5%	97.0%
2003	88.2%	92.5%	97.0%
2004	88.2%	93.1%	97.1%
2005	88.3%	93.1%	97.4%
2006	88.5%	92.8%	97.8%
2007	88.3%	92.3%	97.0%
2008	88.8%	92.5%	96.6%
2009	88.8%	92.6%	96.4%
2010	89.3%	93.0%	96.4%

Note: Table 3 excludes data from the Virgin Islands for CY 2010 because the Virgin Islands had not filed its ETA 581 report for the quarter ending December 31, 2010, as of the date when this TEN was prepared (May 2, 2011).

Filing Reports: Reimbursing Employers

Table 4 below provides a comparison of the national aggregate computed measures for reimbursing employers for the last 10 years.

Table 4: Filing Contribution and Wage Reports – Reimbursing Employers			
Calendar Year	% Timely	% Secured	% Resolved
2001	80.3%	84.9%	86.8%
2002	80.5%	84.8%	86.3%
2003	80.4%	86.4%	88.3%
2004	81.7%	86.8%	88.1%
2005	83.7%	88.2%	88.8%
2006	86.3%	92.0%	93.7%
2007	90.2%	95.6%	97.0%
2008	92.2%	97.4%	98.9%
2009	93.1%	97.9%	100.2%
2010	92.7%	97.4%	99.0%

Notes regarding table 4 follow:

1. Table 4 excludes data from the Virgin Islands for CY 2010 since the Virgin Islands had not filed its ETA 581 report for the quarter ending December 31, 2010, as of the date when this TEN was prepared (May 2, 2011).
2. Massachusetts began reporting data on report filing for reimbursing employers in the fourth quarter of 2009. Therefore, Massachusetts is excluded from the performance percentages for CYs prior to CY 2010. The performance percentages shown in Table 4 for CY 2006 and prior years include Massachusetts reimbursing employers, but exclude data on the filing of reports by those reimbursing employers. This explains, in part, why the national aggregate percentages for those years are lower than the percentages for each of the years 2007 through 2010.

Receivables – Contributory and Reimbursing Combined

Chart 8 below tracks the amount of receivables past due as of the end of each CY from 2000 to 2010. The amounts were reported by states on quarterly ETA 581 reports. The chart includes receivables past due from contributory and reimbursing employers.

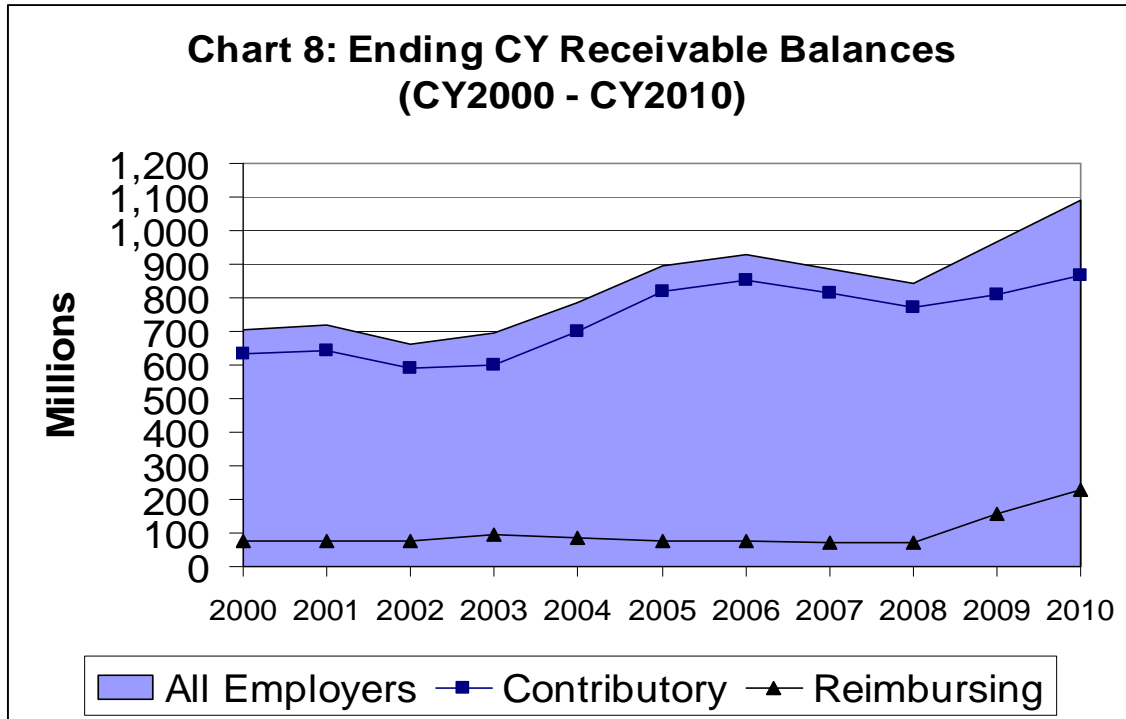


Table 5 below shows the actual amount of past due receivables at the end of each CY and the changes between years beginning in CY 2001.

Table 5: Receivable Balances - All Employers - All States					
Year	CY Ending Balance for Contributory Employers	CY Ending Balance for Reimbursing Employers	Total Past Due Receivables at End of CY	Change in Dollars from Previous CY	Percentage Change from Previous CY
2001	\$641,934,074	\$78,108,222	\$720,042,296	\$13,019,227	1.8%
2002	\$589,738,905	\$74,204,420	\$663,943,325	(\$59,098,971)	(7.8%)
2003	\$601,726,827	\$93,638,818	\$695,365,645	\$31,422,320	4.7%
2004	\$699,471,080	\$87,540,250	\$787,011,330	\$91,645,685	13.2%
2005	\$820,906,453	\$75,708,553	\$896,615,006	\$201,249,361	28.9%
2006	\$852,437,577	\$76,673,915	\$929,111,492	\$32,496,486	3.6%
2007	\$812,466,285	\$72,304,638	\$884,770,923	(\$44,340,569)	(4.8%)
2008	\$772,806,609	\$70,511,546	\$843,318,155	(\$41,452,768)	(4.7%)
2009	\$808,586,865	\$157,873,405	\$966,460,270	\$123,142,115	14.6%
2010	\$865,355,447	\$226,267,678	\$1,091,623,125	\$125,162,855	13.0%

Note: Since the Virgin Islands had not filed its ETA 581 report for the quarter ending December 31, 2010, as of the date when this TEN was prepared (May 2, 2011), the ending balance of receivables for the Virgin Islands as of September 30, 2010, is used as the estimated balance as of December 31, 2010.

Audit Activity

The UI employer audit program has been primarily measured by the number of audits completed annually. With the issuance of UIPL No. 03-11, Implementation of the Effective Audit Measure, the Department's Employment and Training Administration established a new policy for the UI employer audit program. Beginning with data for CY 2011, the Effective Audit Measure will assess the success of state audit programs. Refer to UIPL No. 03-11 on the Employment and Training Web site at https://www.ows.doleta.gov/dmstree/uipl/uipl2k11/uipl_0311.pdf for specific information on each factor that comprises the Effective Audit Measure.

The following information for audit activity is presented according to the factors that comprise the Effective Audit Measure.

Factor 1 of the Effective Audit Measure – Percent of Contributory Employers Audited

Prior to January 1, 2011, states were expected to audit 2% of their contributory employers each year. As part of the Effective Audit Measure, states will be required to audit 1% of their contributory employers each year. To compute the number of audits required per year, states should multiply 1% times the number of contributory employers counted at the end of the third quarter of the preceding CY. Table 6 below summarizes national data for the last 10 years. The number of required audits shown in Table 6 is based on a 1% audit penetration rate.

Year	Number of Employers as of Previous September 30	Required Audits (1% of Number of Employers)	Completed Audits	Percent Completed
2001	6,675,083	66,751	107,429	1.6%
2002	6,779,109	67,791	110,987	1.6%
2003	6,852,994	68,530	116,281	1.7%
2004	6,955,550	69,556	120,243	1.7%
2005	7,054,890	70,549	116,124	1.6%
2006	7,156,865	71,569	116,463	1.6%
2007	7,375,964	73,760	117,487	1.6%
2008	7,521,497	75,215	108,693	1.4%
2009	7,574,880	75,749	108,147	1.4%
2010	7,499,042	74,990	106,788	1.4%

Factor 2 of the Effective Audit Measure – Percent of Total Wages Changed from Audits

Factor 2 (Percent of Total Wages Changed from Audits) has been a CM in the past and it will continue to be a CM as part of the Effective Audit Measure. In order to pass the Effective Audit Measure, a state’s Percent of Total Wages Changed from Audits will need to equal or be greater than 2%. There will be no change to the method for computing the Percent of Total Wages Changed from Audits. The objective of factor 2 is to encourage states to target their audits in order to maximize the discovery of improper employer reporting. National data for the last 10 years is provided in Table 7 below.

Table 7: Summary of Changes in Total Wages Discovered Through Audits - Factor 2 of the Effective Audit Measure					
Year	Underreported Total Wages	Overreported Total Wages	Gross Change	Total Wages Pre-Audit	Percent of Change
2001	\$1,351,751,285	\$331,322,102	\$1,683,073,387	\$38,062,129,532	4.4%
2002	\$1,815,968,012	\$352,167,432	\$2,168,135,444	\$41,899,696,644	5.2%
2003	\$2,022,483,640	\$577,708,747	\$2,600,192,387	\$52,750,229,942	4.9%
2004	\$2,242,798,141	\$604,335,021	\$2,847,133,162	\$56,006,782,965	5.1%
2005	\$2,235,658,270	\$387,940,990	\$2,623,599,260	\$50,888,266,056	5.2%
2006	\$2,570,351,349	\$494,602,132	\$3,064,953,481	\$57,858,654,573	5.3%
2007	\$9,290,360,049	\$412,040,929	\$9,702,400,978	\$79,488,705,708	12.2%
2008	\$3,006,424,911	\$550,434,537	\$3,556,859,448	\$55,438,722,612	6.4%
2009	\$3,279,120,322	\$856,774,910	\$4,135,895,232	\$60,963,400,481	6.8%
2010	\$4,435,985,969	\$1,154,275,871	\$5,590,261,840	\$78,002,957,689	7.2%

Note: The percentage of 12.2% for CY 2007 is larger than normal because the State of New York discovered a large amount of underreported wages as a result of auditing a high number of large employers.

Factor 3 of the Effective Audit Measure – Percent of Total Wages Audited

Factor 3 (Percent of Total Wages Audited), which has been a CM in the past, will be part of the Effective Audit Measure. In order to pass the Effective Audit Measure, a state’s Percent of Total Wages Audited will need to equal or be greater than 1%. There will be no change to the method for computing the Percent of Total Wages Audited. One purpose of factor 3 is to encourage audits of larger employers. National data for the last 10 years is provided in Table 8 below.

Table 8: Summary of Total Wages Paid in Prior Calendar Year That Were Audited - Factor 3 of the Effective Audit Measure					
Year	Total Wages Post Audit	Total Audits Completed	Total Quarters Audited	Total Wages Paid in Prior CY by Contributory Employers	Percent Total Wages Audited
2001	\$39,069,414,428	107,429	489,349	\$3,708,482,586,378	0.9%
2002	\$43,363,497,224	110,987	504,440	\$3,765,374,350,853	1.0%
2003	\$54,195,004,835	116,281	524,614	\$3,727,960,525,472	1.3%
2004	\$57,645,246,085	120,243	544,224	\$3,797,379,555,665	1.3%
2005	\$52,735,983,336	116,124	528,532	\$4,012,702,188,252	1.2%
2006	\$59,934,403,790	116,463	534,474	\$4,231,961,542,651	1.2%
2007	\$88,367,024,828	117,487	531,689	\$4,513,875,778,285	1.7%
2008	\$57,894,712,986	108,693	490,543	\$4,770,245,645,343	1.1%
2009	\$63,385,745,893	108,147	491,182	\$4,824,513,291,876	1.2%
2010	\$81,284,667,787	106,788	485,184	\$4,500,500,580,605	1.6%

Notes regarding Table 8 follow:

1. The total wages paid in the prior CY were reported by states to the Bureau of Labor Statistics as part of the Quarterly Census of Employment and Wages program.
2. Example regarding Total Wages Paid in Prior CY by Contributory Employers: The total wages in the amount of \$4,500,500,580,605 that were used to compute the percent of total wages audited for CY 2010 (1.6%) were paid by contributory employers in CY 2009.

Factor 4 of the Effective Audit Measure – Average Number of Misclassified Employees per Audit

Factor 4 (Average Number of Misclassified Employees) is a new CM and is part of the Effective Audit Measure beginning for CY 2011. The computation is the sum of misclassified employees for a CY divided by the sum of audits completed for the CY. In order to pass the Effective Audit Measure, a state will be required to detect, on average, at least one misclassified worker per audit.

UIPL No. 02-11, Changes to the Employment and Training Administration (ETA) 581 Contribution Operations Report, and Related Handbooks, advised states to begin reporting unreported (off-the-books) workers discovered in audits in addition to workers misclassified as independent contractors on the ETA 581 report beginning in CY 2011. As a result, the average number of misclassified employees beginning in CY 2011 should increase from prior years. Table 9 below summarizes the national average number of misclassified employees discovered in audits in each of the last ten years.

Table 9: Average Number of Misclassified Employees Detected per Audit - Factor 4 of the Effective Audit Measure

Year	Total Misclassified Employees Discovered	Total Audits Completed	Average Number of Misclassified Employees per Audit
2001	107,210	107,429	1.0
2002	125,262	110,987	1.1
2003	123,044	116,281	1.1
2004	139,554	120,243	1.2
2005	132,965	116,124	1.1
2006	160,000	116,463	1.4
2007	151,039	117,487	1.3
2008	209,067	108,693	1.9
2009	191,765	108,147	1.8
2010	209,626	106,788	2.0

Effective Audit Measure

Although the Effective Audit Measure was not implemented for CY 2010, a CM based on CY 2010 data is provided in National Summary Table Number 14 at http://www.ows.doleta.gov/unemploy/pdf/UI_taxinfo/2010/AuditMeasure.pdf for informational purposes. A further breakdown of state performance regarding the Effective Audit Measure for CY 2010 is provided in Table 10 below.

Table 10 - Summary of Pass/Fail Performances - Effective Audit Measure - All States

	<i>Factor 1</i> Percent of Contributory Employers Audited Pass if >= 1%	<i>Factor 2</i> Percent Change in Total Wages from Audits Pass if >= 2%	<i>Factor 3</i> Percent Total Wages Audited Pass if >= 1%	<i>Factor 4</i> Average Number of Misclassified Workers per Audit Pass if >= 1	<i>Factor 5</i> Effective Audit Measure Total Score Pass if >= 7	Effective Audit Measure Results
Number of States Passed	47	42	39	30	38	20
Number of States Failed	6	11	14	23	15	33

Note: Factor 5, Effective Audit Measure Total Score, is the sum of the scores for Factors 1, 2, 3 and 4. This blended score must be greater than or equal to 7 for a state to pass the Effective Audit Measure.