

MODULE 4—TPS QUALITY SAMPLE VALIDATION

One of the Tax Validation responsibilities is to review the integrity of four key Tax Performance System (TPS) acceptance samples: the three Status Determination samples and the Field Audit sample. The objective of the DV reviews is to ensure that the samples are drawn randomly from the correct population or universe. The validator reviews how the sample was selected and compares the universe from which the sample is drawn to a reference count—ideally the validated reference count—from the ETA 581 report. To ensure that the actual acceptance sample is random, each TPS sample should be validated before the cases are given to the TPS reviewer for investigation. Thus, the samples should be validated as soon as the universes and the 581 reference data are available. This is approximately February 20 for the Status Determination samples and November 20 for the Field Audit sample.

States may select their TPS samples in either of two ways. The first is a conventional interval sample: the programmer (or a utility program) divides the size of the desired sample (say 30) into the size of the population (say 300) and derives the sample interval (every 10th observation). A random start point—in this instance between 1 and 10—is then applied, and the program selects every tenth case from that point. The National Office provides states with random start numbers for all TPS samples in December for the upcoming calendar year. States may also use a sampling utility program that randomizes the file and selects the first 30 observations. This approach is somewhat more difficult to validate, but could involve reviewing the sample against the source file (see Step 2 below) or reviewing the utility program specifications.

A. PROCEDURES**Task 1: Compare Universe Counts**

From IS staff the validator should obtain copies of the universe files for Status Determinations and Field Audits. For status determinations there will be three TPS universes: (1) New, (2) Successor, and (3) Inactive/Terminated. The universe listings should cover all quarters for which the actual acceptance sample was drawn. These are as follows:

- Status Determinations: the four quarters of the calendar year
- Field Audits: the first three quarters of the calendar year.

Compare the count of each status determination universe and the field audit universe to the reference count reported on the ETA 581 (see below) for the same period. If the universe is within $\pm 2\%$ of the reference count, this indicates that the correct universe was used. Please note that you may need to adjust the TPS universe count of Inactivation/Termination determinations to make a proper comparison with the 581 reference count.

Reference Counts by line and UIDB cell number:

- New Status Determinations: ETA 581 line 301, column 14 (c11)
- Successor Determinations: ETA 581 line 301, column 17 (c68)
- Inactivations/Terminations: ETA 581 line 301, column 20 (c63)
 - NOTE: If your State law allows both inactivations and terminations, per the instructions in Handbook 401 the 581 count will comprise only terminations and inactivation determinations of previously *active* accounts. The TPS universe is to include *all* inactivation and termination transactions. You must therefore subtract the number of terminations of previously inactivated accounts from the TPS universe, and compare that adjusted figure with the 581 count. If the adjusted TPS universe is within $\pm 2\%$ of the 581 count, the TPS universe will be considered to contain the correct transactions.
- Field Audits: ETA 581, line 501, column 47 (c25b)

Task 2: Review Sample Selection

Determine whether an interval sample was drawn (and how it was drawn) or whether the file was randomized such that the first set of cases could be selected without establishing intervals.

If an interval sample was drawn, check to see that the correct random start number was used and that proper cases were selected (that is, if the random start was 10 and the interval was every 40th case, check to see that cases 50, 90, 130, and so forth were selected).

If the sample was drawn from a randomized file, print the file and ensure that it was not ordered by date, employer, or some other nonrandom means. The validator can compare the printout with the way the file was ordered prior to randomization to ensure that the file was randomly reordered.

Task 3: Record Findings on the Template

The Sun-based software does not include a screen for forwarding the results of the quality reviews. Results of the quality review validation should be documented in a Word[®] file using the format below and sent via email to the National Office to dvrpts@uis.doleta.gov. Note any problems in the Comments field.

State:

New Status Determinations (Tax Pop 3)

Calendar Year: YYYY
Universe: XXX,XXX
581 Count: XXX,XXX
Difference as % of 581 Count:
Sampling Method: (Interval or Randomized File)
Problems/Comments:

State:

Successor Status Determinations (Tax Pop 3)

Calendar Year: YYYY
Universe: XXX,XXX
581 Count: XXX,XXX
Difference as % of 581 Count:
Sampling Method: (Interval or Randomized File)
Problems/Comments:

State:

Terminations/Inactivation Status Determinations (Tax Pop 3)

Calendar Year: YYYY
Universe: XXX,XXX
Adjustments XXX,XXX
Adj Universe XXX,XXX
581 Count: XXX,XXX
Difference as % of 581 Count:
Sampling Method: (Interval or Randomized File)
Problems/Comments:

State:

Field Audit Quality (Tax Population 5)

3 Quarters End: 09:YYYY

Universe: XXX,XXX

581 Count: XXX,XXX

Difference as % of 581 Count:

Sampling Method: (Interval or Randomized File)

Problems/Comments:

Results and Actions

If the sampling method was not correct or was not implemented properly, the validator should ensure that the sample is redrawn and is random before it is given to the TPS reviewer. The problems should be discussed with the programmer to ensure that next year's sample is drawn randomly. If the programmer confirms that the process was incorrect, the validator should record the problems in the comments section of the template.

If the universe for any TPS acceptance sample differs from the 581 reference count by more than $\pm 2\%$, the review must be repeated the following year. Otherwise, the review need not be repeated for three years.