

## New Core Measures – Effective Audit Measure

## Effective Audit Measure

**Measure:** A blended measure of the following four factors: 1) Percent of Contributory Employers Audited Annually, 2) Percent of Total Wage Change From Audit, 3) Percent of Total Wages Audited, and 4) the Average Number of Misclassifications Detected Per Audit. Each of the four factors, as well as the overall combined score, has a minimum standard score that states must meet to attain an Effective Audit Measure. The measure also requires states to direct additional emphasis to the factor(s) that they deem important to their state. An additional two points must be earned among any of the four factors to attain the overall passing score of at least seven.

**Data Sources:** Quarterly ETA 581 Contributions Operations Report and quarterly ES 202 Report.

1) Factor 1 - **Percent of Contributory Employer Audited Annually**

a. Computation (to the tenth percentage place XX.X%):

The sum of Item 47 for all four quarters in a calendar year

Item 1 for quarter ending September 30 from the previous year

- b. Criterion: Greater than or equal to 1.0%. When the criterion is met, the numeric value is added to the blended score for the Effective Audit Measure. When the criterion is not met, the state fails the Effective Audit Measure.

2) Factor 2 - **Percent of Total Wage Change From Audit**

a. Computation (to the tenth percentage place XX.X%):

The sum of items 56 and 53 for four consecutive report quarters

The sum of item 49 for four consecutive report quarters

- b. Criterion: Greater than or equal to 2.0%. If the criterion is met, the numeric value is added to the blended score for the Effective Audit Measure. If the criterion is not met, the state fails the Effective Audit Measure.

3) Factor 3 - **Percent of Total Wages Audited**

a. Computation (to the tenth percentage place XX.X%):

$$\frac{\left( \begin{array}{l} \text{The sum of item 50 for four report quarters} \\ \hline \text{The sum of item 48 for four report quarters} \end{array} \right) \times \text{Item 47 (for 4 Qtrs.)} \times 4 \text{ (Qtrs.)}}{\text{Total Wages of Contributory Employers for prior four quarters (ES 202)}}$$

b. Criterion: Greater than or equal to 1.0%. If the criterion is met, the numeric value is added to the blended score for the Effective Audit Measure. When the criterion is not met, the state fails the Effective Audit Measure.

4) Factor 4 - **Average Number of Misclassifications Detected Per Audit**

a. Computation (to the tenth decimal place XX.X):

$$\frac{\text{The sum of item 52 for four consecutive report quarters}}{\text{The sum of item 47 for four consecutive report quarters}}$$

b. Criterion: Greater than or equal to 1.0. If the criterion is met, the computation's numeric value is added to the blended score for the Effective Audit Measure. If the criterion is not met, the state fails the Effective Audit Measure.

5) Blended Score

a. Computation (to the tenth decimal place XX.X):

The sum of Factors 1, 2, 3, and 4.

b. Criterion: The blended score must be greater than or equal to 7.0, and each of the four factor's criteria must be met. If the criterion is met, and all factor criteria are met, the state passes the Effective Audit Measure. If the blended score criterion is not met, or any one of the four factors is not met, the state fails the Effective Audit Measure.

**Reporting Frequency:** Annually

**Definitions for ETA 581 Item Numbers:**

- 1) Item 1 – Number of Contributory Employers
- 2) Item 47 – Total Audits
- 3) Item 48 – Total Calendar Quarters Audited
- 4) Item 49 – Total Wages Audited – Pre-Audit
- 5) Item 50 – Total Wages Audited Post-Audit
- 6) Item 52 – Number of Employees Misclassified
- 7) Item 53 – Total Wages Under-reported
- 8) Item 56 – Total Wages Over-reported