

PAYROLL: UNEMPLOYMENT INSURANCE

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"Let us be of good cheer, however,
remembering that the misfortunes
hardest to bear are those which
never come."

--Lowell

I. INTRODUCTION

On January 1, 1972, the University became subject to the State Unemployment Insurance Program administered by the Employment Development Department (EDD). A University unemployment insurance coordinator responsible for administering unemployment insurance claims is designated at each campus, Laboratory, or other location. Departmental administrative units and the payroll section of the accounting office at each location also are involved in the administration of the Program for the University. This chapter sets forth the procedures to be followed in reporting covered wages, assessing the cost of unemployment insurance, and monitoring claims paid by EDD.

II. PROCEDURES

Unemployment insurance is designed to replace, in part, wages lost because an employee is involuntarily unemployed. An employee's unemployment benefits are determined based on the covered wages received by the employee during his or her employment.

A. ELIGIBLE EMPLOYEES

All employees are covered by unemployment insurance except University of California students who:

- 1) are registered for a minimum number of units (as set by the location),
- 2) are working no more than 50% time, and
- 3) are not members of a retirement system (other than the Defined Contribution Plan).

II. PROCEDURES (Cont.)

B. COVERED WAGES

In general, wages paid to covered employees, including overtime, differentials, etc., are subject to unemployment insurance and are reported to EDD. However, such payments as final vacation payments and perquisites by deduction are excluded from reporting. (See Accounting Manual chapter P-196-11, Payroll: Accounting for and Tax Reporting of Mandatory Deductions and Insurance Benefit Contributions, for details concerning covered wages.)

C. REPORTING TO EDD

Wages paid to an employee within a quarter that are covered by unemployment insurance are reported to EDD under the employer identification number assigned to the location by EDD (see subsection 3. below).

1. Quarterly Wage Information Reported to EDD

Quarterly DE 6 wage information is reported to EDD on magnetic tape. The tape contains information by employee on unemployment insurance covered wages and personal income tax withheld. The data processing centers send the magnetic tape directly to EDD.

The UI Wages and California State Withholding Tax report provides a listing by employee of the unemployment insurance covered wages and personal income tax withheld, as reported on the magnetic tape. Other reports provide listings by employee of wages and taxes that could not be reported on the magnetic tape because the amounts were negative. The data processing centers prepare a copy of these reports for each accounting office which forwards a copy of each report to the unemployment insurance coordinator.

Adjustments to the quarterly DE 6 wage information reported to EDD are made on the DE 938, Quarterly Return Adjustment Form. Copies of the adjustments are forwarded to the unemployment insurance coordinator.

2. Annual Reconciliation Return

All unemployment insurance covered wages paid and personal income tax withheld during the calendar

year must be reported on the DE 7, Annual Reconciliation Return. The total personal income tax withheld as shown on this return must agree with the totals shown on the W-2 Forms.

3. Reporting Numbers

For reporting purposes, EDD has assigned a separate employer identification number to each accounting location. The reporting numbers are as follows:

<u>Location</u>	<u>Regular Number</u>
Berkeley	935-0503-0
Davis	935-0501-4
Irvine	935-0513-9
Los Angeles	935-0510-5
Riverside	935-0511-3
San Diego	935-0505-5
San Francisco	935-0509-7
Santa Barbara	935-0512-1
Santa Cruz	935-0506-3
Lawrence Berkeley National Laboratory (LBNL)	935-0507-1
Lawrence Livermore National Laboratory (LLNL)	935-0508-9
Los Alamos National Laboratory (LANL)	935-0500-6
Associated Students of UCLA (ASUCLA)	935-0502-2
Hastings College of the Law	936-5201-4

D. ASSESSMENT

The University participates in the State Unemployment Insurance Program based on a cost reimbursement method. Under this method, the University reimburses the State for the actual amount of claims paid. In order to create a pool for this reimbursement, an assessment is made against all funds from which covered wages are paid.

This assessment is entered in the general ledger as a departmental employee benefit cost using Object Code 8520, with an offsetting credit to the campus Unemployment Insurance Accrued Liability account (11540X). The computer-generated entry XX-D10 from the distribution of payroll expense process credits each campus liability account 11540X, without a fund

II. PROCEDURES (Cont.)D. ASSESSMENT (Cont.)

designation. This entry is separated into four funds based on the fund groups indicated on the distribution of payroll expense report for unemployment insurance, as follows:

<u>UI Account/Fund</u>	<u>Fund Groups</u>
11540X - 19900	19900 (General Fund)
11540X - 33999	21100 - 33999 (Federal Funds)
11540X - 63999	63000 - 63999 (Hospital Funds)
11540X - 69999	All Other Funds

This entry is made on a monthly basis to provide the unemployment insurance coordinator with up-to-date information.

The following Unemployment Insurance Accrued Liability accounts are used by campuses that choose to distribute the offset credits directly to the four separate accounts based on the fund groups:

<u>UI Account/Fund</u>	<u>Fund Groups</u>
115441	19900 (General Fund)
115442	21100 - 33999 (Federal Funds)
115443	63000 - 63999 (Hospital Funds)
115444	All Other Funds

Each of the nine campuses establishes its own assessment rates based on reimbursements made to EDD and the assessment balances held at the campuses for each fund group.

This assessment procedure applies only to the nine campuses. It does not apply to LBNL, LLNL, LANL, ASUCLA, or Hastings College of the Law.

E. COST OF UNEMPLOYMENT INSURANCE CLAIMS

Unemployment insurance claims paid by EDD are reimbursed by each campus from the Unemployment Insurance Accrued Liability account as described in subsection D. above. Refunds are not made for retroactively accumulated credits for individual campus account balances. Accumulated credits are, instead, deducted from any present or future payments. Payments should be charged against the proper fund, as identified by the unemployment insurance coordinator.

Quarterly, EDD forwards to each campus a DE 428R, Statement of Reimbursable Benefit Charges, and a DE 2176, Employer Account Statement. The DE 428R lists the individual claims paid by EDD during the quarter on behalf of the campus. The DE 2176 is used to notify a location of the total amount due for its share of reimbursable unemployment insurance benefits.

The unemployment insurance coordinator allocates each claim listed on the DE 428R to one of the four fund groups specified in subsection D. above, then totals the claims for each of those groups. The unemployment insurance coordinator contacts EDD concerning any claims that appear to be improper. After approving the statement, the unemployment insurance coordinator sends a copy to the campus accounting office for payment from the appropriate fund groups in the liability accounts. LBNL, LLNL, LANL, ASUCLA, and Hastings also maintain their own liability accounts and pay their own claims.

III. RESPONSIBILITIES

A. ACCOUNTING OFFICERS

Based on the information provided by employees or departments, accounting officers are responsible for establishing and maintaining each employee's unemployment insurance status on the employee data base. Accounting officers are responsible for ensuring that assessments against covered wages are allocated to the appropriate fund groups and liability accounts.

Accounting officers are responsible for periodically establishing assessment rates, by fund group, for their locations.

Accounting officers are responsible for making any adjustments to the quarterly DE 6 wage reports on the DE 938 Form and for providing copies of the adjustments to the unemployment insurance coordinator.

B. DATA PROCESSING CENTERS

Data processing centers are responsible for providing EDD with quarterly DE 6 wage information on magnetic tape and for providing the accounting office with copies of the quarterly reports.

C. EMPLOYEES AND EMPLOYING DEPARTMENTS

It is the responsibility of the employee and the

III. RESPONSIBILITIES (Cont.)

C. EMPLOYEES AND EMPLOYING DEPARTMENTS (Cont.)

employee's department to complete the appropriate form(s) whenever there is a change in the employee's unemployment insurance status.

D. UNEMPLOYMENT INSURANCE COORDINATOR

Unemployment insurance coordinators have the primary responsibility for administering unemployment insurance claims. Coordinators also serve as the liaison to EDD in matters concerning unemployment insurance.

IV. REFERENCES

EDD Publications:

California Employer's Guide.

Magnetic Media Reporting Requirements for Quarterly Wage Reporting Program.

Commerce Clearing House, Inc., Payroll Management Guide, Volume 2.

Accounting Manual chapters:

P-196-11 Payroll: Accounting for and Tax Reporting of Mandatory Deductions and Insurance Benefit Contributions.

P-196-77 Payroll: State Tax Withholding from Employees.

Memoranda:

Assistant Vice President Carole A. Swartz and University Controller Joseph A. Pastrone, Letter to the Administrative Vice Chancellors on Unemployment Insurance Assessment Rates, February 8, 1991.

Principal Analyst Nancy Partovi, Letter to Payroll Managers on Making Corrections to California Quarterly Reporting, September 5, 1995.

Historical note: Accounting Manual chapter first published 1/3/72. Revisions: 10/2/72, 11/20/74, 1/1/76, 7/1/80, 9/1/81, 11/1/82, 5/1/84, and 9/30/95; analyst--Nancy Partovi.