

Reporting Adjustments on the ETA 227 and ETA 581 Reports

As a large, complex program with many transactions, the Unemployment Insurance program sees many instances where adjustments and corrections are required. Claims are filed and then withdrawn; erroneous data entries are made and then discovered and need correction; payments are made to the UI agency using checks that bounce. These adjustments not only present challenges for UI operation but also for reporting. This brief paper outlines the principles to be used for reporting adjustments on the two main UI reports that deal with accounts receivable, the ETA 227 (overpayments) and the ETA 581 (tax receivables).

Some transactions requiring adjustments *occur, are discovered, and reversed within a reporting period*. In other cases, the initial transaction or error occurs in one reporting but it is not detected and reversed until the following report period. This guidance is intended to explain how both kinds of adjustments are handled consistently on the 227 and 581 reports using no negative values in individual transactions for report items. On both reports, transactions that are corrected/reversed within the same report quarter are reported differently depending on the circumstances requiring the adjustment.

This note provides additional reporting guidance by first comparing the structure of the 581 and 227 reports (Table 1). It then gives examples of some common adjustments and how they should be reported on the two reports depending on whether the adjustments occur within the same quarter as the initiating transaction (Table 2) or a later quarter (Table 3)

1. Summary of Report Structures. Table 1 compares the categories for reporting accounts receivable transactions on the 581 (Contribution Operations) and 227 (Overpayment Detection and Recovery Operations) reports. Because of the greater variation in overpayment detection/recovery operations, the ETA 227 report contains much more detail than the 581. For example, it contains 5 categories for how the receivables are liquidated (recovered) versus one for the 581; some nonfraud overpayments may be removed by waiver—not reported separately for contributions due—and it contains two categories designed specifically to accommodate positive and negative adjustments versus none for the 581 report.

	ETA 581 Report		ETA 227 Report		
	Report Category	Qualifications/ Details	Report Category	Qualifications/ Details	Comment
Beginning Value	<i>Total Beg Period (Item 21 or 33)</i>	All categories reported for both Contributory and Reimbursing Employers	<i>Outstanding at Beginning of Period (line 301)</i>		
New Receivables	<i>Determined Receivable (Item 22 or 34)</i>		<i>OPs Established (Section A, lines 101-110)</i>	By Fraud & nonfraud, multiple causes & modes of detection	
Liquidated	<i>Liquidated (Item 23 or 35)</i>	Payment or downward adjustment to amount past due	<i>Recovered (lines 303-307)</i>	Fraud & nonfraud, 5 modes of recovery, UI & Federal	
Written Off	<i>Declared Uncollectible (Item 24 or 36)</i>		<i>Written-Off (line 309)</i>		
Waived	Included in <i>Liquidated (Item 23 or 35)</i>		Waived (line 308)		
Adjustments	Included in <i>Liquidated (Item 23 or 35)</i> or <i>Determined Receivable (Item 22 or 34)</i>		<i>Additions (line 310)</i>	For any upward adjustments to \$ receivable in same qtr or recoveries of \$ previously removed. This also includes redeterminations due to appeal decisions that increase the amount of overpayments previously reported.	
			<i>Subtractions (line 311)</i>	For downward adjustments in amounts established, e.g., due to redets or appeals	
Removed	<i>Removed End of Period (Item 25 or 37)</i>		<i>Receivables Removed at End of Period (line 312)</i>		
Ending	Total End		<i>Outstanding</i>		

<i>Value</i>	Period (Item 26 or 38)		<i>at End of Period</i> (line 313)		
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2. Reporting Common Adjustments When Initial Transaction and Correcting or Reversing Transaction Are Within Same Report Period. Table 2 illustrates how some common adjustments would be reported on the two reports:

- *Scenario 1:* Check Received in Payment for an outstanding Receivable, returned by the bank for Insufficient Funds (NSF).
 - On the 227 report, the amount of the check is reported as *Recovered-Cash*; when returned, reported as an *Addition*.
 - The Balance at end of Quarter = Balance at Beginning.
 - On the 581 report, the amount of the check is reported as *Liquidation*; when returned, reported as an *Establishment*.
 - The Balance at end of Quarter = Balance at Beginning.
- *Scenario 2:* A clerical error made, detected, and reversed within the report period is not reported on either report.
 - The Balance at end of Quarter = Balance at Beginning.
- *Scenario 3:* A check received timely in payment of Contributions Due or Reimbursements Due on the 581 but returned for NSF.
 - When the check is returned, it represents a newly-established receivable.
 - The Balance at end of Quarter rises by amount of the new receivable.

Note: Although the adjustments for Scenarios 1 and 2 reach the same net result—no change in the balance due at the end of the period—they are reported differently to reflect underlying facts. In Scenario 1, the accounts receivable activity reflected the actual transaction, which the agency properly recorded in their receivable records. Each event must be separately accounted for ensure proper financial reporting; reporting should reflect that sequence of transactions. Any other official agency action taken to change the amount of a receivable, which the agency fully or partially reverses in the same report period, would be reported along the lines of Scenario 1. A change in a receivable due to a clerical error, however, is reported differently (Scenario 2). Errors that the agency can correct within the same reporting period as the original error, should be offset and only the net result reported to avoid misrepresentations of financial activity.

Table 2					
Reporting on the 227 And 581 Reports of Returned Check and Clerical Errors within Same Reporting Period					
Date	Action or Status	ETA 227 Report		ETA 581 Report	
		For 200803	For 200804	For 200803	For 200804
<i>Scenario 1: Payment against Receivable; Check Returned by Bank for NSF</i>					
	Balance Due Beg Period.	Line 301		Item (21	

7/1/08	\$500	= \$500		or 34) = \$500	
7/15/08	Check received for \$250	Line 303 + \$250		Item (23 or 35) + \$250	
7/30/08	Check returned by bank--NSF \$250	Line 310 + \$250		Item (22 or 34) + \$250	
9/30/08	Balance Due End Period = \$500	Line 313 = \$500		(26 or 38) = \$500	
Scenario 2: Clerical Error					
7/1/08	Balance Due Beg Period = \$500	Line 301 = \$500		Item (21 or 34) = \$500	
7/15/08	Posting Error \$250	Not Reported		Not Reported	
7/30/08	Posting Error corrected \$250	Not Reported		Not Reported	
9/30/08	Balance Due End of Period = \$500	Line 313 = \$500		Item(26 or 38) = \$500	
Scenario 3: Timely Contribution Report Payment, Check Returned - NSF					
7/1/08	Balance Due beg period \$0	NA		(21) \$0	
7/15/08	Check Received for Timely Contribution Report \$250	NA		Item (23) \$0	
7/30/08	Check Returned by Bank \$250	NA		(22) \$250	
9/30/08	Balance Due EOQ \$250	NA		(26) \$250	

3. Reporting Common Adjustments When Initial Transaction and Correcting or Reversing Transaction Are In Different Report Periods. Table 3 illustrates how the same adjustments used above would be treated if two periods are involved:

- *Scenario 1 and 2:* Because the report is to capture status at the end of the quarter, both the erroneous entries and the received amounts would be reported because they drive the change in End-of-Quarter balance. The balances at end of quarter would reflect the reduced receivables. The reversing/correcting transactions would be reported in the following report period for the same reason.
- *Scenario 3:* The receivable created when the check was returned for NSF would be reported in the quarter in which the bank returned the check.

Table 3					
Reporting on the 227 And 581 Reports of Returned Check and Clerical Errors					
In Different Reporting Periods					
Date	Action or Status	ETA 227 Report		ETA 581 Report	
		For 200803	For 200804	For 200803	For 200804
<i>Scenarios 1 & 2: Payment against Receivable; Check Returned by Bank for NSF</i>					
7/1/08	Balance Due Beg Period. = \$500	Line 301 = \$500		Item (21 or 34) = \$500	
8/15/08	Check received for \$250 (or posting error reducing receivable, \$250)	Line 303 + \$250		Item (23 or 35) + \$250	
9/30/08	Balance Due End Period = \$250	Line 313 = \$250		(26 or 38) = \$250	
10/1/08	Balance Due Beg Period = \$250		Line 301 = \$250		Item (21 or 34) = \$250
10/10/08	Check returned by bank—NSF \$250; or posting error reducing receivable corrected, +\$250		Line 310 + \$250		Item (22 or 35) + \$250
12/31/08	Balance Due End Period = \$500		Line 313 = \$500		(26 or 38) = \$500
<i>Scenario 3: Timely Contribution Report Payment, Check Returned - NSF</i>					
7/1/08	Balance Due beg period \$0	NA		Item (21) \$0	
7/15/08	Check Received for Timely Contribution Report \$250	NA		Item (23) \$0	
9/30/08	Balance Due EOQ \$0	NA		Item (26) \$0	
10/1/08	Balance Due Beg Period. \$0	NA			Item (21) = \$0
7/30/08	Check Returned by Bank, <i>Determined Receivable</i> +\$250	NA			Item (22) \$250
12/31/08	Balance Due EOQ \$250	NA			(26) \$250