

MINUTES OF  
Budget and  
Control Board  
Meeting

March 27, 1978

MINUTES OF BUDGET AND CONTROL BOARD MEETING

MARCH 27, 1978

On this date, State Auditor William T. Putnam and Assistant State Auditor William A. McInnis completed a poll begun on March 23, 1978 of the following Budget and Control Board members on the items of business described below:

Governor James B. Edwards (through Executive Assistant Pettiss)  
Mr. Grady L. Patterson, Jr.  
Mr. Earle E. Morris, Jr.  
Senator Rembert C. Dennis  
Representative Tom G. Mangum

PUBLIC RAILWAYS COMMISSION - PROVISIO ON STATE RULES AND REGULATIONS -

Board members were advised that Public Railways Commission Executive Director W. J. Betz has requested Budget and Control Board endorsement of a provision to be incorporated into the Appropriation Act which would authorize the Budget and Control Board to modify certain State rules and regulations to enable the Railways Commission to comply with requirements of the Interstate Commerce Commission. Board members also were advised that Mr. P. C. Smith has drafted such a provision and that State Auditor Putnam has advised Mr. Betz of his intention to seek Board endorsement of the provision drafted by Mr. Smith with the understanding that it would be furnished to the Senate Finance Committee for its consideration for inclusion in the 1978-79 Appropriation Act.

The Board members polled endorsed the proviso drafted by Mr. Smith relating to the referenced subject and authorized its transmittal to the Senate Finance Committee for consideration for inclusion in the 1978-79 Appropriation Act.

Information relating to this matter has been retained in these files and is identified as Exhibit I.

FINANCE DIVISION - SELECTION OF CONSULTANT CONTRACTOR FOR UNEMPLOYMENT

COMPENSATION MANAGEMENT PROGRAM - The Board members polled were advised that

three bids had been received in response to a request for proposals circulated by the Finance Division and that the proposal of R. E. Harrington, Inc., had been accepted contingent upon the negotiation of a contract agreeable to the contractor and the Budget and Control Board and to the final approval by the Board. Board members were advised that the Harrington bid was based on a cost of \$1.60 per covered employee and that the two other bids received called for the payment of \$1.70 and \$1.75 per covered employee.

The Board members polled approved the acceptance of the R. E. Harrington, Inc., proposal and bid of \$1.60 per covered employee to provide an Unemployment Compensation Claims Management Program for the State of South Carolina in accordance with the Finance Division RFP dated February 24, 1978.

Information relating to this matter has been retained in these files and is identified as Exhibit II.

GOVERNOR'S OFFICE, DIVISION OF HEALTH AND SOCIAL DEVELOPMENT -  
CONSULTANT SERVICES CONTRACT - The Board members polled were advised that the Division of Health and Social Development has requested Board approval of an expansion of the scope of services and a \$15,000 increase in the contract amount of a contract (#80702) with Robert B. Carleson and Associates, Inc.

The Board members polled approved the execution of the referenced contract amendment, as requested by the Division of Health and Social Development.

Information relating to this matter has been retained in these files and is identified as Exhibit III.

EXHIBIT I  
3/27/78

Provided, that, in recognition of the necessity that the Railway Commission adhere to regulations and reporting requirements of the (federal) Interstate Commerce Commission with respect to its accounting system and management procedures, the Budget and Control Board is hereby authorized to approve such modifications in specific and general state rules and regulations as may be necessary to enable the Railway Commission to comply with requirements of the <sup>Icc</sup> Commission.

3/22

WTP OK

Poll <sup>Proviso</sup>  
to SFC

Gouvenor	OK 3/23
Patterson	OK <sup>because of</sup> peculiar <sup>accounting</sup>
Morris	OK 3/24
Denno	OK 3/27
Mangum	OK 3/24



*MT*

STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

WILLIAM T. PUTNAM  
STATE AUDITOR

TELEPHONE  
(803) 758-3106

March 22, 1978

Mr. W. J. Betz, Executive Director  
South Carolina Public Railways Commission  
P. O. Box 279  
Charleston, South Carolina 29402

Dear Mr. Betz:

I have discussed your letter of March 10, 1978 with Mr. Pat Smith and have found that he has previously taken several steps directed toward solving the problems which you have outlined.

The proviso which Mr. Smith drafted and furnished to you seems to be the best approach to the resolution of this matter and he and I are agreed that it should be proposed to the Senate Finance Committee. Therefore, unless you would prefer a different approach, we will plan to solicit Budget and Control Board endorsement of the proviso with the understanding that it will be furnished to the Senate Finance Committee for consideration for inclusion in the Appropriation Act for fiscal year 1978-79.

Yours very truly,

William T. Putnam  
State Auditor

WTP:sc



SOUTH CAROLINA PUBLIC RAILWAYS COMMISSION

P. O. BOX 279  
CHARLESTON, SOUTH CAROLINA  
29402

W. JAMES BETZ  
EXECUTIVE DIRECTOR

TELEPHONE  
(803) 723-3866

March 10, 1978

Mr. W. T. Putnam  
Secretary  
State Budget and Control Board  
Post Office Box 11333  
Columbia, South Carolina 29211

Dear Mr. Putnam:

Since the creation of the South Carolina Public Railways Commission, we have on several occasions endeavored to explain to the various State bodies we are accountable to, the necessity of affording the Railways Commission special consideration due to the unique situation which applies to the Railways Commission only, making it different from any other State Agency.

The Railways Commission is, as we are all well aware, responsible for the operation of Interstate Commerce Commission certificated common carrier railroads. As such, virtually all of the Commission's activities fall within the scope of the Interstate Commerce Act and are subject to regulation and sanction by the Interstate Commerce Commission. This was recognized by the State when it was decided to actuate the Railways Commission in 1972. An application was made by the S. C. Public Railways Commission to the Interstate Commerce Commission in Finance Docket #27254, dated November 28, 1972, for authority to acquire the two railroads which were at that time under the control of the S. C. State Ports Authority, i.e. the State of S. C. recognized the fact that the transfer of State owned common carrier railroads from one State Agency to another could not be effected without Interstate Commerce Commission approval and corresponding order.

Under Section I of the Interstate Commerce Commission Act, this order vested in the Railways Commission per se the power and responsibility to exercise actual as well as legal control of the common carrier railroad properties transferred.

Mr. W. T. Putnam  
March 10, 1978  
Page two

This action identified the Railways Commission as the entity accountable for compliance with the Interstate Commerce Act, including but not limited to, prescribed accounting procedures, the filing of reports as required by the Interstate Commerce Act and the management of the properties in such a way as to guarantee their continued ability to provide service to the public as mandated by the Federal Statute.

As the owner of a common carrier railroad, the State accepts total responsibility for continued proper performance of its service to the public as defined by the Interstate Commerce Act. The level of service mandated by the Act is an obligation imposed by Federal Statute which must be met until such time as the owner, i.e., the State, is authorized by ICC order to discontinue service and abandon the operation involved. At that time, the common carrier certificate would be revoked and proper order to that effect issued by the Interstate Commerce Commission.

The State of South Carolina, by virtue of its ownership of common carrier railroads, is obligated to provide this service. Relief from this obligation can only be obtained from the Interstate Commerce Commission via a formal petition and subsequent approval of that body to discontinue and abandon. Thus the responsibility in this instance is clearly defined and mandatory.

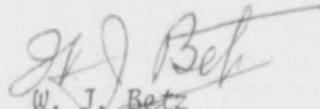
In addition to the above, the Railways Commission differs from all other State Agencies in that it is the only agency of the State of South Carolina having to deal with organized labor. As such, it is subject to the Railway Labor Act as opposed to the National Labor Relations Act, the Wagner Act, etc. It is subject to the Railroad Retirement Act and excluded from the Social Security Program. It falls within the scope of the Federal Liabilities Act rather than the South Carolina Workmen's Compensation Act. It is subject to the dictates and regulation of the U. S. Department of Transportation through the Federal Railroad Administration. Finally, it is subject to the Railroad Revitalization and Reorganization Act of 1973 and the Railroad Revitalization and Regulatory Reform Act of 1976, which will impact significantly the railroad industry nationally.

Due to the exposure outlined above, the Railways Commission must be in a position to provide reasonable service as required by the public. Consequently, we must have the flexibility to increase our labor force to meet that demand and to maintain facilities and equipment in such a way as to insure uninterrupted service. Sufficient funds should be available to meet contingencies and to cover fluctuations in the level of traffic handled.

Mr. W. T. Putnam  
March 10, 1978  
Page three

*It is therefore respectfully requested that the Budget and Control Board consider recommending a provision to be incorporated into the Appropriations Act which would provide the flexibility required by the Railways Commission, which would enable it to comply as a common carrier railroad operator with the regulations and requirements of the Interstate Commerce Commission, related Federal laws and regulations.*

*Very truly yours,*

  
W. J. Betz  
Executive Director

WJB/bi



EXHIBIT II  
3/27/78

STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

WILLIAM T. PUTNAM  
STATE AUDITOR

TELEPHONE  
(803) 758-3106

March 23, 1978

R. E. Harrington, Inc.  
6075 Barfield Road  
Atlanta, Georgia 30328

Gentlemen:

We are pleased to inform you that your firm has been selected to provide an Unemployment Compensation Claims Management Program for the State of South Carolina in accordance with our request for proposal dated February 24, 1978 and your proposal dated March, 1978. The acceptance for your proposal is contingent upon the follows:

1. The negotiation of a contract agreeable to R. E. Harrington, Inc. and the State Budget and Control Board.
2. Final approval by the State Budget and Control Board.

We appreciate your interest in this program and look forward to working with you.

Yours very truly,

William T. Putnam  
State Auditor

WTP/jp



STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

WILLIAM T. PUTNAM  
STATE AUDITOR

TELEPHONE  
(803) 758-3108

March 23, 1978

Reed, Roberts Associates, Inc.  
4285 Memorial Drive  
Decatur, Georgia

Gentlemen:

We appreciate very much your submission of a proposal based on our request for proposals for an Unemployment Compensation Claims Management Program dated February 24, 1978. R. E. Harrington, Inc. has been selected to provide the required services. The Harrington proposal specified a fee of \$1.60 per covered employee. The selection was based on the criteria as set forth in the request for the proposal.

Yours very truly,

A handwritten signature in cursive script that reads "William T. Putnam".

William T. Putnam  
State Auditor

WTP/jp



STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

WILLIAM T. PUTNAM  
STATE AUDITOR

TELEPHONE  
(803) 738-3108

March 23, 1978

Gates, McDonald  
2210 Park Lake Drive, N.E.  
Atlanta, Georgia 30345

Gentlemen:

We appreciate very much your submission of a proposal based on our request for proposals for an Unemployment Compensation Claims Management Program dated February 24, 1978. R. E. Harrington, Inc. has been selected to provide the required services. The Harrington proposal specified a fee of \$1.60 per covered employee. The selection was based on the criteria as set forth in the request for the proposal.

Yours very truly,

A handwritten signature in cursive script that reads "William T. Putnam".

William T. Putnam  
State Auditor

WTP/jp



STATE OF SOUTH CAROLINA

OFFICE OF THE STATE AUDITOR

P. O. BOX 11333

COLUMBIA

29211

WILLIAM T. PUTNAM  
STATE AUDITOR

TELEPHONE  
(803) 758-3106

February 24, 1978

TO: VENDORS SUBMITTING PROPOSALS FOR AN UNEMPLOYMENT COMPENSATION CLAIMS  
MANAGEMENT PROGRAM

This letter and attached specifications constitute a request for proposal for an Unemployment Compensation Claims Management Program to be furnished by the successful bidder, subject to a contract agreement between the South Carolina State Budget and Control Board and the successful bidder.

Any information to be furnished in addition to that specifically requested, should be included as a separate appendix to the proposal.

The State Budget and Control Board reserves the right to select the bidder which, in its opinion, offers the best program, the lowest price, the highest quality, and most reliable service. The Board is not bound to accept a proposal on the basis of lowest quoted price alone, and reserves the right to reject any or all proposals if it is deemed the best interest of the State to do so.

Subject to the availability of funds, contract negotiations will begin immediately with the apparent successful bidder. If a final agreement between both parties cannot be reached within one (1) week of notification of award, the Budget and Control Board reserves the right to disqualify the vendor and begin negotiations with the next apparent successful bidder. All contractual documents submitted will be subject to final approval by the South Carolina Attorney General's Office.

Very truly yours,

A handwritten signature in cursive script that reads "William T. Putnam".

William T. Putnam  
State Auditor

Enclosure

KEY EVENT DATES

- |    |  |                   |
|----|--|-------------------|
| 1. | Issuance of Specifications   | February 24, 1978 |
| 2. | Deadline for Submission of Six (6) Copies<br>of Formal Proposal Document | March 10, 1978    |
| 3. | Written Notification of the Apparent Successful<br>Bidder                | March 17, 1978    |

If additional information concerning this request is required, it should be requested from the following individual:

Mr. Edgar A. Vaughn  
Director of Auditing  
State Auditor's Office  
P. O. Box 11333  
Columbia, South Carolina 29211

Phone: 803-758-8406

Proposals should be submitted to:

Mr. William T. Putnam  
State Auditor  
P. O. Box 11333  
Columbia, South Carolina 29211

Phone: 803-758-3106

STATE OF SOUTH CAROLINA  
STATE BUDGET AND CONTROL BOARD  
OFFICE OF STATE AUDITOR  
P. O. BOX 11333  
COLUMBIA, S. C. 29211

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REQUEST FOR PROPOSAL FOR AN UNEMPLOYMENT COMPENSATION CLAIMS MANAGEMENT PROGRAM

1.0 INTRODUCTION

The State of South Carolina is requesting proposals to furnish an Unemployment Compensation Claims Management Program. The Program is for Claims Administration Services, to include Education, Training and Statistical and Management reports. These services are more fully described in the scope section of this request. There will be approximately 56,000 employees covered under this program who are paid from approximately twenty-seven (27) payroll centers. The approximate gross annual payroll is \$573,000,000.00. The State has elected the reimbursement method as compared to the merit rate tax method of payment.

2.0 SCOPE

The following services are to be included in the Claims Management Program.

Claims Administration Services

1. Obtain the information necessary to process claims for unemployment compensation benefits.
2. Protest claims and appeal claim determination as appropriate.
3. Prepare for and attend unemployment compensation hearings.
4. Audit all benefit charges assessed against the State agencies or departments and provide applicable reports.
5. Provide State agencies and departments with individualized management reports.
6. Provide separation forms to be used by State agencies and departments.
7. Recommend a rehire policy and provide data for the administration of this policy.
8. Provide other related services as may be required.

### 3.0 EDUCATION AND TRAINING

1. Provide each agency or department with a procedure manual including major provisions of the unemployment compensation law, details of the claims management program and detail procedures to be followed in the program.
2. Review each agency or department's current personnel practices with respect to the unemployment compensation law.
3. Conduct training sessions to acquaint operating personnel of State agencies or departments with required administrative practices and procedures to comply with unemployment compensation law.

### 4.0 STATISTICAL DATA AND MANAGEMENT REPORTS

The contractor will be required to furnish the following reports:

1. A quarterly claims activity and disposition report.
2. A quarterly benefit charge verification report.
3. A quarterly C.E.T.A. reimbursement request statement.
4. Annual report showing costs as a direct reimbursor as compared to the merit rate tax method.
5. Such other reports as the State deems necessary for management of the Unemployment Compensation Program.

### 5.0 QUALIFICATIONS OF THE CONTRACTOR

The proposal should include the following information with respect to the qualifications and capabilities of the contractor:

1. The contractor should demonstrate that he has an operational program in the public sector utilizing the reimbursement method of administration. The contractor should also demonstrate that the capability exists to administer a program of this size. At least three public sector references should be provided.
2. The contractor is required to submit an implementation plan to include Education, training, and system development. This Plan should provide the earliest date the contractor expects to have the total system in operation.

3. The contractor should already have an in-house computer system in operation to support an Unemployment Compensation Claims Management Program. In this regard the contractor is required to provide a description, to include data input formats of his computer system.
4. The contractor should state the location of the service office nearest to Columbia, South Carolina, and indicate if there is a present or proposed office location in South Carolina.
5. It is the desire of the State to initiate an Unemployment Compensation Claims Management Program by March 31, 1978. If the contractor can not meet this deadline with a fully operational system, the contractor is required to provide a description of an interim solution until the date indicated in 5.0(2) can be realized.
6. Any other pertinent information relative to the qualifications of the contractor.

#### 6.0 PROPOSAL CONDITIONS AND REQUIREMENTS

1. Questions concerning this request should be presented in written form to Mr. Edgar A. Vaughn by March 3, 1978. Written responses will be provided to all prospective bidders.
2. The failure of the contractor to obtain needed information from the State regarding program requirements will not be grounds for any claim after the award of the contract.
3. Provide an explanation of the methods for making changes to the program as the result of changes to State and Federal laws and customer requested enhancements.
4. The cost presented in contractor proposal is to be a proposed annual fee per covered employee. The fee should be based on providing all services indicated in this request.
5. The final selection shall be made by the State Budget and Control Board. For the purpose of establishing continuity for evaluation of proposals the contractor is required to provide a table of contents with topical headings and page number references broken down into the following sections:
  1. System Description and Implementation Date.
  2. Demonstration of the ability to administer the program.
  3. Relevant experience.
  4. Location of Service office and Computer Support Center.
  5. Fee.

6. The final acceptance of the Program will not occur until the Program has proven to be successful for thirty (30) consecutive working days.
7. All of the services required hereunder shall be performed by the contractor, or under his supervision, and all personnel engaged in the work shall be fully qualified and shall be authorized under State and local law to perform such services.
8. A contract will be entered into by the State and contractor for work specified in this request. Any changes to this contract, which are mutually agreed upon by and between the State and contractor shall be incorporated in written amendments to the contract.

Unemployment Compensation Management Program

RFP - 56,000 covered employees (estimated)

\* R.E. Harrington, Inc. X \$1.60 = \$89,600 est

Reed, Roberts Associates, Inc. X \$1.70 = \$95,200

Gates, Mc Donald + Co X \$1.75 = \$98,000

\* R.E. Harrington selected contingent upon Bd approval

Agreement to be reached by March 30, 1978 (used from 1/23) per WTP letter

Roll

	Gor	Patterson	Morris	Bennis	Mangum
3/24	✓	✓	✓	✓ 3/27	✓

**R. E. HARRINGTON, INC.**

*\$1.60/covered employee*

# **A PROPOSAL**

**Prepared for**

**STATE OF SOUTH CAROLINA**



Harrington Building • 90 E. Wilson Bridge Road  
Worthington, Ohio 43085 • 614/846-5430

OFFICES IN PRINCIPAL CITIES

\* \* \* \* \*

R. E. Harrington, Inc. is a consulting and program management firm providing a broad range of specialized services to employers in effectively controlling unemployment, workers' and other forms of special employee compensation costs, claims, procedures and administrative practices.

Established over a quarter century ago and headquartered in Columbus, Ohio with client service and administrative offices in principal cities across the nation, Harrington's capabilities encompass actuarial, claims administration, financial, regulatory, procedural and advanced data processing advisory and program management services. These services are of particular use and interest to public and private employers who lack their own cost control facilities or expertise, have cyclical or safety-related employment characteristics, operate in several regulatory jurisdictions, have escalating related insurance premiums or have other related cost characteristics that are difficult to identify and control.

R. E. Harrington, Inc. clients, which number in the thousands and are located in every state in the nation, include governmental entities, small businesses, major service and industrial corporations, associations and institutions of profit and nonprofit characteristics in both state fund and self-insurance environments.

\* \* \* \* \*

PROPOSAL  
TO THE  
STATE OF SOUTH CAROLINA  
FOR  
AN UNEMPLOYMENT COMPENSATION  
CLAIMS MANAGEMENT PROGRAM

R. E. HARRINGTON, INC.  
6075 BARFIELD ROAD  
ATLANTA, GEORGIA 30328

KENNETH A. CLARK  
Regional Manager

Suite 216  
Phone: 404/393-1918

Submitted by:

R. E. Harrington, Inc.  
90 East Wilson Bridge Road  
P. O. Box 1160  
Columbus, Ohio 43216

March, 1978

PROPOSAL  
TO THE  
STATE OF SOUTH CAROLINA  
FOR  
AN UNEMPLOYMENT COMPENSATION  
CLAIMS MANAGEMENT PROGRAM

Submitted by:

R. E. Harrington, Inc.  
90 East Wilson Bridge Road  
P. O. Box 1160  
Columbus, Ohio 43216

March, 1978

PROPOSAL AUTHORIZATION

PROPOSAL

TO THE

STATE OF SOUTH CAROLINA

FOR

AN UNEMPLOYMENT COMPENSATION  
CLAIMS MANAGEMENT PROGRAM

DISCLOSURE  
  
PROPOSAL  
  
TO THE  
  
STATE OF SOUTH CAROLINA  
  
FOR  
  
AN UNEMPLOYMENT COMPENSATION  
CLAIMS MANAGEMENT PROGRAM

This information shall not be disclosed or be duplicated, used, or disclosed in whole or in part for any purpose other than to evaluate the proposal, with the exception that the State shall have the right to duplicate, use, or disclose this information to the extent permitted by any contract or agreement resulting from this proposal. This restriction does not limit the State's right to use information contained herein if obtained from another source. This restriction applies to the proposal in its entirety.

R. E. HARRINGTON, INC.

PROPOSAL  
TO THE  
STATE OF SOUTH CAROLINA  
FOR  
AN UNEMPLOYMENT COMPENSATION  
CLAIMS MANAGEMENT PROGRAM

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PROPOSAL  
TO THE  
STATE OF SOUTH CAROLINA  
FOR  
AN UNEMPLOYMENT COMPENSATION  
CLAIMS MANAGEMENT PROGRAM

INTRODUCTION

There are several unique features of REH claims administration programs which distinguish the characteristics of the services provided by REH in the field of unemployment compensation cost control. The recognized leader in the development and implementation of computerized methodology in this service industry, REH maintains an advanced data control system which ensures the most efficient and accurate claims processing and auditing available. REH programs integrate the skills of highly qualified specialists in this field with this computerized technology to provide a program that is exceptionally dependable, effective and flexible. The claims administration programs designed and administered by REH have demonstrated the capacity to adapt to the diverse needs of the various entities of associations, heterogeneous and diversified companies, and municipal governments. Finally, REH has provided professional cost control services for over 25 years to firms and institutions throughout the nation, including associations, hospitals, colleges, universities, school boards, municipal and state governments as well as private industry.

## I. SYSTEM DESCRIPTION AND IMPLEMENTATION DATE

### 1.1. Scope of Work

With the concurrence of the State in the practices and procedures that will be followed by REH in conducting the program, it will be REH's responsibility to obtain the information necessary to process claims for unemployment compensation benefits, protest claims and assure that the State appeal claim determinations as appropriate, prepare for and attend or have an attorney attend, unemployment compensation hearings, audit all benefit charges assessed against the state departments and institutions represented in the program, provide the State and the participating institutions with individualized accurate and timely management reports, and provide other services related to the activities of the program as required.

Certain key functions which REH will perform are discussed below. In addition to these items, the program which REH will conduct will be instituted with the understanding that the procedural structure of the program has the capacity to accommodate additional requirements as they arise. Changes made to the program as the result of changes in State or Federal laws will be made automatically by REH without any additional fee. Customer requested enhancements are subject to negotiation and may require an additional fee.

### 1.2 Education and Training

A thorough understanding of the general provisions of unemployment compensation, the consequences of employment policies and practices as related

to unemployment compensation, and the specific objectives and procedures of the administration program is essential to an effective unemployment compensation cost control endeavor. To achieve this level of understanding, comprehensive procedures must be developed and based upon these procedures, an education program must be conducted to develop the awareness and the desire for effective participation in the program by the staffs of the participating institutions.

This program presents a unique opportunity for the development and installation of effective procedures and training programs inasmuch as the unemployment compensation program represents a new requirement on the financial and administrative capabilities. It can be anticipated that few of the staff members of state departments have had any extensive experience in administering an unemployment compensation claims management program. Thus, the role of the procedures and the educational program will be highly significant in the success of the unemployment compensation claims management services.

Addressing this critical educational and training requirement, the program proposed by REH will include, but will not necessarily be limited to, the tasks and activities identified below.

- A. REH will provide each department and institution with a program procedure manual explaining the main provisions of the unemployment

compensation law, the details of the cost control program, and an identification and explanation of the procedures which the staff of each of the institutions must follow in the program.

- B. REH will review each department and institution's current personnel practices with the appropriate staff members and provide recommendations for changes in these practices if such changes are deemed appropriate from an unemployment compensation cost control point of view.
- C. REH will conduct training sessions to acquaint personnel with unemployment compensation regulations and requirements, required personnel administration procedural practices, and the procedures to be followed by the personnel at these institutions in their participation in the program.

### 1.3 Statistical Data and Management Reports

An objective of the program, as described in a later section of this proposal, is to relieve the State's administrative staff and each participating institution of as much of the administrative workload involved in unemployment compensation as possible. As distinguished from the service program typically provided by other members of this service industry, REH has pioneered this "full-service" concept which culminates in a series of very functional reports on the status of the program.

In order to ensure both the success of the REH full-service program and the ability of each participating institution to control this vital activity, the program proposed by REH includes a careful and specific definition of the information needed by REH on a continuing basis and also the reports which REH will provide with appropriate schedules. In addition, there are a number of other related tasks, such as filing certain reports, validating charge statements issued by the state unemployment agency, and submitting payment for these benefit charges to the state agency, which must be accomplished on a timely basis. The program designed by REH accounts for these functions and the procedures developed by REH will clearly define these actions and the responsibility for their execution. REH procedures are designed to eliminate any ambiguity that might prevail regarding these activities, assuring that all of these new responsibilities have been systematically assigned in such a manner that they will be accomplished as required.

The following enumeration describes those elements which constitute the scope of work in this area which will be handled by the program proposed by REH.

- A. Each state department and institution will provide REH with all information required by the South Carolina Employment Security Commission and such other information as shall be reasonably required by REH (as specifically defined in the REH program procedures).

B. REH shall provide to each department and institution the following reports, to the extent that these reports are required. It should be noted that the diversity of participating institutions will require flexibility in the types of reports provided.

1. a quarterly claims activity and disposition report;
2. a quarterly C.E.T.A. reimbursement request statement;
3. a quarterly benefit charge verification report; and
4. such other reports and written materials as REH and the State shall deem necessary, including a daily availability report, if appropriate.

C. REH will audit all benefit charges to ensure their validity, protesting all erroneous charges and securing credit for improper payments. This will be accomplished in a timely and comprehensive manner by the use of REH's specialized data processing resources.

D. REH will assume all responsibility, consistent with procedures developed with the approval of the State, for the preparation and filing of information required.

#### 1.4 Claims Administration Services

The service program that REH will implement and administer will include all administrative activities involved in the processing of an unemployment claim filed against the State, from the processing, and protesting if appropriate, of the initial claim through all subsequent steps in which an individual

claim may be involved. These subsequent steps include: review of the initial determination; protesting this determination if necessary; and preparing for and attending hearings (attorneys will represent when necessary), both at the initial stage and at the appeal level, if the post-protest activities involve appealing the decision on an individual case to these levels.

REH will become the official mailing address with South Carolina Employment Security Division (SCESD) for unemployment matters for the participating institutions. In this manner, most of the communications requiring timely response can be processed by REH without delay. If required, however, alternate procedures can be designed and established.

Assuming this procedure regarding the mailing address is acceptable the primary features of the program are identified below.

- A. REH will notify SCESD of its representation on behalf of each participating institution and will become the addressee of record.
- B. REH will make the appropriate response to all claims inquiries.
- C. REH will review all unfavorable determinations. In the event that an unfavorable determination is received by REH which REH concludes is improper, REH will take the necessary action to protest the determination.

- D. REH will prepare for, handle, and attend all employer-requested unemployment hearings using attorneys where necessary. Said preparation will include counseling by REH the appropriate staff members from the department or institution involved in each claim. The staff member or an attorney, or both, may need to attend the hearing as the employer representative.
- E. REH will prepare for, handle, and attend all claimant-requested unemployment hearings using attorneys where necessary, if requested to do so by the department or institution or if required by the complexity of the issue involved.
- F. REH will review all unfavorable hearing decisions and pursue subsequent steps as appropriate.
- G. REH will prepare for, handle, and attend all claimant and/or employer-requested Board of Review hearings, using attorneys where necessary.
- H. REH will provide all necessary data for securing repayment of CETA or other specially funded programs.

1.5 Implementation Date - Operational System

The implementation will commence immediately upon being notified by the State on March 17, 1978, that REH is the successful bidder. The system will be operational on or before March 31, 1978.

## II. DEMONSTRATION OF ABILITY TO ADMINISTER THE PROGRAM

### 2.1 Program Description

The UC claims management and cost control program which REH will implement to provide these services is described in this section. The objective of this description is to provide sufficient detail to develop a thorough understanding of the distinguishing characteristics of the REH program, emphasizing certain areas which we feel are unique to the services provided by REH. The combination of the service products or tasks that have been previously mentioned and those functions which are featured in the ensuing description will constitute a representative synopsis of the administrative responsibilities, procedures, services and reports which constitute the service program proposed by REH for the State of South Carolina.

### 2.2 Administration and Organization of the Program

The administration of the program proposed by REH will be conducted by the staff directly involved in the day-to-day administration and servicing of the program. This includes a program manager, hearings specialists-claims examiners, and the necessary contingency of clerical and supporting personnel. The address of the facility will be used as the official mailing address with the South Carolina Employment Security Commission. The manager will have direct responsibility for the management of the REH service program. This responsibility will include the management of the personnel assigned to this program, the technical direction of all work performance, coordination with

the Administrator and all participating institutions, and the timeliness and accuracy of all reporting activities provided under the program. The program manager will also have the coordinating responsibility in other key areas, but will be provided extensive technical assistance in these areas from other REH resources. Examples of these areas are the development of procedures and the presentation of training programs.

Illustrating the manner in which REH's resources would be used in this example, REH has a professional staff whose members are highly qualified to develop specialized procedures and to conduct training programs utilizing modern, professional media and methods. This staff provides highly specialized skills, developed both in academic preparation and practical experience, for this particular function. The staff consists of twelve members and to the extent required under this program, REH is prepared to commit the resources of this staff as necessary to the development of effective procedures and the presentation of training programs. These procedures and training sessions will provide the State with a comprehensive orientation in unemployment compensation and in the methods and procedures of this program.

### 2.3 General Program Description

REH will be the official mailing address with the South Carolina Employment Security Commission for each participating institution. With the possible exception of the initial claim notice issued by the local offices where the

claimant files for unemployment compensation benefits, all unemployment related communication issued by the SCESC including such notices as determinations, referees decisions, and notices of benefit charges will be mailed directly to REH. All source documentation, such as employment separation notices, claim forms, claim determinations, and hearing decisions, will also be maintained at REH.

The procedures that are implemented will advise the appropriate staff members of each state department and institution that, upon receipt of the initial claim notice (see option described in the following paragraph), and any other material that may be received on unemployment, these staff members should forward this material directly to REH. Appropriate mailing procedures are provided by REH for this purpose.

The forwarding and processing of initial claims is dependent upon the cooperation of the departments and institutions in a procedure whereby REH is notified, on a continuing basis, of all employee separations. Through this procedure, REH will have available the data necessary to evaluate the unemployment claim when it is received and to efficiently execute appropriate protest actions. If the departments and institutions elect not to provide this information on employee separations, the procedure for handling initial claims will be modified to require that they attach an appropriate document to the initial claim notice, when it is received, describing the circumstances

under which the particular claimant separated from employment. The initial notice, with the document attached, should be forwarded to REH for subsequent processing. These initial claims handling procedures are optional alternatives and, depending upon preference the appropriate program will be implemented.

Upon receipt of the initial notice of a claim filing, the REH claims examiners will evaluate the circumstances under which the claimant separated employment from the institution and protest the claim to the state agency, utilizing appropriate terminology, if such protest action is warranted. The claim will then be established in the REH computerized data base, identified as to the responsible department or institution and will include all necessary parameters and codes to permit proper monitoring of subsequent activity. Subsequent activity may include further protests and/or auditing of benefit charges assessed to the claim.

All source documentation will be maintained at REH and any actions that affect the status of a claim, such as a protest, the determination in response to a protest, an appeal to a hearing, a decision from a hearing, or changes in the parameters describing the State's liability on a given claim, are updated to the claim record included in the automated data base on a timely basis. This procedure permits the effective use of the automated resources of REH in monitoring all actions of financial consequences in a precise and consistent manner. Manual methods of monitoring these activities cannot be relied upon

to be consistently precise and comprehensive. The automated data base, maintained in this timely manner, represents the source for producing the various reports (as discussed in the prior section of this proposal) which are provided by REH to the State and also each department and institution.

While the design of the REH program established procedures which minimize the amount of communications required between the REH claims examiners and the state department or institution, such communication is required from time-to-time to obtain additional or clarifying information required in processing an individual claim. In the event that such additional information is required, the claims examiners will communicate directly with designated contacts, as described in the program procedures.

Upon receipt of the determination in response to a protest on an individual claim, the claims examiner will review the determination and update the status of that claim in the automated data base. If the determination is unfavorable, the claims examiner will take the necessary actions to permit the State to appeal this determination.

The claims that are appealed will be appropriately labeled to facilitate retrieval when notice of the schedule for the hearing is received. Upon receipt of this notice, which normally precedes the actual hearing date by seven (7) to fourteen (14) days, the claims examiner will retrieve the entire claim file and submit it to the hearings specialist who will be responsible

for handling the hearing. The specialist will review and evaluate the material and contact the designated State staff member involved in this case. The hearings specialist will thoroughly review the facts of the case with the appropriate witnesses. If necessary, the specialist will meet with representatives of the department or institution prior to the hearing. The hearings specialist will attend the hearing with the State employee who must present the State's position related to the case or with the attorney representing the State when necessary. When a notice is received that a claimant has appealed a determination, the coordination, counseling, and attendance procedure discussed above will be pursued.

The preparation for and administration of claims cases which are being appealed to the next level, the Board of Review, will be handled in the same manner that the lower level hearing appeal cases are handled. The same type of evaluation, review, coordination, counseling, and hearing attendance steps will be pursued.

As with all other actions affecting the status of an individual claim, upon receipt of the notice that the claims status has been affected, the claims examiners will immediately initiate update instructions to the automated claims data base. In this manner, the automated information system is maintained in a current status and ensures that accurate information is constantly accessible.

Notices of benefit charges will be issued by the state agency on a quarterly schedule. As a consequence of the change of address procedure, these notices will be submitted directly to REH. Upon receipt of these notices, which detail charge items and also indicate the amount to be reimbursed by the institution, the detailed information is converted to an automated format and each individual charge item is edited, audited, and correlated with the automated claim data base. If any discrepancies are detected, error messages are initiated immediately and the claims examiner proceeds with the appropriate steps to resolve the issue. If such steps involve protesting the item to the state agency, this action is taken and the Employment Security Commission is provided appropriate details describing the discrepancy and any other information necessary for the agency to properly resolve the matter. At the conclusion of this process and within the time frame permitted by regulations, reports will be generated for each department and institution. Also an overall report for the entire State government will be issued. These reports provide detail data on the claims activity during the quarter. Additional reports are generated on this schedule and other schedules that may be established, to provide all of the reports identified in the earlier section of this proposal.

It should be noted that REH is well acquainted with and experienced in these requirements, having provided these services to direct reimbursing associations, hospitals, and municipal governments for a number of years. The automated

system developed by REH provides facilities for performing all of the detailed tasks involved in processing this information and producing these reports in a timely manner.

Additionally, the availability of this information in an automated system provides the capacity for a number of different types of analyses which may be required. Some examples of these requirements would include the development of supporting data for comparisons of funding methods (self-insured or taxpayer) and the preparation of statistical reports identifying types of unemployment situations and the frequency of unemployment claims actions, all of which may be used by the State in planning efforts or as supporting information for communications with various legislative committees. Without the availability of this information from an automated resource and with the proper encoding features, the extraction of the types of data discussed above would be very difficult and would not be consistently reliable.

### III. RELEVANT EXPERIENCE

R. E. Harrington, Inc. has provided comprehensive unemployment compensation cost control services to employers throughout the nation for over 25 years. Our clients range, in the size of their organizations, from major corporations and their subsidiaries to small, localized businesses. For these clients, REH processes and manages over 500,000 claims for unemployment compensation benefits annually and performs other related activities

involved in cost control management for their 13,000 state unemployment compensation accounts.

A most notable example of an REH program which is closely aligned with the cost control needs of the State of South Carolina is the direct reimbursing program which REH has administered for the Ohio Hospital Association for over six years. The Ohio program is the largest direct reimbursing group in the country with over 110,000 employees. During this period of time, the Association members have realized a collective savings in excess of \$50,000,000 as a direct consequence of the REH cost control program. In addition, REH operates UC claims administration and cost control programs for a number of school boards, municipal governments, and institutions of high education.

### 3.1 References

Operational programs for direct reimbursers administered by REH exceeds 450,000 employees and includes the following:

State of New Mexico (83,000 employees)  
Mr. Taylor Hendrickson, Chief of Risk Management Division  
Department of Finance and Administration  
403 A State Capitol  
Santa Fe, New Mexico 87503  
505/827-5168

Pennsylvania School Boards Association, Inc. (100,000 employees)  
Mr. Richard L. Phelps, Field Representative & Insurance Specialist  
412 North Second Street  
Harrisburg, Pennsylvania 17101  
717/233-1642

Georgia School Boards Association, Inc. (50,000 employees)  
Mr. Jack Acree, Executive Director  
Saratton-Biltmore Hotel, Mezzanine  
817 West Peach Tree Street, N. E.  
Atlanta, Georgia 30383  
404/881-6933

#### IV. LOCATION OF SERVICE AND COMPUTER SUPPORT CENTER

##### 4.1 Computer Support Center

Each claim and each activity related to the individual claim is processed, monitored, and audited through all of the steps identified in earlier sections of this proposal. To accomplish this voluminous and exacting task with the reliability required for an effective cost control program, REH has developed and is presently making extensive use of a number of highly specialized computer techniques (see Exhibits for input data forms). To ensure that this resource is available when required, REH operates a modern, in-house computer facility engineered specifically to accommodate the REH cost control programs. The system is located at REH's central facility and consists of an IBM 370-135 processor with sixteen 100-million byte high performance disk storage devices. A staff of systems analysts and programmers are continually involved in the development, refinement and expansion of this system.

While the automated resources play an extremely vital part in the REH service program, the management of REH recognizes the essential role of the specialists in the service product. The automated facilities have been

designed to enhance the work of these specialists by systematically performing the myriad of detailed editing and auditing functions necessary to the service. This concept enables the specialists to devote their time to those functions which require judgment and interpretation. The detailed, routine work can then be performed in a manner that ensures that the volumes required can be processed in a timely manner and that all of the critical editing and auditing steps will be completed on each individual transaction. By adhering to this philosophy, REH can design and implement cost control programs on an individual basis, establishing procedures which accommodate the organizational characteristics of each client while maintaining unsurpassed standards of excellence in cost control.

#### 4.2 Location of Service

The existing REH service and claims office which is nearest to Columbia, South Carolina is located in Atlanta, Georgia. If REH is awarded the contract outlined in this proposal by the State, a service facility will be established in Columbia, and REH will accept collect calls from the State to answer inquiries regarding claims or any other aspect of the program.

#### V. R. E. HARRINGTON, INC. FEES

R. E. Harrington, Inc. will perform its complete Unemployment Compensation Program for the State of South Carolina for the annual fee of \$1.60 per covered employee. The number of covered employees to be based on the average number of employees in the third quarter of the year prior to the year the fee is paid.

## APPENDICES

EXAMPLES OF  
REPORTS

UNEMPLOYMENT COMPENSATION  
CLAIMS MANAGEMENT PROGRAM

UNEMPLOYMENT COMPENSATION  
ACCOUNT ACTIVITY SUMMARY

EMPLOYER NAME  
EMPLOYER ADDRESS  
CITY, STATE

STATE  
U.C.NO. 300396

MAR.27, 1977 THROUGH JUN.25, 1977

	NUMBER	POTENTIAL LIABILITY
CLAIMS FILED THIS PERIOD		
CHARGEABLE REGARDLESS OF SEPARATION	28	19,525.09
LACK OF WORK	14	28,057.51
QUIT	16	28,922.32
DISCHARGE	11	24,034.74
RETIREMENT	1	2,376.30
NOT PROVIDED	2	186.86
TOTAL THIS PERIOD	72	103,102.82
CLAIMS FILED PRIOR TO THIS PERIOD	299	604,480.87
TOTAL ACTIVE CLAIMS	371	707,583.69
PROTESTS AND APPEALS		
EMPLOYER	100	188,507.79
CLAIMANT	7	15,042.21
STATUS OF PROTESTS AND APPEALS		
PENDING	8	16,452.17
DISQUALIFICATIONS	1	1,031.25
DEFERRED	77	141,982.82
RULED ELIGIBLE	20	41,321.46
		AMOUNT
CHARGES AND CREDITS THIS PERIOD		
CHARGES FOR BENEFITS		58,878.17
CHARGES FOR CLAIMS UNDER PROTEST		1,898.74
CHARGES FOR CLAIMS NOT RECEIVED		96.38
CREDITS-PROTESTED CLAIMS/OTHER		701.74
TOTAL -NET- THIS PERIOD		60,171.55
CHARGES AND CREDITS PRIOR TO THIS PERIOD -NET-		169,807.59
BENEFIT LIABILITY REMOVED		1,031.25
REMAINING POTENTIAL LIABILITY		476,669.83
* PAY THIS AMOUNT -		560,171.55

Quarterly Account Activity Summary for State UC Account 300396  
(Reimbursing). This report verifies Quarterly Reimbursement Request  
issued by the state agency.

# UNEMPLOYMENT CLAIMS ANALYSIS

EMPLOYER NAME  
EMPLOYER ADDRESS  
CITY, STATE

STATE  
U.C. NO. 3447  
DIVISION NO. L00361

PAGE NO. CCG17

APR. 1, 1977 THROUGH JUN. 30, 1977

CLAIMANT	WEEKS		POTENTIAL LIABILITY	BENEFITS CHARGED PERIOD TO THIS PERIOD	BENEFITS CHARGED THIS PERIOD	BENEFIT LIABILITY @ EMPLOYER	POTENTIAL LIABILITY	WEEKS		REASON FOR SEPARATION
	Wk.	Th.						Wk.	Th.	
J. PERB 262-49-6554	26	77	72.26			72.26				G222 QUIT 0
P. HILL 262-96-6309	29	77	546.00			546.00				G222 DISCHGD. c
A. GONZALEZ 262-98-8867	04	77	2,275.00		490.00		1,785.00	5	77	G111 L.C.W. c
Y. PEJIA 264-23-4854	18	77	1,248.75			1,248.75				G222 QUIT
H. GEROCK 264-64-3330	08	77	2,562.50		328.00	2,562.50	328.00	9	77	G222 QUIT 0
J. MCNTEGUA 265-21-7927	28	76								G111 L.C.W.
R. GILBERT 265-72-6742	09	75	2,665.00	1,864.50	135.00	665.50		35	75	68 ACT FRVIO
A. RODRIGUEZ 265-74-4862	27	76	842.75				842.75			G111 L.C.W.
P. BACHRACH 459-10-2781	23	76								G111 DISCHGD.
DIVISION TOTAL			\$10,213	\$1,864	\$993	\$5,095	\$2,300			

\* EXTENDED BENEFITS IN EFFECT

PREPARED ON JUL. 27, 1977 BY R. E. HARRINGTON, INC.

Quarterly Report for Division (Unit or Department) L00361 under State UC Account 3447. Note that there are a number of other Divisions of this employer under this State UC Account.

# UNEMPLOYMENT CLAIMS ANALYSIS

EMPLOYER NAME  
EMPLOYER ADDRESS  
CITY, STATE

STATE  
U.C. NO. 3447  
DIVISION NC. L00682

PAGE NC 00040

APR. 1, 1977 THROUGH JUN. 30, 1977

CLAIMANT	DATE		B. MAXIMUM POTENTIAL LIABILITY	BENEFITS CHARGED PRIOR TO THIS PERIOD	BENEFITS CHARGED THIS PERIOD	BENEFIT LIABILITY & REMOVED	PERMANENT POTENTIAL LIABILITY	TEST NUMBER		REASON FOR SEPARATION
	Wk.	TL						Wk.	TL	
L. HGLANC 071-46-4371	19	76	326.40			326.40				0222 CLIT
I. BURGOS 082-54-7966	22	76	39.00			39.00				0222 CLIT
A. PALACHOWSKY 111-44-2513	20	77	2,474.55			2,474.55				0222 CLIT
L. LECPOLOD 144-44-6753	09	77	1,568.75		63.00	1,568.75	63.00	10	77	0222 CLIT a
A. THOMAS 253-92-4644	26	76	1,560.00	912.00			648.00	27	76	0111 L.O.W. a
S. ORLANEC 261-72-7895	02	77	213.20			213.20				0222 CLIT
S. WILLIAMS 262-23-1684	37	76	1,527.50			1,527.50				0222 CLIT
V. ERBIGHAUSEN 262-18-9331	41	76	2,632.50				2,632.50			0922 QUIT a
K. KEENER 263-06-1294	34	76	2,031.25			2,031.25				0222 DISCHGR.
C. TORREZ 265-13-8658	44	76	1,108.60			1,108.60				0222 CLIT
J. HERNANDEZ 267-15-8084	18	76	578.75			578.75				0222 QUIT
C. WEINSTEIN 267-31-0817	17	77	208.25				208.25			0111 L.O.W. a
F. GARTNER 404-82-7083	02	77	256.26			256.26				0222 CLIT
DIVISION TOTAL			\$14,925	\$912	\$63	\$10,524	\$3,429			

\* EXTENDED BENEFITS IN EFFECT

PREPARED ON JUL. 27, 1977 BY R. E. FARRINGTON, INC.

Quarterly Report for Division (Unit or Department) L00682 under State UC Account 3447. Note that there are a number of other Divisions of this employer under this State UC Account.

# UNEMPLOYMENT CLAIMS ANALYSIS

EMPLOYER NAME  
EMPLOYER ADDRESS  
CITY, STATE

STATE  
U.C. NO. 3447

PAGE NO GC147

APR. 1, 1977 THROUGH JUN. 30, 1977

CLAIMANT	NAME		POTENTIAL LIABILITY	BENEFITS CHARGED PRIOR TO THIS PERIOD	BENEFITS CHARGED THIS PERIOD	BENEFIT LIABILITY REMOVED	REMAINING POTENTIAL LIABILITY	LAST DATE CHARGE		REASON FOR SEPARATION
	WE.	TE.						WE.	TE.	
TOTAL CLAIMS										
CLAIMS WITH CHARGES										
216	114		226,944	58,799	38,634	718	128,790			L.O.W.
197	9		152,817	2,323	1,382	120,376	28,735			QUIT
76	18		71,067	10,234	7,459	27,947	25,426			DISCHG.
1			700			700				RETIRE
1			209			209				L.C.A.
7	2		5,033	1,544	223	665	2,200			NCT PRVID
1			596	596						NO CL REC
499	143		\$457,368	\$73,858	\$47,701	\$190,619	\$189,152			

\* EXTENDED BENEFITS IN EFFECT

PREPARED ON JUL. 27, 1977 BY R. E. HARRINGTON, INC.

Quarterly Report Summary and Totals for State UC Account 3447.

## PAYROLL FORMATS

R. E. HARRINGTON, INC.  
WEEKLY PAYROLL RECORD FORMAT

PREPARED  
FOR \_\_\_\_\_

POSITION: \_\_\_\_\_

COMP CODE	SOCIAL SECURITY NUMBER	EMPLOYEE NUMBER	EMPLOYEE NAME LAST	LOCATION	PA STATUS	JOB CODE	STATE	PAYROLL DATE	GROSS WAGES
0000	0000000000	0000000000	00000000000000000000	0000000000	000000	000000	00	00000000	00000000000000000000

- 01-03 Corporation Code - For the purpose of identification corporation code \_\_\_\_\_ has been assigned to you. This code should appear on all records.
- 04-12 Employee Social Security Number (use legitimate soc. sec. nos. only)
- 13-18 Employee Number (if available)
- 19-32 Employee Last Name
- 33 Employee First Initial
- 34-39 Location Code - Insert code which you have assigned to the plant, store or office in which this employee worked, right justify and left zero fill whenever code does not fill entire field. A listing of these codes must be furnished to R.E.H.
- 40-41 Payroll Status Code

Position 40 -- Payroll Type

- |                 |                     |
|-----------------|---------------------|
| 0-Regular wages |                     |
| 1-Retroactive   | 4-In lieu of Notice |
| 2-Vacation      | 5-Sick Pay          |
| 3-Severance     | 9-Casual            |

Position 41 -- Payroll Status (frequency)

- 1-Weekly  
2-Bi-Weekly  
3-Semi-Monthly  
4-Monthly

- 42-47 Job Code - Job classification assigned to an employee (optional)
- 48-49 State Code - R.E.H. will supply a list
- 50-54 Payroll Date - pay period ending date
- 55-60 Gross Wages - Gross wages paid for this pay period.
- 61 Record Mark or blank (record mark applies to I.B.M. 1400 system users).

Data should be forwarded to R.E.H. as soon as possible after each pay period ends. Data may be submitted on punch cards (80 column or 96 column) or magnetic tape.

If magnetic tapes are used:

- (A) Recording Density should be either 800 BPI/9 track or 1600 BPI/9 track.
- (B) Each record should be 61 positions in length.
- (C) Records should be grouped into blocks of 20 records per block.
- (D) The external label applied to each tape by R.E.H. must be filled in. (I.E. The R.E.H. assigned Corp. Code, Company Name, Location(s) and/or Address, the total number of records submitted, and a total of the gross wages being submitted must be written onto the label).
- (E) Internal header and/or trailer labels are to be omitted.

If punch cards are used:

- (A) Data should be punched into the last 61 positions of each record and the remainder of each record should contain blanks.
- (B) A label or some type of control sheet must be affixed to or accompany each group of cards submitted to R.E.H. The label or sheet must contain comprehensive identification and control information. (I.E. The R.E.H. assigned Corp. Code, Company Name, Location and/or Address, the total number of records submitted, and a total of the gross wages).

Regardless of which type of media is used:

- (A) All fields, except the employee's last name field, must be right justified and whenever the data is insufficient to fill an entire field the data must be preceded by zeros.
- (B) Whenever wage adjustments are necessary, the debit or credit should contain the date of the pay period to be changed. Credits should be signified by inserting an eleven zone character over the units position of the Gross wages field.

## QUARTERLY PAYROLL FORMAT

[illegible]

## EXPLANATION

## Positions

- |       |   |  |
|-------|---|--|
| 01-06 | Employer State Account Number (R.E.H. will supply list)   |  |
| 07-08 | State Code - (R.E.H. will supply list)  |  |
| 09-10 | Blank   |  |
| 11-19 | Employee Social Security Number (use legitimate soc. sec. nos. only)  |  |
| 20    | Employee First Initial  |  |
| 21-35 | Employee Last Name  |  |
| 36-41 | Location or Division Code - Please provide code which has been assigned to the plant, store or office in which the employee worked. (Supply a list of the codes used to R.E.H.) |  |
| 42-57 | Blank   |  |
| 58-67 | Total Wages for Quarter   | Data should be forwarded to R.E.H. as soon as possible after each quarter ends. Data may be submitted on punch cards (80 column or 96 column) or magnetic tape.  |
| 68-72 | Blank   | <u>If magnetic tapes are used:</u>   |
| 73-74 | Year  | (A) Recording Density should be either 800 BPI/9 track or 1600 BPI/9 track.  |
| 75    | Quarter   | (B) Each record should be 80 positions in length.  |
| 76-79 | Blank   | (C) Records should be grouped into blocks of 20 records per block.   |
| 80    | Record the number "1"   | (D) The external label applied to each tape by R.E.H. must be filled in. (I.E. The R.E.H. assigned Corp. Code, Company Name, Location(s) and/or Address, the total number of records submitted, and a total of the gross wages being submitted must be written onto the label).  |
|       |   | (E) Internal header and/or trailer labels are to be omitted.   |
|       |   | <u>If punch cards are used:</u>  |
|       |   | (A) Whenever 96 column cards are used data should be punched into the 1st 80 positions of each record and the remainder of each record should contain blanks.  |
|       |   | (B) A label or some type of control sheet must be affixed to or accompany each group of cards submitted to R.E.H. The Label or sheet must contain comprehensive identification and control information. (I.E. The R.E.H. assigned Corp. Code, Company Name, Location and/or Address, the total number of records submitted, and a total of the gross wages). |
|       |   | <u>Regardless of which type of media is used:</u>  |
|       |   | (A) All fields, except the employee's last name field, must be right justified and whenever the data is insufficient to fill an entire field the data must be preceded by Zeros.   |
|       |   | (B) Whenever wage adjustments are necessary, the debit or credit should contain the date of the pay period to be changed. Credits should be signified by inserting an eleven zone character over the units position of the Total wages field.  |

NEWSLETTER

## **Employers Face Higher Taxes in 1978**

Effective January 1, 1978, employers must pay substantially higher payroll taxes due to increases in various state and federal tax rates and in certain wage bases.

The FICA tax rate increases from 5.85% to 6.05%; the FICA taxable wage base increases from \$16,500 to \$17,700 per employee. The federal minimum wage goes from \$2.30 to \$2.65 per hour. The FUTA wage base increases from \$4,200 to \$6,000 per employee, thereby forcing the states to increase their UC taxable wage bases likewise. In addition, many states are adopting higher UC tax rate tables or assessing a flat surcharge against all employers in an effort to restore their unemployment funds to solvency.

This issue of the Client Service Bulletin highlights the major 1978 UC changes which have an impact on your payroll tax costs and record-keeping requirements.

### **UC Conforming Legislation**

In October, 1976, federal legislation was enacted requiring certain provisions to be included in state UC laws by 1978 in order for the state to be certified for the federal tax-offset credit and for receipt of administrative grants. Loss of certification would mean a 2.7% increase in the federal unemployment tax assessment (FUTA) for every employer subject to FUTA in that state. Therefore, when this Bulletin went to press, legislation conforming to the federal requirements had been passed by all states except Alabama, California, D.C., and West Virginia. These states are expected to pass the legislation shortly and to make it retroactive to 1/1/78. Kentucky was not required to conform during 1977 because their legislature did not meet. Also, New Hampshire's law does not fully conform.

The following is a summary of the major changes which must be effective on or before 1/1/78, unless otherwise noted.

- 1) The FUTA taxable wage base increases from \$4,200 to \$6,000. Therefore, the state taxable wage base must also be at least \$6,000, although some states use taxable wages in excess of the \$6,000 requirement. (See insert for a complete listing by state.)
- 2) Coverage under the state UC program is extended to employees of state and local governments and to employees of non-profit elementary and secondary schools.
- 3) UC benefits are denied teachers between school terms and professional athletes between seasons if they have "reasonable assurance" of re-employment for the forthcoming season.
- 4) States cannot deny UC benefits because of pregnancy as long as the claimant is able and available for work.
- 5) New "triggers" are established for activating extended benefits.
- 6) Effective 10/1/79, UC benefits will be denied a retiree whose weekly pension exceeds his weekly UC benefit amount. Note: Since this provision is not required until 1979, some states omitted it from their conforming legislation. There is some feeling in Washington that Congress will modify (or delete) this provision from the federal act before the compliance date.

(con't. on page 4)

## Tax Credits Given to Spur Employment

The Tax Reduction and Simplification Act of 1977 gives employers a tax incentive to create new jobs. Employers who hire additional workers in 1977 and 1978 can qualify for this credit for their tax years beginning in 1977 and 1978.

The maximum credit is \$2,100 for each new worker. However, since an employer's normal deduction for wages must be reduced by the amount of the credit, the maximum effective credit for corporate employers is \$1,092 (assuming a 48% tax rate).

The basis for computing the entitlement under this new tax credit is the amount of FUTA wages reported by the employer. For tax years beginning in 1977, the jobs tax credit is 50% of the amount by which an employer's FUTA wages paid during 1977 exceeds 102% of the FUTA wages paid during 1976. For tax years beginning in 1978, the credit is 50% of the amount by which FUTA wages paid in 1978 exceeds 102% of FUTA wages paid in 1977. For 1977, only the first \$4,200 of wages paid per employee are subject to FUTA. Although this amount increases to \$6,000 in 1978 for FUTA purposes, employers must continue to use the \$4,200 wage base for computing the jobs credit.

The Tax Reduction Act created a second tax credit which is also computed using the \$4,200 per employee FUTA wage base. Employers can realize an additional 10% credit by hiring handicapped individuals referred under a vocational rehabilitation program. The additional 10% credit applies to the first \$4,200 of wages paid to a handicapped worker whose first FUTA wages from the employer are paid in 1977 or 1978. Only wages paid during the one-year period beginning when the individual is first paid FUTA wages are taken into account in computing the 10% credit. In addition to this tax incentive to hire the handicapped, the workers' compensation laws of most states also encourage employers to hire handicapped workers. (See related article, page 3.)

The preceding discussion of the new tax incentives is by no means exhaustive. For example, certain limitations apply to the amount of the credit that will be allowed. For a complete discussion and illustrative examples of the new tax credits, refer to Publication 902, Tax Information on Jobs Tax Credit, published by the Internal Revenue Service.

### 1977 Futa Tax Higher For D.C. Employers

Employers in Washington, D.C. can expect a .3% increase in their FUTA tax contribution for 1977 according to a Department of Labor spokesman. The increase is caused by the District of Columbia's failure to take appropriate action to defer repayment of its loan from the Federal Unemployment Trust Fund.

Under 1977 legislation, a state can postpone its loan repayment until 1979 if it can demonstrate to the Secretary of Labor that appropriate measures have been taken to restore its trust fund to solvency. Appropriate action is described as: an increase in the state's taxable wage base, an increase in the state's tax rates, an increase in the experience-rating formula, or some combination of the above. Any state which fails to satisfy these requirements will be assessed increasing amounts of federal unemployment taxes until the loan is repaid.

All states that borrowed money, except the District of Columbia, qualify for deferral of their loan repayments and thereby avoid an increase in their 1977 FUTA rate. For 1977, then, the net FUTA tax will be .7% except in the District of Columbia where it will be 1.0%.

...on unemployment compensation...

## WC Laws Encourage Employers to Hire The Handicapped

Most workers' compensation laws include a provision encouraging employers to hire handicapped workers. The purpose of such provisions is to protect employers from costly claim charges arising out of a minor industrial accident complicated by a pre-existing handicap. Therefore, special funds were developed to pay a portion of the claim costs whenever an industrial injury combines with a pre-existing handicap to produce a greater disability than that caused by the industrial injury alone. Such provisions do not alter the benefits payable to the injured handicapped worker. They only affect the manner in which such a claim is charged against the employer for purposes of rate computations.

While procedures vary, they usually involve a determination by the state agency of the appropriate percentage of the total cost which is attributable solely to the handicap and not to the industrial injury. That portion of the cost is then omitted from the employer's premium computation and is charged against the special fund instead. If it can be shown that the handicap caused the industrial injury - for example, a fall caused by an epileptic seizure - then the entire cost of the claim may be paid by the special fund and none of it charged against the employer's risk.

In order to receive reimbursement from the fund, the employer must make a formal application and must frequently show that the claim meets the following criteria.

- . The employer knew of the employee's handicap before the industrial injury.
- . Medical reports indicate the handicap played a major role in the resulting disability - i.e., the handicap was aggravated by the industrial injury or delayed the normal recovery.

This provision can result in a substantial reduction in the cost of an industrial accident for the employer. Last year, REH saved Ohio

employers \$449,000 as a result of handicap reimbursement requests filed on their behalf.

### Trucker Injured While "On Call" WC Benefits Denied

A recent Ohio Court of Appeals decision involving an REH client should be of national interest to the trucking industry. The case involves the well-known "on call" exception to the going and coming rule.

Generally, injuries occurring on the way to work and on the way home from work are not compensable under workers' compensation. Historically, however, an exception has been made to this general rule if the employee was responding to a "call" at the time of injury.

In the instant case, a truck driver was called by his employer to report to his terminal to pick up his loaded truck for a run. He was called for duty during his "on call" period with the customary two-hour notice. During the on call period, he was required to keep himself in a condition to drive if called, as dictated by company and federal regulations. Yet how he reported to the terminal was up to him in the sense that he could arrive there in any vehicle or by any route he chose. He was not compensated for getting to the terminal. The driver/claimant was injured in his personal car driving to the terminal to report to work in response to the call.

The claim was originally allowed, but that decision was overturned by the Court of Common Pleas which found that the circumstances of the case did not warrant application of the on call exception to the going and coming rule. The driver appealed to the Court of Appeals which upheld the decision of the Common Pleas Court and found for the employer. The claimant has now filed an appeal to the Ohio Supreme Court which has not yet decided if it will hear the case.

Because of national import of this case for the trucking industry, REH will continue to report any new developments in the litigation.

...on workers' compensation.

### **Conforming Legislation** (cont. from page 1)

Although these changes do mean increased taxes for employers, the costs could have been substantially higher if Congress had enacted the legislation originally proposed. You will recall that REH's Senior Vice President, Warren G. Blue, testified before the congressional unemployment compensation subcommittee and vigorously opposed certain provisions of the original legislation.

### **REH Employee Appointed to Chamber Committee**

Tom Sturgeon, District Manager in REH's Central Pacific Region, has recently been appointed to the Social and Labor Legislation Committee of the Missouri Chamber of Commerce. In this capacity, Tom will be vitally involved in drafting proposed UC and WC legislation and seeing that the Chamber's position is promoted before the Missouri legislature.

### **Jobless Pay For N.Y. Strikers Upheld on Appeal**

In the last issue of the Client Service Bulletin, we reported a U.S. District Court decision denying UC benefits to strikers. That decision has now been reversed by the U.S. Court of Appeals, and strikers in New York are once again entitled to unemployment benefits after the appropriate waiting period.

### **Tax Notice Reminder**

During the next few months, many state agencies will be mailing out 1978 unemployment tax rate notices. If any of these notices are sent to your offices rather than to REH, please forward them to REH's Unemployment Actuarial Department immediately so that verification of your new contribution rate can begin as quickly as possible. Please help us to help you keep your unemployment rates as low as possible.



Harrington Building • 90 E. Wilson Bridge Road  
Worthington, Ohio 43085 • 614/846-5430

OFFICES IN PRINCIPAL CITIES

# REH All States Unemployment Guide

The following table shows comparative data for state unemployment costs in 1977 and 1978. The tax rates shown apply to private employers only, not to public employers. The "standard rate" is the rate applicable to new employers or to those employers that do not qualify for a merit rate.

KEY: N/A - Information not available at time of printing

\* - Includes allowance for dependents

State	Taxable Wage Base		Tax Range		Standard Rate		Current Benefit Amount	
	1978	1977	Min.-Max. 1978	Min.-Max. 1977	1978	1977	Min.	Max.
AL	N/A	4,800	0.5 - 4.0	0.5 - 4.0	2.7	2.7	\$ 15	\$ 90
AK	N/A	10,000	N/A	2.3 - 4.8	(1)	(1)	18	120 *
AZ	N/A	6,000	N/A	0.1 - 3.6	N/A	2.7	15	85
AR	6,000	5,400	0.5 - 4.4	0.5 - 4.4	3.1	3.1	15	100
CA	6,000	7,000	1.4 - 4.9	1.4 - 4.9	3.6	3.6	30	104
CO	6,000	4,200	0.3 - 3.6	1.8 - 3.6	2.7	2.7	25	121
CT	N/A	6,000	N/A	1.5 - 6.0	N/A	4.9	15	183 *
DE	6,000	4,200	N/A	1.6 - 4.5	N/A	4.2	20	140
DC	N/A	4,200	N/A	2.7 - 2.7	N/A	2.7	13	160
FL	6,000	4,200	N/A	1.1 - 4.5	2.7	1.0	10	82
GA	N/A	6,000	N/A	0.06 - 4.7	N/A	2.7	27	90
HI	N/A	9,300	3.5 - 3.5	3.5 - 3.5	3.5	3.5	5	120
ID	9,600	8,400	1.1 - 4.2	0.9 - 4.0	3.1	2.9	17	110
IL	6,000	4,200	1.0 - 4.3	0.1 - 4.0	3.0	2.7	15	138 *
IN	6,000	4,200	0.3 - 3.3	0.3 - 3.3	2.7	2.7	35	124 *
IA	6,500	6,000	0.6 - 6.0	0.9 - 4.9	2.0(2)	2.4	20	124
KS	6,000	4,200	N/A	0.0 - 3.6	N/A	(3)	27	109
KY	6,000	4,200	N/A	2.7 Pos. 4.2 Neg.	N/A	2.7	12	94
LA	6,000	4,200	0.1 - 2.7	0.4 - 3.0	2.7	3.0	10	130
ME	6,000	4,200	2.4 - 5.0	2.7 - 5.3	3.0	3.3	12	129 *
MD	6,000	4,200	2.8 - 3.6	2.8 - 3.6	2.5	2.5	10	89
MA	6,000	4,200	2.6 - 6.4	3.9 - 5.1	N/A	3.0	12	173 *
MI	6,000	5,400	1.0 - 6.0	0.8 - 6.6	2.7	2.7	16	136 *
MN	7,500	7,000	1.0 - 7.5	1.0 - 7.5	2.7	2.7	18	122
MS	6,000	4,200	N/A	2.1 - 2.7	N/A	1.0	10	80

## REH All States Unemployment Guide

The following table shows comparative data for state unemployment costs in 1977 and 1978. The tax rates shown apply to private employers only, not to public employers. The "standard rate" is the rate applicable to new employers or to those employers that do not qualify for a merit rate.

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AK	N/A	10,000	N/A	2.3 - 4.8	(1)	(1)	18	120 *
AZ	N/A	6,000	N/A	0.1 - 3.6	N/A	2.7	15	85
AR	6,000	5,400	0.5 - 4.4	0.5 - 4.4	3.1	3.1	15	100
CA	6,000	7,000	1.4 - 4.9	1.4 - 4.9	3.6	3.6	30	104
CO	6,000	4,200	0.3 - 3.6	1.8 - 3.6	2.7	2.7	25	121
CT	N/A	6,000	N/A	1.5 - 6.0	N/A	4.9	15	183 *
DE	6,000	4,200	N/A	1.6 - 4.5	N/A	4.2	20	140
DC	N/A	4,200	N/A	2.7 - 2.7	N/A	2.7	13	160
FL	6,000	4,200	N/A	1.1 - 4.5	2.7	1.0	10	82
GA	N/A	6,000	N/A	0.06 - 4.7	N/A	2.7	27	90
HI	N/A	9,300	3.5 - 3.5	3.5 - 3.5	3.5	3.5	5	120
ID	9,600	8,400	1.1 - 4.2	0.9 - 4.0	3.1	2.9	17	110
IL	6,000	4,200	1.0 - 4.3	0.1 - 4.0	3.0	2.7	15	138 *
IN	6,000	4,200	0.3 - 3.3	0.3 - 3.3	2.7	2.7	35	124 *
IA	6,500	6,000	0.6 - 6.0	0.9 - 4.9	2.0(2)	2.4	20	124
KS	6,000	4,200	N/A	0.0 - 3.6	N/A	(3)	27	109
KY	6,000	4,200	N/A	2.7 Pos. 4.2 Neg.	N/A	2.7	12	94
LA	6,000	4,200	0.1 - 2.7	0.4 - 3.0	2.7	3.0	10	130
ME	6,000	4,200	2.4 - 5.0	2.7 - 5.3	3.0	3.3	12	129 *
MD	6,000	4,200	2.8 - 3.6	2.8 - 3.6	2.5	2.5	10	89
MA	6,000	4,200	2.6 - 6.4	3.9 - 5.1	N/A	3.0	12	173 *
MI	6,000	5,400	1.0 - 6.0	0.8 - 6.6	2.7	2.7	16	136 *
MN	7,500	7,000	1.0 - 7.5	1.0 - 7.5	2.7	2.7	18	122
MS	6,000	4,200	N/A	2.1 - 2.7	N/A	1.0	10	80

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	1978	1977	Min.-Max. 1978	Min.-Max. 1977	1978	1977	Min.	Max.
MO	6,000	4,500	0.5 - 4.1	0.5 - 4.1	3.2	3.2	3	85
MT	6,000	4,800	N/A	3.1 - 3.1	N/A	3.1	12	104
NE	6,000	4,200	N/A	0.1 - 3.7	N/A	2.7	12	90
NV	6,900	6,500	1.1 - 3.5	1.1 - 3.5	3.5	3.5	16	100
NH	6,000	4,200	N/A	0.15 - 4.0	2.7	2.2	21	102
NJ	6,200	5,800	1.2 - 6.2	1.2 - 6.2	3.4	3.4	10	110
NM	6,000	6,000	0.6 - 4.2	0.6 - 4.2	2.7	2.7	17	83
NY	6,000	4,200	N/A	1.5 - 5.2	N/A	3.7	25	125 (eff. 9/4/78)
NC	6,000	4,200	0.1 - 5.7	0.5 - 4.7	2.7	2.7	15	112
ND	N/A	4,300	N/A	1.3 - 5.0	N/A	3.5	15	115
OH	N/A	4,200	1.1 - 4.8	1.1 - 4.8	3.0	3.0	10	175 *
OK	6,000	4,200	0.5 - 5.2 (est.)	2.2 - 2.7	3.1	2.7	16	101
OR	8,000	8,000	2.6 - 4.0	2.6 - 4.0	3.5	2.7	30	112
PA	6,000	4,200	N/A	1.0 - 4.0	N/A	2.0	13	133
RI	6,000	4,800	N/A	3.2 - 5.0	N/A	3.7	22	126 *
SC	6,000	4,200	1.3 - 4.1	1.3 - 4.1	2.7	2.7	10	111
SD	6,000	4,200	0.0 - 4.5	0.0 - 2.7	2.7	2.7	19	96
TN	6,000	4,200	0.75 - 4.0	0.4 - 4.0	2.7	2.7	14	95
TX	6,000	4,200	0.1 - 4.0	0.3 - 4.2	N/A	2.7	15	84
UT	9,600	8,800	1.3 - 2.8 (est.)	1.5 - 2.9	3.0 (4)	3.0	10	119
VT	N/A	6,000	1.8 - 6.1	1.2 - 5.5(1st half) 1.8 - 6.1(2nd half)	2.7	3.3	15	102
VA	6,000	4,200	N/A	.85 - 2.7	N/A	1.8	28	110
WA	8,400	7,800	3.3 - 3.3	3.0 - 3.0	3.3	3.0	17	119
WV	N/A	4,200	N/A	0.0 - 3.3	N/A	1.5	14	139
WI	N/A	6,000	0.5 - 6.5	0.5 - 5.7	N/A	3.4	25	135
WY	6,000	4,200	N/A	1.47 - 4.17	N/A	4.17	24	111

- (1) New employers pay at an average rate for their industry, but such rate cannot be less than 1%.
- (2) Construction: 6.0%
- (3) Based on type of industry: 3.0% contract construction; 2.5% manufacturing; 2.2% all others.
- (4) New Employer Rate: 2.7%

REFERENCE LETTER



OHIO HOSPITAL ASSOCIATION

88 East Broad Street, Columbus, Ohio 43215  
Phone (614) 221-7614

August 2, 1977

Mr. R.E. Bodycombe, President  
R.E. Harrington, Inc.  
90 East Wilson Bridge Road  
Worthington, Ohio 43085

Dear Mr. Bodycombe:

As you know, I have coordinated the group Unemployment Compensation Program of the Ohio Hospital Association since the program began in 1972. In that capacity, I am responsible for monitoring and evaluating the services provided by your firm, and I want to take this opportunity to express my appreciation for Harrington's contribution to the extraordinary success of the program.

We are very much aware that a program of this magnitude inevitably encounters difficulties because of the volume of regular work to be processed and because of the number of requests for special assistance from the individual members. Harrington personnel have always acted with the highest level of competence and professionalism and have consistently shown the attention to detail and the personal concern so necessary for the program's success.

We at the OHA want to thank you and your staff for a job well done.

Sincerely,

B. William Dunlap  
Vice President  
Personnel Services

1.75



**GATES, McDONALD**

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**GATES, McDONALD**

2210 PARKLAKE DRIVE, N. E.  
ATLANTA, GEORGIA 30345  
404/934-3711

March 8, 1978

MR WILLIAM T PUTNAM  
STATE AUDITOR  
STATE OF SOUTH CAROLINA  
P O BOX 11333  
COLUMBIA SC 29211

Dear Mr. Putnam:

We are pleased to submit this proposal to provide an Unemployment Compensation cost control program to cover the employees of the State of South Carolina.

Having pioneered this type of service 40 years ago, we have grown to represent over 6,000 employers nationwide. We believe that effective control of UC costs consists principally of two major elements. The first element concerns the method used to administer the paper processing inherent in claims administration. This method includes, but is not limited to, the following:

1. Calculation of weekly benefit amount and maximum potential liability.
2. Establishing correct separation flow.
3. Matching individual claims to charge summaries.
4. Contesting and monitoring claims.
5. Contesting and monitoring charges.

Gates, McDonald maintains a centralized claims and computer processing facility in Columbus, Ohio, and utilizes the most advanced computer methodology to manage this principal element of UC costs. An inventory list of our main frame and peripheral equipment is enclosed. This equipment, of course, is constantly reviewed and updated permitting us to provide our clients with the most effective, sophisticated computer system.

COPY

Mr. William T. Putnam  
State of South Carolina  
March 8, 1978  
Page 2

The second major element concerning effective UC cost control concerns the personal element. By this we mean the education, general field assistance, and hearing attendance regularly required at the local level as outlined in your specifications.

Gates, McDonald's field organization is the largest and most experienced in the industry. The size of our field staff represents a company philosophy of providing close and frequent client contact. Although we currently service South Carolina from our Atlanta office, we are constantly evaluating and updating our service locations to meet the needs of our accounts.

We provide our clients with quarterly claims activity reports as shown in our proposal. We also have the ability to provide quarterly CETA reimbursing charge summaries; it is preferable that an identifiable code for each CETA employee be incorporated into his payroll record.

At the end of each year, we summarize total costs incurred as a direct reimbursing and project a proforma cost as a merit rated employer. We will, therefore, be in a position to suggest the most economical method of payment for our accounts.

Gates, McDonald, a wholly owned subsidiary of Nationwide Corporation, has the financial stability which is a point of major concern to many prospective accounts. As verification of our financial strength and resources, I am enclosing for your review a copy of our Annual Report.

As we discussed, we would like the opportunity to meet with you and your staff in the near future to personally highlight the salient points of our service and answer any questions you may have.

Very truly yours,

David H. Boshart  
Regional Marketing Manager

DHB:kgh

Enclosures

AN  
UNEMPLOYMENT COMPENSATION  
COST CONTROL PROGRAM

FOR

SOUTH CAROLINA SCHOOL BOARD

MARCH 1978

David H. Boshart  
Gates, McDonald & Company  
2210 Parklake Drive NE  
Atlanta, Georgia 30345  
(404) 934-3711

### AN INTRODUCTION

On October 20, 1976, the President signed a bill extending Unemployment Compensation to state and local government workers, school district employees and others not formerly covered. It is estimated that fully 97% of all jobs are to be covered by the Unemployment Compensation Amendments of 1976. The effective date is January 1, 1978.

Among other things, the Law increases the federal taxable wage from \$4,200 to \$6,000 and the federal tax from 0.5% to 0.7%. Six thousand dollars is the minimum taxable wage base; depending on the condition of their fund, some states may have a greater wage base. State rates, if applicable, are in addition to the federal rate shown and are usually higher.

Governmental employers must now absorb this cost - eventually passing it on to the taxpayer in the form of higher taxes - or reduced services.

We believe we can assist you in controlling and even reducing these Unemployment Compensation costs by installing a proven system of sophisticated controls.

ABOUT GATES, McDONALD & COMPANY

Gates, McDonald has represented employers for nearly 40 years - as long as Unemployment Compensation has existed in the United States. Clients include those in literally all business and industry, including government, schools, and other non-profit institutions.

Today, Gates, McDonald represents thousands of organizations throughout all 50 states from offices strategically located from coast to coast.

We believe our headquarters and field staff to be unequalled in length of experience, dedication and professionalism. We will, if desired, be pleased to provide a list of representative clients.

THE GOALS AND COMMITMENT OF GATES, McDONALD

ARE AS FOLLOWS. WE WILL:

- . Relieve your staff of the costly effort inherent in evaluating claims, monitoring charges and keeping abreast of changing state laws covering benefit periods, payments, etc.
- . Reduce the cost of claims through educational seminars regarding all matters of Unemployment as they may affect your organization.
- . Provide centralized - one source - control.
- . Assume all responsibility for protesting claims and charges.
- . Where applicable, establish a total actuarial service, verifying rates, joint accounts, etc.
- . Monitor all charges throughout the term of each ongoing claim.
- . Produce meaningful management reports tailored to decision making requirements.

GENERAL SUMMARY OF PROPOSED PROGRAM

A study will be undertaken to make certain that only proper wages are reported to both state and federal agencies. A careful review of all personnel forms impacting on the costs of Unemployment Compensation, such as hiring and separation will also be conducted. Concurrently, seminars will be arranged for appropriate personnel to familiarize them with acceptable UC practices and related matters.

Since total claims administration is essential to an effective program, we will:

- . Review processing of all claims.
- . Evaluate separation information.
- . Initiate protests.
- . Assist at hearings.
- . Monitor and report status of claims.
- . Monitor and protest erroneous charges.
- . Maintain documented reports on all separations, claims and charges by department and location.

A knowledgeable approach to unemployment compensation can prevent unnecessary claims liability. Your personnel having responsibilities which can influence employment stability will become familiar with all practices and policies which assure a controlled unemployment compensation experience.

IMPLEMENTATION OF THE PROGRAM

It has been the practice of Gates, McDonald to assign an experienced Account Manager to our clients. His responsibility is to provide Unemployment Compensation assistance when needed, with regard to specific claims handling, educational information, actuarial work or hearing attendance. Actual claims handling, of course, will be centralized at our computer based Columbus headquarters.

The Account Manager will:

- . Initiate flow of wage and separation information.
- . Obtain letters of authority.
- . Designate change of address, where appropriate, in order to establish Gates, McDonald as the official addressee.
- . Arrange educational seminars with management personnel.
- . Establish clear lines of communication and responsibility between Gates, McDonald and client.

CLAIMS

Because claims control is so vital to the success of a UC cost control program, some further explanation of what we propose to do in this area may be in order.

Gates, McDonald will assume complete responsibility for filing, monitoring and protesting claims accurately and on a timely basis.

Both payroll and separation information will be entered and stored in our computer base and be instantly available whenever required. Appropriate decisions, in order to protect your account from improper charges, are made by experienced claims examiners.

The initial response to a state agency must be accurate and preferably well documented. This first response may also require suitable payroll information, which will be used by the state to calculate the weekly benefit amount due and the maximum potential liability to your account.

Our staff will carefully make two determinations in reviewing claims:  
1) a monetary determination to confirm payroll data, weekly benefit amount, maximum potential liability and 2) a non-monetary determination to make certain the separation was the result of a quit, discharge or lack of work.

Should our claims examiner believe the state's initial determination is incorrect, protests are immediately initiated. Since the principle element in controlling costs in UC is claims, protests become significant vehicles in protecting your account against erroneous or false liability.

Though protests will most likely be made on your behalf in response to an eligibility issue, they are also instigated in response to charge statements and charge sequences which are in error.

Should the state agency not agree with our protest, we may file an appeal - which could result in a hearing to be held. At such hearings, Gates, McDonald will provide hearing administration, or attend when necessary.

When a claim has been qualified, or disqualified, a system of controls is activated, monitoring the claim, to make certain it is being handled correctly by the state agency during the entire life of the claim.

Often, more than one employer will have liability on a single claim. Should this occur, our system will make certain that the state determination correctly reflects your share of the liability. The sequence of charging will also be monitored so that your account is not charged before other employers with prior liability.

Should we achieve "non-charging" for a claim, this status must be preserved during the life of the claim. Our purpose is to make certain charges are not made to your account once "non-charging", if applicable, has been achieved.

In summary, each transaction is carefully matched to the claim information stored in our computer file. Discrepancies trigger immediate response by our claims examiners.

ACTUARIAL

Where applicable, our actuarial department will assume responsibility for the maintenance of your Unemployment Compensation tax rate. We will:

- . Establish and monitor state tax rates.
- . Verify and correct errors.
- . Evaluate joint account opportunities  
(tax reduction possibility).
- . Evaluate voluntary contribution opportunities  
(tax reduction possibility).

Other:

The Gates, McDonald actuarial department will assist you in preparing and filing other forms (fraud report, etc.) having to do with UC.

BENEFITS OF THE GATES, McDONALD

UNEMPLOYMENT COMPENSATION COST CONTROL PROGRAM

All information such as claims, payroll, and charges will be centrally controlled and monitored by computer. Other matters such as education, hearings, and consultation will be handled by our fully staffed field offices. Gates, McDonald will, therefore and in fact, become your Unemployment Compensation Department, centrally processing all paper transactions when it is appropriate to do so while retaining frequent and local personal contact. In summary, benefits provided will be:

- . Total Control - our combined method of computer assisted claims management and local field contact ensures you of truly total UC control.
- . Savings/Total Control - one source responsibility will prevent in-valid or erroneous charges from being made against your account. You pay only the legal minimum required.
- . Reduced Administrative Costs - no additional personnel are required - in personnel, payroll or finance.
- . Improved Management Practices - educational seminars, documented reports and newsletters will keep you abreast of UC matters in general, and your account in particular.

PROFESSIONAL FEE

The Gates, McDonald fee for managing and controlling your organization's unemployment compensation program is principally determined by your taxable payroll or number of employees. In addition, consideration is given to type and number of payroll facilities (if more than one), the number of physical locations having employees and, of course, the manpower and other resources required to manage your account properly and professionally.

Our long experience with a vast number of employers indicates that this type of service pays for itself through lower claims costs and reduced administrative time and effort.

AGREEMENT

Gates, McDonald & Company agrees to perform all services stipulated in this proposal:

It is understood that the services to be performed as outlined shall be in compliance with the rules and regulations of the unemployment state agency and shall exclude any services which may be deemed the practice of law.

The fee for this service shall be \$1.75 per covered employee.

It is mutually agreed that if this offer is accepted the resulting contract shall renew itself from year to year, provided that after the first nine months it may be terminated by either party three months after receipt of written intent to cancel.

This agreement will become effective the first of the month following acceptance of this agreement. Our services shall begin promptly upon completion of the necessary letters of authorization.

ACCEPTED:

SOUTH CAROLINA SCHOOL BOARD

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

GATES, McDONALD & COMPANY

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

AGREEMENT

Gates, McDonald & Company agrees to perform all services stipulated in this proposal:

It is understood that the services to be performed as outlined shall be in compliance with the rules and regulations of the unemployment state agency and shall exclude any services which may be deemed the practice of law.

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This agreement will become effective the first of the month following acceptance of this agreement. Our services shall begin promptly upon completion of the necessary letters of authorization.

ACCEPTED:

SOUTH CAROLINA SCHOOL BOARD

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

GATES, McDONALD & COMPANY

\_\_\_\_\_  
Name

\_\_\_\_\_  
Date

-13-

APPENDIX

The Unemployment Activity Report is an excellent device which allows management to evaluate the services of Gates, McDonald, and to measure the effect our program has had on the elimination of unwarranted benefit payments from the unemployment claims experience of the City and County of San Francisco. The reports are submitted to our accounts and reviewed in depth on a personal basis by your account manager. The report details your unemployment claims activity for each department so that the City and County of San Francisco can internally pinpoint the problem or high-cost areas. The Activity Reports consist of a narrative summary, a claims activity summary, and an analysis of all standing and closed unemployment claims against the City and County.

A narrative focuses on the problem areas, such as departments which may not be furnishing enough detailed information to insure the proper disposition of an unemployment claim. The narrative further highlights any significant cost reductions, and may recommend procedures which might be implemented in order to improve claims experience.

The Claims Activity Summary compiles the number of actual unemployment claims by reason, and provides an exact dollar figure for chargeable liability benefits paid during the period of the report, and total benefits paid to date for each claimant. This portion of the report also details the outcome of each decision made by the State agency.

The Claims Analysis details each individual unemployment claim by department, name of claimant, and Social Security number. Also provided is the reason for each claimant's separation, and the exact dollar figures applicable to each individual unemployment claim.

The management usually reviews the Unemployment Claims Activity Report with the supervisory personnel of each department in order to point out general or specific areas of concern. This enables the supervisory personnel to make corrective action at the source, and thereby maximize the cost control program to its fullest extent.

# GATES, McDONALD & COMPANY

## UNEMPLOYMENT CLAIMS REPORT

Every unemployment claim represents a cost of doing business and will affect your unemployment costs directly.

This report is provided as an aid to your organization to:

- Identify unemployment claims filed.
- Analyze claim causes.
- Determine final disposition made of each claim, or status of claims not finalized as of the date of this report.
- Relate number and costs of claims to reasons for establishment of claims, as reflected in the summary report.

### CODE INTERPRETATION

#### LACK OF WORK

- 0 - No other information
- 1 - Partially unemployed
- 2 - Temporary layoff
- 3 - Plant closed, removed, or job eliminated
- 4 - Reorganization, job eliminated
- 5 - Closed for inventory
- 6 - Earnings for period after last day worked
- 7 - End of temporary or seasonal employment
- 8 - Disciplinary layoff
- 9 - Elects layoff rather than accept transfer or other position

#### DISCHARGED

- 0 - No other information
- 1 - Absenteeism
- 2 - Inability to work (illness)
- 3 - Inability to work (pregnancy)
- 4 - Tardiness
- 5 - Violation of rules, union agreement
- 6 - Insubordination
- 7 - Poor work performance - unsatisfactory
- 8 - At work in improper condition (intoxicated or drugged)
- 9 - Other (including dishonesty)

#### LEAVE OF ABSENCE

- 0 - No other information
- 1 - Personal
- 2 - Illness
- 3 - Pregnancy
- 4 - Family obligations (spouse, child, parent)
- 5 - Military

#### MISCELLANEOUS

- 1 - Transfers
- 2 - Base period employer and no protest possible
- 3 - Refusal of work
- 4 - Part-Time worker

#### QUIT

- 0 - No other information
- 1 - Personal, or to leave area
- 2 - Illness
- 3 - Pregnancy
- 4 - Family obligations (spouse, child, parent)
- 5 - For other employment
- 6 - To attend school
- 7 - Dissatisfied with job
- 8 - Absent without report
- 9 - Other

#### LABOR DISPUTE

- 0 - No other information
- 1 - Member of striking union
- 2 - Separated - strike of other union
- 3 - Refusal to cross picket lines
- 4 - Company lockout

#### VACATION

- 0 - No other information
- 1 - On scheduled vacation with pay
- 2 - Shutdown for vacation; ineligible for vacation pay
- 3 - Shutdown for vacation; eligible for vacation pay
- 4 - Shutdown for vacation; eligible for less than full vacation pay

#### RETIRED

- 0 - No other information
- 1 - Voluntary with pension (contributory)
- 2 - Voluntary with pension (non-contributory)
- 3 - Voluntary without pension
- 4 - Involuntary with pension (contributory)
- 5 - Involuntary with pension (non-contributory)
- 6 - Involuntary without pension

#### UNKNOWN

- 0 - No other information
- 1 - No information from company
- 2 - Company unable to furnish information

#### DECISION CODES

- 0 - No reason to question separation
- 1 - Notice of claim, determination, redetermination, or hearing decision, received late
- 2 - No protest per company's instruction
- 3 - Invalid claim
- 4 - Initial claim or determination - favorable
- 5 - Initial claim or determination - unfavorable
- 6 - Redetermination (or) Decision as result of hearing - favorable
- 7 - Redetermination (or) Decision as result of hearing - unfavorable
- 8 - Protest or appeal pending
- 9 - No protest possible

Location of employment within your organization.	Identity of claimant and separation date.	Beginning date of year period in which claimant may be paid unemployment benefits if eligible.	Maximum amount of your potential liability in the claim.	Amount of charges made to your experience record in the claim during period of this report.	Amount of charges made to your experience record in the claim to date.		Number of hearings attended to resolve an issue concerning the claimant's eligibility	Cause and disposition of claims.  See Code Interpretation
Unit	Name	S. S.	Separation Date	Benefit Year	Chargeable Liability	Benefits Paid This Period	Benefits Paid To Date	# HRG

# UNEMPLOYMENT CLAIM ACTIVITY

CHARGES PAID 2ND QTR 19

01-01-77 THROUGH 06-30-77

SAMPLE REIMBURSING ACCOUNT

OHIO #0800285

UNIT	NAME	S. S.	SEPARATION DATE	BENEFIT YEAR	CHARGEABLE LIABILITY	BENEFITS PAID THIS PERIOD	BENEFITS PAID TO DATE	# HRG	LACK OF WORK	DISCHARGED	LEAVE OF ABSENCE	MISCELLANEOUS	QUIT	LABOR DISPUTE	VACATION	RETIRED
1	M TURNER	268-22-6337	03-18-7	03-25-7	2,652.00	0.00	0.00			1						
1	V VORBROKER	273-20-6506	03-18-7	04-02-7	1,801.00	0.00	0.00						5			
1	PW BINEGAR	275-10-5530	03-02-7	03-18-7	4,186.00	0.00	0.00			4						
1	RK BAUGHMAN	275-10-9098	03-18-7	03-18-7	2,244.00	0.00	0.00	1		6						
1	N THOMAS	276-01-7875	03-11-7	03-11-7	3,220.00	0.00	0.00						7			
2	PL LANDERS	276-38-9004	03-19-7	03-18-7	946.00	387.00	387.00		0							
2	RB GOVAN	277-46-5608	03-04-7	03-20-7	4,816.00	0.00	0.00						5			
2	LE PECK	278-28-6852	03-23-7	04-16-7	2,898.00	0.00	0.00	1					9			
2	DJ MAXWELL	279-24-0665	03-17-7	03-25-7	2,652.00	0.00	0.00				2					
2	ML BROCK	279-38-5535	03-16-7	03-18-7	1,932.00	905.00	905.00		0							
2	BM JOHNSON	280-40-0200	03-16-7	03-18-7	3,059.00	440.00	1,195.00			7						
2	FE BROWN	281-40-0319	03-17-7	03-18-7	2,142.00	0.00	0.00	1		8						
2	JW HALE	282-44-6319	03-17-7	03-18-7	1,020.00	0.00	0.00						0			
2	EM RICE	283-22-7014	03-16-7	03-18-7	816.00	300.00	300.00						5			
2	HG HUFF	283-22-9226	03-16-7	03-18-7	4,186.00	0.00	0.00		0							
3	WG LOEBER	283-38-1432	03-09-7	04-02-7	3,864.00	0.00	0.00	1		1						
4	TJ NUNN JR	288-28-3164	03-30-7	03-25-7	2,652.00	570.00	570.00			7						
4	A WISEMAN	289-46-3939	03-17-7	03-18-7	3,703.00	0.00	0.00						6			
4	NR PORTWOOD	289-50-5912	03-19-7	04-02-7	918.00	0.00	0.00						7			
4	MA SULLIVAN	289-52-7435	03-19-7	03-18-7	1,610.00	0.00	0.00						8			
5	LM WEDERTZ	290-07-3363	03-18-7	03-18-7	2,254.00	384.00	1,280.00		0							
5	BJ MENKE	290-14-9844	03-17-7	03-18-7	4,186.00	905.00	905.00		0							
5	DJ ZERR	291-28-7529	02-19-7	03-18-7	2,652.00	0.00	0.00			1						
5	B BURNS	291-32-9937	03-19-7	03-18-7	1,326.00	0.00	0.00			4						
6	LM NANTZ	292-30-6507	03-16-7	03-18-7	1,288.00	0.00	0.00				0					
6	SW DURHAM	294-20-0645	03-19-7	03-18-7	2,737.00	562.00	1,384.00					5				
6	JM SATTERFIELD	294-20-3338	03-19-7	03-18-7	1,012.00	0.00	0.00			5						
6	BH ASHMAN	294-22-8970	03-19-7	03-18-7	880.00	400.00	400.00			0						
7	KR BAKER	296-48-8032	01-23-7	01-30-7	384.00	0.00	0.00			4						
7	LH HAMMONS	304-20-5727	04-17-7	04-18-7	4,186.00	791.00	791.00						1			
7	F NUNIER	311-30-0477	04-19-7	04-25-7	2,162.00	824.00	824.00		0							
8	GK WHITE	311-30-0538	04-19-7	04-18-7	1,603.00	0.00	0.00			6						
8	ME SCHMID	312-54-2292	04-16-7	04-18-7	3,410.00	900.00	3,410.00						5			
8	V PIERCE	313-22-7946	04-14-7	04-16-7	2,844.00	0.00	0.00						2			
8	CB CATES	313-24-2956	03-19-7	03-18-7	4,186.00	0.00	0.00	1		1						
8	CR HENDERLIDER	314-16-0629	03-09-7	03-24-7	2,162.00	0.00	0.00			5						

REPORT

## UNEMPLOYMENT CLAIM ACTIVITY

CHARGES PAID 2ND QTR 19

01-01-77 THROUGH 06-30-77

SAMPLE REIMBURSING ACCOUNT

OHIO #0800285

UNIT	NAME	S. S.	SEPARATION DATE	BENEFIT YEAR	CHARGEABLE LIABILITY	BENEFITS PAID THIS PERIOD	BENEFITS PAID TO DATE	# HRG	LACK OF WORK	DISCHARGED	LEAVE OF ABSENCE	MISCELLANEOUS	QUIT	LABOR DISPUTE	VACATION	RETIRED	UNKNOWN
8	HW LAMAR	314-16-2047	03-19-7	03-18-7	2,652.00	0.00	0.00										
8	M ROBERTSON	317-40-0054	03-19-7	03-18-7	2,652.00	0.00	0.00			8							
8	EM HALL	401-24-5570	03-17-7	03-18-7	3,740.00	980.00	980.00			1							
8	MG HOLT	401-48-9037	03-19-7	03-18-7	4,186.00	704.00	704.00						2				
8	SJ OSBORNE	401-50-6432	03-17-7	03-18-7	1,144.00	0.00	0.00	1					7				
8	GT MORGAN	404-26-2782	03-15-7	03-18-7	1,830.00	733.00	1,392.00										
8	HD SMITH	405-05-1736	03-19-7	03-18-7	2,652.00	0.00	0.00	1		9							
8	SH PHILLIPS	405-10-1598	03-18-7	03-18-7	1,078.00	264.00	264.00			5							
9	CM HENDRICKS	405-30-0704	03-19-7	06-18-7	3,315.00	495.00	1,420.00										
9	IC BURCH	406-44-6358	03-16-7	03-18-7	3,010.00	441.00	441.00										
9	N BREWER	407-32-9680	03-19-7	03-18-7	968.00	336.00	336.00						5				
9	G SOLOMON	407-36-6974	03-17-7	03-18-7	1,390.00	0.00	0.00						6				
9	BE WILSON	407-64-5580	03-19-7	03-18-7	1,851.00	0.00	0.00						1				
9	MW ROACH	409-09-8202	03-16-7	03-25-7	4,186.00	0.00	348.00			4							

# REPORT SUMMARY

CHARGES PAID 2ND QTR 19

01-01-77 THROUGH 06-30-77

SAMPLE REIMBURSING ACCOUNT

OHIO #0800285

SEPARATION REASON	NUMBER OF CLAIMS	CHARGEABLE LIABILITY	BENEFITS PAID THIS PERIOD	# HRG	BENEFITS PAID TO DATE	FAVORABLE DECISIONS	UNFAVORABLE DECISIONS	DECISIONS PENDING	
LACK OF WORK	8	21,545.00	4,934.00		6,755.00				
DISCHARGED	21	52,410.00	1,674.00	5	2,777.00	18	3		
LEAVE OF ABSENCE	2	4,482.00	733.00		1,392.00	1	1		
MISCELLANEOUS	2	4,025.00	562.00		1,384.00		1	1	
QUIT	17	40,781.00	1,880.00	2	5,702.00	14	3		
LABOR DISPUTE	0	0.00	0.00		0.00				
VACATION	0	0.00	0.00		0.00				
RETIRED	0	0.00	0.00		0.00				
UNKNOWN	0	0.00	0.00		0.00				
TOTAL	50	123,243.00	9,783.00		18,010.00	33	8	1	

The attached is a suggested outline which Gates, McDonald personnel use as a guideline when conducting unemployment workshops or seminars. This outline was prepared in order to provide a general idea of the subjects which would normally be covered at such meetings. The agenda, of course, would be modified in order to meet the needs of those in attendance, i.e., foremen, supervisors, managers, etc.

I. HISTORY OF UNEMPLOYMENT COMPENSATION

A. Federal and State programs.

The evolution of unemployment compensation programs to their present state with particular emphasis on the State of California and the reimbursing method of finance, if applicable.

B. Gates, McDonald & Company.

If applicable, an overview of Gates, McDonald, its concept and service philosophy.

II. PURPOSE OF THE UNEMPLOYMENT COMPENSATION PROGRAM

This will define our area of concern and our people will highlight the objectives of the unemployment service.

III. METHOD OF FINANCING

This portion of the meeting will pay detailed attention to the type of financing chosen by the particular employer in highlighting both the positive and negative aspects of that method.

IV. ELIGIBILITY REQUIREMENTS

A detailed discussion and explanation of the requirements an employee must meet in order to even qualify for unemployment compensation.

A. Monetary Requirements.

1. Base period
2. Benefit year
3. Qualifying wages
4. Weekly benefit amounts
5. Duration of benefits

B. Availability Requirements.

1. Availability for work
2. Actively seeking work

3. Physical ability to work

C. Separation Issues.

This will cover the issues behind the allowance or disallowance of the unemployment benefits.

V. RECOMMENDATIONS FOR MINIMIZING THE COST OF UNEMPLOYMENT

An in-depth discussion and explanation of voluntary quits, discharges, retirements, labor disputes and all other potential separation reasons and the ramifications of each.

Under this topic such areas as hiring practices, established rules and regulations, warning notices, etc. are covered in depth. This insures that your supervisory personnel are handling each potential separation with the most proven set of procedures.

The lively dialogue generated by such a meeting on the topic of unemployment creates an attitude of cost consciousness within your supervisory personnel. Your people are given an opportunity to ask questions of a general or specific nature which furthers the education of the individual relative to this vital area of employer concern.

## SEPARATION REPORTS

The Separation Report (copy attached) is a computer listing of all separation information received by Gates, McDonald from each account for that particular month. This report enables management to see exactly where separations are resulting as well as the reason for that separation. This allows management to take immediate corrective action should they believe it warranted.

The Separating Last Employer List (also attached) is a compilation of the initial claims filed against your account by former employees. This is a list of claims under which you are the employer of liability, and under which you may exercise your protest rights.

These reports will be reviewed periodically with concerned management in order to maintain a continuing atmosphere of cost consciousness.

-

ACCOUNT NUMBER      UNEMPLOYMENT COMPENSATION  
0142639      REPORT OF SEPARATIONS FILED      PERIOD  
SAMPLE COMPANY

12/01/75--12/31/75

STATE OF FLORIDA

UNIT	SOCIAL SECURITY NUMBER	EMPLOYEES NAME	SEPARATION DATE	REASON CODE	FORM
	002-16-2190	E BATH	11-28-5	Q0	SEP
	077-10-4876	CM KUNST	10-10-5	Q0	SEP
	082-14-9360	OK HAYWOOD	11-18-5	Q0	SEP
	102-44-9148	P PALMER	11-28-5	Q0	SEP
	123-38-6528	D WAINWRIGHT	08-23-5	Q8	SEP
	128-16-4962	R KANTER	06-03-5	A0	SEP
	244-96-5560	J GALLAGHER	11-21-5	Q0	SEP
	262-60-6032	LM DAVIS	11-30-5	Q0	SEP
	263-13-5261	A GETER	11-25-5	D1	SEP
	263-23-5589	JL JACKSON	10-16-5	Q0	SEP
	263-23-7479	F ADDAMS	11-15-5	Q0	SEP
	263-96-3454	V WILEY	10-05-5	Q0	SEP
	266-78-2190	MA SCHALL	11-28-5	Q0	SEP
	266-92-7688	M CACACE	11-30-5	Q1	SEP
	267-21-7541	W MOORE	09-17-5	Q0	SEP
	267-68-1215	W MARTIN	10-09-5	Q0	SEP
	267-88-5380	MD HARRIS	10-05-5	Q0	SEP
	282-36-2221	C DAILEY	11-14-5	Q7	SEP
	386-46-6445	M TOMSER	11-21-5	Q0	SEP
	411-92-2853	ML THOMAS	11-20-5	Q0	SEP
0902	026-46-0053	GT THEOCHARIS	12-08-5	U1	SEP
	048-10-5676	J GIEGER	12-09-5	Q0	SEP
	169-42-1414	F FEWLER	12-16-5	Q1	SEP
0902	237-44-2035	B LASSLEY	12-14-5	U1	SEP
	261-88-2477	E SNOW	12-11-5	D7	SEP
	265-17-0083	J SIGMON	12-04-5	Q0	SEP
	265-90-0992	AL BEVEL	12-02-5	Q0	SEP
	267-21-9733	J SEARS	12-03-5	Q0	SEP
	404-64-6000	J GETTY	12-15-5	Q0	SEP
	481-54-7843	LL DIRKSEN	12-01-5	Q0	SEP
	508-74-3128	BL GREANEY	12-28-5	Q0	SEP
0902	572-48-7198	LR WALDROP	12-12-5	U1	SEP

RUN DATE 03/10/76

PAGE 1

### CHARGE PROTEST LETTER

The charge protest letter is generated after a regularly scheduled audit of an account's charge statement has shown erroneous charges against their account. Gates, McDonald will then direct a letter requesting relief to the respective state agency that issued the erroneous charge or charges.

The sample used for display purposes here is an excellent example of savings realized from close monitoring of unemployment charges. This account pays Gates, McDonald an annual fee of \$27,000. You will note that the total relief from charges requested amounts to over \$38,000--an excellent example of Gates, McDonald's cost control management in the area of unemployment compensation.

# GATES, McDONALD & COMPANY

1261 Dublin Road, Box 1944, Columbus, Ohio 43216

(614) 488-5971

March 18, 1976

MR J C INGLE CHIEF  
ACCOUNTING SECTION  
EMPLOYMENT DEVELOPMENT DEPARTMENT  
800 CAPITOL MALL  
SACRAMENTO CA 95814

Dear Mr. Ingle:

A B C Corporation  
Account Number - 001-5925

Please consider this letter as a timely protest to the following charges listed on Form DE-428, for the year ended June 30, 1975:

<u>NAME</u>	<u>S. S. NUMBER</u>	<u>DATE OF CLAIM</u>	<u>CHARGE</u>
M. Thomas	536-42-8723	08-18-74	\$ 1,950.00
E. Wingfield	446-16-8884	09-08-74	90.00
P. Orr	558-76-9262	04-27-75	355.00
R. Norris	573-58-9345	10-13-74	1,357.00
R. Pierce	568-84-9440	10-20-74	19.00
L. Sotelo	571-74-9577	09-01-74	39.00
F. Thiers	473-44-9679	04-28-74	2,340.00
J. Untori	388-34-9709	03-16-75	8.00
R. Ortega	546-62-0127	09-27-74	1,800.00
K. Chrysler	559-88-0315	08-18-74	1,768.00
L. Crow	556-90-0455	07-14-74	1,050.00
E. Ogden	572-82-0471	07-14-74	934.00
A. Edwards	573-90-0492	11-18-73	126.00
J. Comingdeer	572-92-0974	01-26-75	57.00
D. Prosperi	551-92-1009	08-18-74	1,605.00
W. Taylor	571-74-7521	12-01-74	1,059.00
T. Lewis	526-42-7652	08-18-74	704.00
B. Orr	553-98-4690	02-23-75	48.00
D. Lewis	573-72-4728	06-30-74	1,976.00
P. Linde	560-66-4766	09-15-74	2,000.00
E. Kazor	380-44-3058	07-14-74	788.00
D. Estrada	571-86-3321	05-12-74	147.00
R. Martin	528-60-3764	05-04-75	17.00
R. Craig	573-84-3879	06-16-74	1,576.00
B. Cline	573-84-4110	08-18-74	2,340.00
L. Calzoni	560-40-4202	08-18-74	2,340.00
S. Reed	451-50-4449	08-25-74	59.00
T. McDonough	544-44-6733	08-25-74	232.00
D. Hash	549-82-6923	10-20-74	76.00
R. Frey	554-56-1806	07-21-74	346.00
G. Reyes	570-82-2848	07-21-74	380.00
A. James	573-74-2284	03-23-75	114.00

MR J C INGLE  
EMPLOYMENT DEVELOPMENT DEPARTMENT

Page 2  
March 18, 1976

<u>NAME</u>	<u>S. S. NUMBER</u>	<u>DATE OF CLAIM</u>	<u>CHARGE</u>
M. Fairhurst	571-76-3029	05-05-74	\$ 1,517.00
H. Stagner	512-09-4998	08-04-74	2,340.00
S. Benton	573-84-4999	05-12-74	525.00
R. Brandley	567-02-5206	12-08-74	1,683.00
L. Reyes	450-68-5608	12-01-74	50.00
L. Jacobson	568-68-5804	10-27-74	25.00
M. Orr	571-74-6484	01-26-75	18.00
TOTAL			\$33,858.00

As a result of timely protests being filed on the above claims, this employer was issued a ruling to his reserve account indicating that no benefits would be charged as a result of this claim. Attached for your inspection are photocopies of the rulings issued.

B. McCarty	559-58-8038	09-01-74	360.00
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An examination of the above files indicates that Referee Decisions were issued on these claims stating that no benefits would be charged to this employer as a result of these claims. Attached for your inspection are photocopies of these decisions.

G. Fernandez	552-07-9290	09-29-74	2,210.00
--------------	-------------	----------	----------

Our records indicate that timely protests were submitted on the above claims and, to date, we have not received determinations as a result of these protests.

S. Clontz	533-50-8568	08-18-74	1,535.00
J. Rodine	571-74-9703	07-15-73	2,809.00

Upon examination of the total charges assessed this employer on the above claims, we find that total charges have exceeded the maximum liability established on your Form DE 1545 issued to this employer.

We request your assistance in clarifying the above charges, and request that proper credits be issued to this account for any benefits improperly charged.

Thank you.

Very truly yours,

A B C Corporation  
Account Number - 001-5925  
by GATES, McDONALD & COMPANY

Ronald Geiszler  
Unemployment Division

RG:kr  
Enclosures

## ACCOUNT VISIT REPORTS

The Account Visit Report system has been designed to provide the account manager with pertinent information detailing how often his national multi state accounts are being contacted. The report details who was contacted by Gates, McDonald personnel, as well as providing the location address and reason for the contact. By design, this report ensures the account manager complete control over frequency and nature of contacts. It also provides one more source of cost control input to the account's corporate headquarters.

The Account Visit Report will be distributed to the appropriate account manager on a quarterly basis:

### GATES, McDONALD & COMPANY

#### ACCOUNT VISIT REPORT

Account Manager No. _____ (1-3)	Date Call Made _____ (4-9)		
Parent ID _____ (10-13)	State No. _____ (14-15)	Account No. _____ (16-22)	Plant or Unit _____ (23-26)
Account Name _____			
Location Address _____ (27-41)			
City _____ (42-51)		State _____ (52-53)	
Person(s) Contacted _____ (54-76)			
Purpose of Call (See code legend) _____ (77-78)			
Length of Call — hours _____ (79)		tenths _____ (80)	
Remarks _____ _____ _____ _____			

#### CODE LEGEND

Initial Call .....	1
Service Call .....	14
Hearing .....	16
Activity Rept. ....	17
Workshop .....	18

#### Distribution:

- 1 - Account Manager
- 2 - Data Processing
- 3 - Travel Folder

## UC ACCOUNT VISIT REPORT

PAGE 2

TE 06/L8/76 BY ACCOUNT PARENT MANAGER

100 J MCALL

MGR NAME	PRNT	UNIT	STATE	ACCT NO	ACCOUNT NAME	ACCOUNT ADDRESS	ACCT CITY ST	PERSON CNTD	PURPOSE	CALL DATE	TIME
VARNER	0002		01-AL	0014773	ARA SERVICE BIR		BIRMINGHAM AL	REST MGR	SERVICE CALL	05/06/75	2.0
VARNER	0002		01-AL	0014773	ARA SERVICES	HUNTSVILLE SPAC	HUTSVILLE AL	REST MGR	SERVICE CALL	05/08/75	6.0
WOODWARD	0002		01-AL	0014773	ARA	SCOTT PAPER CO	MOBILE AL	MGT	HEARING	11/13/75	1.5
CT VISITS	3,				0 INITIAL CALLS,	2 SERVICE CALLS,	1 HEARINGS,	0 ACTIVITY REPT,	0 OTHER	TOTAL HOURS	9.5
VARNER	0002		01-AL	0027040	ARA SERVICES	NASA GEORGE MAR	HUNTSVILLE AL	MR D PARLEM	SERVICE CALL	07/15/75	1.0
VARNER	0002	1801	01-AL	0027040	ARA SLATER C	UNIVERSITY OF M	MONTEVALLO AL	MR H RAY	SERVICE CALL	07/24/75	2.5
VARNER	0002	1801	01-AL	0027040	ARA SLATER C	UNIVERSITY OF F	COLERA AL	MR H RAY	SERVICE CALL	07/28/75	1.5
VARNER	0002	0623	01-AL	0027040	ARA SLATER	NASA	HUNTSVILLE AL	MR D PARLEM	SERVICE CALL	07/30/75	2.0
VARNER	0002	1801	01-AL	0027040	ARA SLATER C	UNIVERSITY OF M	MONTEVELLO AL	MR H RAY	HEARING	08/11/75	1.0
VARNER	0002	1801	01-AL	0027040	ARA SLATER C	UNIVERSITY OF M	MONTEVELLO AL	MR H RAY	HEARING	08/11/75	1.0
VARNER	0002	0868	01-AL	0027040	ARA SLATER C	ALABAMA A & M U	HUNTSVILLE AL	MR L JONES	HEARING	08/13/75	1.0
VARNER	0002	0868	01-AL	0027040	ARA SLATER C	ALABAMA A & M U	HUNTSVILLE AL	MR L JONES	HEARING	08/13/75	1.0
VARNER	0002	2119	01-AL	0027040	ARA SLATER C	W VALLEY AVENUE	BIRMINGHAM AL	MR OCONNEL	HEARING	11/20/75	2.0
CT VISITS	9,				0 INITIAL CALLS,	4 SERVICE CALLS,	5 HEARINGS,	0 ACTIVITY REPT,	0 OTHER	TOTAL HOURS	13.0
VARNER	0002	0653	01-AL	0034734	ARA	SCOTT PAPER	MOBILE AL	B LEWIS	HEARING	12/09/75	2.0
CT VISITS	1,				0 INITIAL CALLS,	0 SERVICE CALLS,	1 HEARINGS,	0 ACTIVITY REPT,	0 OTHER	TOTAL HOURS	2.0
GOUGH	0002	5602	04-CA	1351766	ARA SERVICES	1871 MARTIN AVE	SANTA CLAR CA	JA MCEVOY	HEARING	08/01/75	3.5
HUGHES	0002		04-CA	1351766	ARA FOOD SER	1871 MARTIN AVE	SANTA CLAR CA	G WHYSTOCK	HEARING	08/08/75	
GOUGH	0002	1859	04-CA	1351766	ARA FOOD SERV	2130 FULTON ST	SAN FRAN CA	B TEPPER	HEARING	01/12/76	2.0
GOUGH	0002	1859	04-CA	1351766	ARA FOOD SERV	2130 FULTON ST	SAN FRAN CA	B TEPPER	HEARING	01/14/76	4.5
CT VISITS	4,				0 INITIAL CALLS,	0 SERVICE CALLS,	4 HEARINGS,	0 ACTIVITY REPT,	0 OTHER	TOTAL HOURS	10.0
VAN DUSN	0002		04-CA	1681180	ROCKWELL VEND	1301 EAST MCFAD	SANTA ANA CA	J LASHER	HEARING	07/22/75	1.7
CT VISITS	1,				0 INITIAL CALLS,	0 SERVICE CALLS,	1 HEARINGS,	0 ACTIVITY REPT,	0 OTHER	TOTAL HOURS	1.7
	0002	8066	04-CA	1793098	AIR LA CARTE	5807 W 98TH ST	LOS ANGELE CA	MR J NILES	HEARING	12/10/75	1.1
CT VISITS	1,				0 INITIAL CALLS,	0 SERVICE CALLS,	1 HEARINGS,	0 ACTIVITY REPT,	0 OTHER	TOTAL HOURS	1.1
	0002		04-CA	1858100	COFFEE SYSTEM	3030 E CENTURY	LYNWOOD CA	MR EVANS	HEARING	11/07/75	1.0
CT VISITS	1,				0 INITIAL CALLS,	0 SERVICE CALLS,	1 HEARINGS,	0 ACTIVITY REPT,	0 OTHER	TOTAL HOURS	1.0
BUBAN	0002	0000	05-CO	0070723	DAVRES INC (ARA		DENVER CO		HEARING	06/11/75	.3
CT VISITS	1,				0 INITIAL CALLS,	0 SERVICE CALLS,	1 HEARINGS,	0 ACTIVITY REPT,	0 OTHER	TOTAL HOURS	.3

## Computer Systems Hardware: Nationwide Mutual Insurance Company

### Current configuration:

The following equipment is installed in the Nationwide Mutual Insurance Company Home Office computer center as of December, 1977.

#### 1. Central Processing Units

- a.) One (1) 370/168-3 with 8 megabyte main memory and an Attached Processor, 1 byte multiplexor channel, 3 selector channels, and 4 block multiplexor channels; capable of processing 4,700,000 instructions per second.
- b.) Two (2) 370/158s, each with 4 megabytes of main memory, 1 byte multiplexor channel, and 5 block multiplexor channels; capable of processing 860,000 instructions per second.

#### 2. Disk Storage

- a.) Seventy Six (76) 3350 IBM disks each capable of storing 317.5 million bytes of data; 1198 Kb transfer rate; average access 25 milliseconds.

Six (6) control units are used, each with a 4 channel switch, allowing access by all three CPUs. Current total disk capacity is 24.1 billion bytes.

#### 3. Tape Drives

- a.) Thirty Three (33) 3670 STC 6250 BPI, 200 IPS tape drives; 1250 KB transfer rate; all include 6250/1600 BPI feature.
- b.) One (1) 3650 STC 6250 BPI, 125 IPS tape drive; 780 KB transfer rate; used primarily as data base log tape.
- c.) One (1) 3470 STC 1600 BPI, 200 IPS tape drive; 320 KB transfer rate; includes dual density 1600/800 BPI feature; used primarily by special jobs to provide compatibility.
- d.) One (1) 3450 STC 7 track tape drive; used primarily by special jobs to provide compatibility. All tape drives are accessed through 6 controllers. Any given tape drive can be accessed by 2 CPU's.

#### 4. Communications

- a.) Nine (9) 3272 IBM local CRT controllers; used to control about one hundred thirty (130) 3277 model 2 CRTs and 3286 printers used for Columbus Regional Office, Family Life & Health, Gates, McDonald, TSO, and other online applications and as JES terminals.
- b.) Three (3) 3705 IBM communication controllers; used as interface for teleprocessing lines which support online and Remote Job Entry applications.

## 5. Miscellaneous

- a.) Four (4) 3211 IBM 2000 Lines Per Minute printers; 132 character print lines.
- b.) Two (2) 1403-N1 IBM 1100 LPM printers; 132 character print lines.
- c.) One (1) 2501 IBM 1000 Cards Per Minute card reader.
- d.) One (1) 3505 IBM 800 CPM buffered card reader.
- e.) One (1) 2520 IBM 300 CMP card punch.
- f.) Two (2) 2914 IBM 4 x 8 switching units; used to manually switch peripherals from one CPU to another.

The following equipment is installed in Regional Offices and Field Service Offices.

1. Thirteen (13) 2922 RJE terminals with 1100-LPM printers; used in regional offices for input and output of daily flows.
2. One (1) 3777 Communication Terminal with 1000 LPM printer; used in Southeastern Regional Office to assist with input and output of daily flows.
3. Nineteen (19) 3271 remote CRT controllers; used to support over Three Hundred (300) 3277 model 2 CRTs in Regional Offices and FSOs for online inquiry systems.
4. One (1) 3275 model 2 remote standalone CRT; used in Albany FSO for online inquiry systems.
5. One Hundred fifty five (155) IBM keypunches for data entry.
6. Seventeen (17) units of unit record equipment.
7. Seventy four 3790 Communication Systems with a total of over Three hundred (300) CRTs for data entry.

Data Entry Hardware: Gates McDonald

GMCD's current data entry section consists of the following:

1. 3760/3790 Data Entry Configuration, consisting of:
  - a.) Four (4) IBM 3760/001 data entry control units (eight workstations);
  - b.) Eight (8) IBM 3760/002 data entry units (sixteen workstations);
  - c.) One (1) IBM 3791/18 Controller with remote feature, with the option to transmit data to the NMIC data center's 370 via a 3002 type data channel point-to-point circuit, with two (2) 208A Modems, using Batch Transfer Program, at 4800 BAUD. 208A Modems have the options:
    - \* Omit internally timed at both ends.
    - \* Continuous carries at both ends.
    - \* One-sec hold-over used at remote end.
    - \* Continuous request-to-send at both ends.
    - \* New sync not used.
2. Two (2) Univac 1710-04 keypunch/verifier units.
3. Four (4) IBM 029 keypunch units.
4. One (1) IBM 059-verifier unit.
5. One (1) IBM 024 keypunch unit.
6. One (1) IBM 3747 Data Converter, used to convert data from "floppy" diskettes to computer 9 track 1600 BPI tapes.

Computer Systems Hardware: Gates, McDonald

1. Central Processing Unit

- a.) One (1) IBM 360/40H with 256K memory, 1 byte multiplexor channel and two (2) selector channels.

2. Disk Storage

- a.) Four (4) Memorex 660 disks each capable of storing 29.17 million bytes of data; 312 Kilobyte (KB) transfer rate; average access 75 milleseconds.
- b.) One (1) Memorex 661 control unit, with two (2) channel switch, accessed by the 360/40 CPU. Current total disk capacity 583,520 bytes.

3. Tape Drives

- a.) Four (4) IBM 2401/6 9 track 1600 BPI, 112.5 IPS tape drives; 180 KB transfer rate.
- b.) One (1) IBM 2401/6 9 track 1600 BPI, 112.5 IPS tape drive; 180 KB transfer rate; including dual density 1600/800 BPI feature, used primarily by special jobs to provide compatibility.
- c.) One (1) IBM 2401/2 7 track 800/556/200 BPI, 75 IPS tape drive, 15-60 KB transfer rate; used primarily by special jobs to provide compatibility.

4. Miscellaneous

- a.) One (1) IBM 1403-N1 1400 line per minute printer with 132 character print lines.
- b.) One (1) IBM 2540 1000 card per minute reader/300 card per minute punch.

5. Communication

- a.) Three (3) Genesis One G77 Information Display Terminals (equivalent to IBM 3277 Model 2 terminals) accessing NMIC computer facility online applications.
- b.) One (1) Genesis One G120 Printer supporting the above, with 132 character print lines.



## **GATES, McDONALD**

ONE NATIONWIDE PLAZA  
P.O. BOX 1944  
COLUMBUS, OHIO 43216  
614/227-7211

CORPORATE OFFICES

---

### **SERVICE OFFICES**

Phoenix, Arizona  
Los Angeles, California  
Oakland, California  
Denver, Colorado  
Ft. Lauderdale, Florida

Atlanta, Georgia  
Chicago, Illinois  
Des Moines, Iowa  
Boston, Massachusetts  
Detroit, Michigan  
Minneapolis, Minnesota

St. Louis, Missouri  
Buffalo, New York  
New York, New York  
Cincinnati, Ohio  
Cleveland, Ohio  
Portland, Oregon

Philadelphia, Pennsylvania  
Pittsburgh, Pennsylvania  
Memphis, Tennessee  
Dallas, Texas  
Houston, Texas



\$1.70

Proposal To Provide  
Unemployment Insurance  
Cost Control Services  
For The State Of South Carolina

MARCH, 1978

REED, ROBERTS ASSOCIATES, INC.



March 9, 1978

Mr. William T. Putnam  
State Auditor  
State of South Carolina  
P. O. Box 11333  
Columbia, South Carolina 29202

Dear Mr. Putnam:

Reed, Roberts Associates is pleased to submit this proposal to provide the State of South Carolina with unemployment insurance cost control services. We have carefully reviewed the specifications contained in your Request for Proposal and feel confident that our proposal meets or exceeds all of the State's requirements.

The State of South Carolina, because of its size and unique organizational operation, has required us to develop a special approach to providing unemployment insurance cost control services. This includes:

Training and Program Set-Up Activities as a distinct project with separate staff of Reed, Roberts Associates Unemployment Insurance Specialists.

Assigning, for the full term of the contract a full-time Program Director to coordinate the State's program and to provide the full range of Unemployment Insurance technical assistance on an on-going basis.

Treating each department as a potentially separate unit for the purposes of tailoring our training, education and reporting systems to coincide with any existing programs and procedures.

If you have any questions concerning this proposal, or would like further information on the services available, please contact either Ottis Moore or Bob Bristol in Reed, Roberts Atlanta office (404-294-6647).

Yours very truly,

Ottis L. Moore  
Area Marketing Director

OLM:aw



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## I INTRODUCTION

The State of South Carolina is giving consideration to the service organization which can provide an Unemployment Compensation Claims Management Program which will meet the specific requirements outlined in the request for this proposal. This program will include claims administration, education and/or training of supervisory personnel in unemployment compensation cost controls as well as statistical and management reports. The Reed, Roberts Program incorporates all of the activities into two major areas:

Claims Administration  
Cost Control Services

The training and program initiation portion will include advising the State as to the funding costs based on separation studies, a personnel practices evaluation, educational and training seminars for all levels of management, and discussion of the reports to be provided.

The claims administration and cost control services to be provided will include:

Control and coordination of all aspects of claims handling -- a detailed analysis of each individual claim: to include investigation and appeal of questionable claims to their ultimate disposition.

Verification of all benefit charges to insure accuracy and to protest any errors.

Representation at all administrative hearings and appeals -- Protests will be filed on all questionable determinations. Further Reed, Roberts will retain South Carolina attorneys throughout the State to provide appropriate representation at all Unemployment Insurance hearings, in accordance with South Carolina Employment Security Commission Appeals Regulation Number 5. The cost for use of such attorneys is borne by Reed, Roberts.

Monthly, quarterly, and annual management reports -- the State of South Carolina will receive a full range of program monitoring and evaluation reports.

Providing regular training to State management and supervisory personnel necessary to maintain an effective unemployment insurance cost control program.



## II SYSTEM DESCRIPTION & IMPLEMENTATION DATE

Due to the size, complexity, and uniqueness of the State of South Carolina, there are a number of significant factors which must be considered for the development and implementation of the Reed, Roberts Unemployment Compensation Claims Management Program.

In order to meet the time requirements imposed by the State, by Public Law 94-566 and to ensure the program will be initiated by March 31, 1978, we will utilize the concept of providing an implementation team for the first several weeks in addition to the on-going services which will also be provided by our full service staff in Atlanta.

The key activities which must be addressed immediately upon notification from the State Budget and Control Board of their intent to participate in the program follow:

1. Initial Planning and Organizing
2. Funding Study
3. Personnel and Payroll Review
4. Initial Training Program
5. Claims Administration Initial Set-Up
6. Claims Administration

With this in mind, the following are detailed narratives related to these functions which must be performed and the proposed timing for each.

### 1. Initial Planning and Organization

Once a declaration of intent or signed contract has been received from the State Budget and Control Board, planning meetings will be held within five working days. At this time, the implementation team manager and staff will meet with appropriate State personnel for the purpose of developing a detailed plan and identifying needs and responsibilities to initiate the program.\*

At this time it will be necessary to secure all materials needed to complete several of the subsequent phases of implementation. Among these items will be included personnel procedures; location information; names of contacts; termination and turnover data; and training facilities information.

During these meetings specific dates and times will be discussed for all phases of the implementation process. Initial presentation and training schedules will be reviewed and an appropriate system established for receipt and forwarding of claims to ensure timely response requirements are met.

---

\*See Exhibit I for proposed implementation schedule.



## 2. Funding Study

Reed, Roberts auditing and technical personnel will provide all services related to a funding analysis. The analysis for the State of South Carolina will be based on estimated benefit costs from the following sources:

### A. South Carolina Separation Activity

Reed, Roberts personnel will evaluate the separation activity reports of permanent employees for calendar year 1977. An attempt will be made to determine from separation codes used by the State the probable claims liability had the State been a covered employer. If it is not feasible to conduct a complete evaluation due to an extremely large number of such separations, it may be possible to reduce the separation activity analysis to a smaller, statistically valid cross section.

Part-time and temporary separation activity will be reviewed as a separate activity due to generally more severe documentation deficiencies found in public entities thus far. It may be possible to estimate potential liability by reviewing seasonal employment patterns, part-time hiring practices, and corresponding wage earnings of such employee groups.

### B. Funding Study Results

Assuming sufficient documentation of separation activity, estimates will be made of (1) those individuals whose eligibility for benefits would have been highly probable, (2) estimated benefit amounts, (3) average benefit period durations. From these estimates, it is possible to project probable unemployment benefit costs for the States.

### C. Method of Financing

An annual report showing costs as a direct reimbursor as compared to the contributory method will be provided to the State Auditor's Office prior to December 1 of each year in accordance with Section 68-221 of the South Carolina Employment Security Law.

## 3. Personnel and Payroll Review

A thorough review of existing personnel practices and procedures will be completed for the State of South Carolina. This study will encompass all of your procedures and policies to include hiring, warning, and separation procedures; employee handbooks; application forms; separation forms; exit interviews and all other aspects of personnel practices under the State Unemployment Law.

The study and report of recommendations will be submitted to the appropriate State official within thirty working days following that date when Reed, Roberts Associates receives the necessary information and documents for review.

Additionally, a member of our audit staff will be assigned to the implementation team for the purpose of reviewing existing payroll and data processing systems as they relate to wage reporting and location coding to ensure all reporting requirements will be fulfilled. This review will begin not later than fifteen days after notification of intent from the State.



#### 4. Initial Training Program

There is an anticipated need to train approximately 3000 executive, management and supervisory personnel. Such training, again, must be accomplished at the earliest possible time to familiarize State personnel with the nature, scope, and objectives of the program as well as with procedures and their responsibilities in minimizing the cost of potential Unemployment Compensation Claims.

Initial training will be accomplished in three phases in as many sessions as is necessary and will be completed at the earliest possible date.

##### A. Phase I - Executive Training

All departmental executive personnel will be provided with introductory training before other staff members are addressed. These will be designed to reach executive level personnel and will be scheduled to be conducted in sessions of approximately 25-40 attendees each for a period of approximately one hour.

##### B. Phase II - Personnel Staff Training

All Personnel Staff members will be provided with in depth training sessions which will prepare them to deal with the technical areas of a Control Program. Documentation requirements; hiring and termination procedures; disciplinary actions; timely reporting and interface with Reed, Roberts personnel will be covered at this time.

It is anticipated that approximately ten or more sessions will be scheduled to accommodate this phase of the training program. These will be approximately two hours in duration and attended by 20-40 individuals.

Such educational meetings will be scheduled to begin within five working days following completion of Phase I.

##### C. Phase III - Supervisory Training

Numerous training meetings will be scheduled for individuals within this category. These meetings will be conducted on a local basis. These sessions will commence within five working days following completion of Phase II.

Specific dates, number of seminars and locations held will be established by the Implementation Team Manager. Further, it is anticipated the State will provide and arrange for physical locations where such educational meetings will be conducted.

#### 5. Claims Administration - Initial Set-Up

Due to the large number of State Departments and locations, coupled with limited lead time, and the need to communicate claims handling procedures as soon as possible, a full scale procedure distribution program will be established immediately upon notification from the State.



Detailed procedures indicating the types of forms which will be received from the Employment Security Commission, supplemental information received, timeliness consideration and where they should be forwarded for processing will be provided to each department.

Methods of distributing the procedures to all appropriate personnel will be established with those individuals identified by the State as having program coordinator responsibilities for each individual department or, in some cases, physical locations, based upon their need and existing organizational structure. Additionally, these individuals will be provided with a supply of separation documents and pre-addressed envelopes for distribution.

#### 6. Claims Administration

The Reed, Roberts Program has been designed to provide the State of South Carolina with a consistent, comprehensive claims administration program for minimizing unemployment compensation benefit costs. To accomplish this end, Reed, Roberts will provide the State of South Carolina with the following:

Separation report forms. These separation reports are being designed specifically for use by the State. The State will also be provided with assistance in completing such forms. Use of these forms will be advised when consideration for rehire is given. Reed, Roberts Associates will receive and maintain these reports for fifteen months or longer if desired by the State.

Service as addressee of record, receiving directly from the Employment Security Commission all State Unemployment Forms for Reimbursing Employers (UCB-103, UCB-104-B, UCB-131, UCB-214, APP-105) with the exception of the Initial Claim UCB-101. The Initial Claim Form will always go to the location where the separated employee last worked. Through our Training Program the appropriate official will be instructed to attach a separation report to the UCB-101 and immediately send it to our local office. The various State Departments will be furnished pre-addressed envelopes for forwarding the latter documents to Reed, Roberts.

Full claims handling. This will include a thorough review of each claim, response to the claim and if the appropriate State official disagrees with the determination an appeal will be filed. This will trigger an Appeals Tribunal. Reed, Roberts guarantees to provide Representation at all Appeals Tribunals, and Appeals before the Commission whether instigated by the employer or the claimant anywhere in the Continental United States. In South Carolina this representation will be provided exclusively through local South Carolina attorneys.

Review of all Employment Security Commission benefit charges to verify their correctness. Incorrect charges will be protested.

In addition to the above services, the State will receive a full range of management reports designed to provide all necessary information and data for State Departments Unemployment Compensation policy formulation.



#### A. Management Reports

The State of South Carolina will be provided with the following reports:

(1) Monthly Management Letter. Will be provided all Executive and Personnel Management Employees. This informative letter will detail unemployment compensation occurrences on a local and national level. An example is attached.

(2) Quarterly Claims Activity Report. This report will be prepared by State Department, locations, or positions, as directed by the State. The report will contain, for each claim:

Name of Claimant  
Social Security Number  
Department (At State Option)  
Section (At State Option)  
Narrative Reason for Termination  
Disposition of Claim

(3) Quarterly Summary Report. This report will be provided to facilitate review of the Quarterly Activity Report. It will contain totals for such categories as claims processed, estimated potential charges, favorable and unfavorable decisions, estimated savings, etc.

(4) Quarterly Verification of Employment Security Commission Benefit Charges. This report will include an itemization of benefit charges by individual claimant, cumulative totals of such charges, copies of all protests of incorrect charges.

(5) Quarterly CETA Reimbursement Request Statement. It appears as if Public Law 94-444 and other proposed Legislation will effect changes in CETA reimbursement reporting requirements. However, Reed, Roberts will provide this Statement to the appropriate State Official.

(6) Annual Claims Summary. A compilation of all information included in the quarterly claims summaries with appropriate comments.

(7) Annual Funding Report. As noted in Funding Study II (2) an annual report will be issued to State Budget and Control Board comparing the yearly costs under the Reimbursement Method as compared to the Taxing Method.

(8) Appeals Decision Reports. A letter detailing the results of the Appeals Tribunal or Appeals Before Commission will be sent to the appropriate State Official as soon as the decision is rendered.



### III DEMONSTRATION OF THE ABILITY TO ADMINISTER THE PROGRAM

Reed, Roberts Associates was formed in 1961 and since then has become the largest independent publicly held unemployment compensation cost control firm in the United States. Reed, Roberts Associates presently represents in excess of 7,500 profit and non-profit clients nationally. These account for an aggregate employee population of approximately 2,900,000 and total taxable payroll of \$10,000,000,000.

Additionally, Reed, Roberts Associates currently maintains twenty-three full service offices nationally. A copy of Reed, Roberts 1976 Annual Report is enclosed for review. The 1977 Annual Report is in the final stages of preparation and will be submitted upon receipt.

#### 1. Program Implementation Team

To assume overall responsibility in the planning, design and implementation of the South Carolina State Unemployment Insurance Management Program, a separate team of Unemployment Insurance Specialists has been assembled. This team is directed by the Program Director, Mr. Robert Bristol.

The Implementation Specialists are all senior, experienced, unemployment insurance specialists with expertise in all fields needed for unemployment insurance program planning, development and implementation. The team includes individuals with backgrounds in auditing, payroll and accounting, law, personnel and taxation; training and education; and computer systems design and operations.

The Program Director has the overall responsibility for the program's success. He maintains direct involvement in all phases of the program and assures that the program operation meets the professional standards of Reed, Roberts Associates.

#### Program Director: Robert W. Bristol

Mr. Bristol is the Reed, Roberts Associates Assistant Vice President-in-Charge of its Atlanta Office. Mr. Bristol has a B.S. in Business Administration from the Citadel. He has over seven years experience in providing unemployment compensation services. Mr. Bristol is one of the firm's specialists in the planning and formulation of unemployment policies for non-profit reimbursing employers. In addition, Mr. Bristol is in his final semester at Law School.



#### IV RELEVANT EXPERIENCE

Reed, Roberts Associates has extensive experience in the control of unemployment compensation costs with non-profit and public reimbursing employers throughout the United States. Listed below, is a brief listing of some of these clients. This list includes not only those which we have been representing for a period of time, but several of those public entities which have contracted for services resulting from requirements imposed by Public Law 94-566. Reference letters are attached. Additional references will be provided if desired.

##### 1. Public Entities

Alabama Association of School Boards  
Association County Commissioners of Georgia  
City of Daytona Beach, Florida  
N. Y. State Association of Counties  
Texas Association of Counties  
Delaware League of Local Government  
Oklahoma School Boards Association  
County Supervisors Association of California  
South Carolina School Boards Association  
Michigan Municipal League  
Bay Area Rapid Transit Authority  
Maryland Municipal League  
Association of County Commissioners of Alabama  
Connecticut School Boards Association  
Iowa Association of Counties

##### 2. Non-Profit Employers

Alabama Hospital Association  
Boy Scouts of America  
Shriner's Hospitals  
Arizona Hospital Association  
Marquette University  
American University  
Wisconsin Hospital Association  
University of Tulsa  
Illinois Hospital Association  
Georgia Health Care Association  
Georgetown University  
University of Chicago  
Syracuse University  
New York Hospital Association  
Temple University  
Tennessee Hospital Association  
Little Sisters of the Poor



## V LOCATION OF SERVICE OFFICE AND COMPUTER SUPPORT CENTER

Reed, Roberts current South Carolina Service Office is located at 4285 Memorial Drive, Suite F, Decatur, Georgia 30032.

### 1. Proposed Office Location

Serious consideration is being given to opening a local South Carolina office and leasing plans are under consideration. Our tentative office address will be 1706 Senate Street, Columbia, South Carolina 29201. Upon formal acceptance of our program by the State Budget and Control Board leasing arrangements will be initiated.

### 2. Computer Support

Reed, Roberts Associates Computer Support Center is located in a special building adjacent to our corporate headquarters in Garden City, New York. Reed, Roberts owns and operates a pair of Data General (C-330) Computer Systems. Each of these units is comparable to an IBM 370 Model 135 and contains 262,000 bytes of memory with an additional 768,000,000 bytes of on-line disk storage capacity. On-line disk storage is presently scheduled to be upgraded by January, 1979 to 1,000,000,000 bytes.

Additionally, this system will consist of 19 on-line terminals which will be located in various field offices around the country. These terminals will provide virtually instant access to the centralized computer system for input and report preparation purposes as well as a full scale information retrieval system.

Additional plans for expansion of the Reed, Roberts data processing capability now include the installation of stand-alone computer systems in various field offices. This is scheduled to begin by mid-1979.

Reed, Roberts Associates Vice President of Data Systems, Wesley Melling, will be responsible for arranging the necessary computer services to support the Program. Mr. Melling's resume is presented below.

#### Computer Services Coordinator: Wesley Melling

Mr. Melling received his B.S. in Business Administration from Trinity College. He joined Reed, Roberts Associates as Vice President of Data Services in 1975. Prior to joining the firm, Mr. Melling was Director, Management Systems for CBS Television Stations; Manager, Systems Development for Ryder Truck Rental; Manager, Customer Support and Personnel Training for Boeing Computer Services; and also a Systems Engineer for IBM.

Assisting Mr. Melling in Computer Support Services will be James Traina.

#### Computer Support Specialist: James Traina

Mr. Traina is Program Manager, Payroll Retrieval Systems. He joined Reed, Roberts in 1975 as a Senior Program Analyst and has been primarily involved in the payroll systems application area. Mr. Traina received his B.S. in Mathematics and Computer Sciences and his M.S. in Mathematics from New York State University. Mr. Traina will be available to assist the State data processing staffs in making payroll modifications.



## VI FEES AND CONTRACT

The annual fee for the services of Reed, Roberts Associates is \$1.70 per full-time equivalent employee.

The State of South Carolina full-time equivalent employee count would be based upon figures provided by the State to Reed, Roberts Associates. The State of South Carolina full-time equivalent FTE employee count would be based on figures provided by the State to Reed, Roberts Associates; e.g. FTE = the total number of full-time State employees +  $\frac{1}{2}$  the total number of part-time employees.

### EXAMPLE

Department XYZ has a total of 1100 covered positions of which 900 are full-time, and the remaining 200 are part-time. The actual FTE would be arrived as follows:

$$\begin{array}{r} 900 \\ + 100 \text{ (} 200 \div 2 = 100 \text{ FTE)} \\ \hline 1000 \text{ FTE} \end{array}$$

It should be noted that this FTE count is not the same as a budgeted position total. The FTE count should be less and thus less costly to the State.

The effective date of the agreement would be April 1, 1978. Assuming final acceptance of the Program, billing for services would be quarterly, in arrears, for 25% of the annual fee beginning July 1, 1978.

The \$1.70 Reed, Roberts Associates rate is guaranteed for a three-year period.

#### 1. Program Termination

The contract will be automatically terminated in the event:

A decision of the United States Supreme Court, that Public Law 94-566 is unconstitutional or otherwise invalid, provided that the State Legislation, by its terms, is thereby rendered inoperative.

If Reed, Roberts Associates defaults in its performance of its stated obligations to the State of South Carolina, the State may terminate this agreement by giving no less than thirty days written notice to Reed, Roberts Associates. In such an event Reed, Roberts Associates shall be paid for the services performed as stated up to cancellation date on a prorata basis.

#### 2. Program Modification

Should the State of South Carolina desire additional reports or services that will enhance the Program, Reed, Roberts will provide such enhancements upon written request and within a reasonable period of time following said request.

## EXHIBIT I

[illegible]



SUGGESTED OUTLINE FOR SUPERVISORY GROUP WORKSHOPS\*

- I Introduction to Reed, Roberts
  - Services Performed
  - A. Financial
  - B. Personnel
  - C. Claims
  - D. Educational
- II General Overview of Unemployment Insurance Law
  - A. Philosophical
  - B. Financial - who pays
  - C. Federal
  - D. South Carolina Law
- III Reimbursement Method of Payment
  - A. Liability
  - B. Chargeability
- IV Reed, Roberts Function - Exercise Controls
  - A. Knowledge of the law and claims procedures and how to use it to best advantage
  - B. Tight personnel policies and procedures
- V Controls: Claims Procedures
  - A. Absolute right to file a claim
  - B. Claimant filing procedure
  - C. State reporting procedure
    - 1. Timely and accurate response
    - 2. Cooperation with Employment Security Commission
    - 3. Terminology
  - D. Initial Determination
    - 1. Monetary - potential liability
    - 2. Eligibility
      - a. Ability to work
      - b. Availability
    - 3. Non-monetary - disqualification based on separation
      - a. Voluntary quit - what is good cause
      - b. Misconduct discharge
      - c. Labor dispute
      - d. Refusal of suitable employment
  - E. Appeals - Reed, Roberts investigation
  - F. Hearings
    - 1. Procedure
    - 2. Burden of proof
    - 3. Documentation
    - 4. Need for witnesses
    - 5. Reed, Roberts function
  - G. Decision
  - H. Further appeals



VI Controls: Personnel Policies and Procedures

- A. Stabilize employment - fewer claims
- B. Hiring practices
  - 1. Criteria
  - 2. Job application
  - 3. Interview
  - 4. Reference checks
  - 5. Value of hiring ex-employees
- C. State Rules and Policies
  - 1. Functions of rules
    - a. Clearly define parameters of employment
    - b. Avoid disciplinary action and discharge
    - c. Provide proof in event of discharge
  - 2. Criteria of rules
    - a. Clarity
    - b. Completeness
    - c. Known to employees - acknowledged in writing
    - d. Enforced
- D. Warning Notice
  - 1. Lets employees know where they stand
  - 2. Provides proof
  - 3. Should be acknowledged in writing
  - 4. Helps provide recollection of past events
  - 5. May relieve supervisor of necessity of attending hearings
- E. Leaves of absence
- F. Separations
  - 1. Resignation statements
  - 2. Discharges
    - a. Probationary period
    - b. Disciplinary (i.e. misconduct) or non-punitive (no disqualification)
    - c. Triggering event
    - d. Timing

VII Value of Unemployment Insurance Control As It Affects Current Employees

Know employer will contest questionable claims and will therefore be less prone to quit or provoke discharge.

VIII Questions From The Floor



REED, ROBERTS ASSOCIATES, INC.

## MANAGEMENT LETTER

FEBRUARY 1978

### ON THE FEDERAL SCENE

#### Unemployment Insurance Coverage for State and Local Government Employees

The provision of the Unemployment Compensation Amendments of 1976 extending unemployment insurance coverage to state and local government employees was challenged on November 28, 1977 in the U. S. District Court for D. C. by a group of plaintiffs led by the County of Los Angeles. The basis for the suit was the constitutionality of a federal law requiring tax coverage of state workers. On December 29, 1977 the motion for an injunction was denied by the Court with the U. S. Court of Appeals and the U. S. Supreme Court affirming that decision on December 31st.

As a result, all states have now conformed their unemployment insurance laws to the federal statute in order to qualify employers in those states for the 2.7% credit against their Federal Unemployment Insurance Tax.

With the advent of annual reporting of wages paid in 1978 for Social Security purposes, W-2s will be filed with the Social Security Administration rather than the IRS as for 1977 and before.

For wages paid in 1978, the Federal Unemployment Insurance base is \$6,000 per employee per year. The rate of tax remains at 3.4% or a net of .7%.

On January 31, 1978 unemployed workers in Alaska, Maine, New Jersey, New York, Pennsylvania, Rhode Island and Washington will lose extended unemployment insurance benefits. On that date a federal supplemental benefit program will expire resulting in the maximum duration of benefits being reduced from 52 weeks to 39 weeks.

Apparently, the item appearing in our January 1978 Letter regarding the payment of Social Security tax on tips was misleading. Employers will be required to pay Social Security taxes on employee tips up to the amount that, combined with the employee's salary, equals the Federal minimum wage.

### STATE OF THE STATES

The following states have changed their range of rates:

<u>STATE</u>	<u>EFFECTIVE DATE</u>		<u>RANGE</u>
Arizona	1/1/78	Positive	0.15% to 3.55%
		Negative	to 3.8 %
Delaware	1/1/78		1.6 % to 4.5 %
Georgia	1/1/78	Positive	0.06% to 3.46%
		Negative	3.46% to 5.38%
Louisiana	1/1/78		0.3 % to 2.7 %
Michigan	1/1/78		1.0 % to 7.5 %

<u>STATE</u>	<u>EFFECTIVE DATE</u>	<u>RANGE</u>
Mississippi	1/1/78	Minimum From 2.1 % to 2.6 %
Nebraska	1/1/78	0.1 % to 2.7 %
Vermont	1/1/78	1.7 % to 6.0 %
Virginia	1/1/78	0.05% to 3.2 %

The following states have changed their taxable wage bases:

<u>STATE</u>	<u>EFFECTIVE DATE</u>	<u>FROM</u>	<u>TO</u>
Alabama	1/1/78	\$4,800	\$6,600
Hawaii	1/1/78	9,300	9,800
District of Columbia	1/1/78	4,200	6,000
Michigan	1/1/78	5,400	6,000
Montana	1/1/78	4,800	6,000
Oregon	1/1/78	Stays at	8,000
Washington	1/1/78	7,800	8,400

The following states have changed their weekly benefit amounts:

<u>STATE</u>	<u>EFFECTIVE DATE</u>	<u>FROM</u>	<u>TO</u>
Arizona	1/1/78	\$ 10 Min.	\$ 15
		Max. Remains	85
Colorado	1/1/78	121 Max.	122
District of Columbia	1/1/78	148 Max.	160
Hawaii	1/1/78	120 Max.	126
Illinois	1/1/78	Individual-no dependent	110 Max. 116
New Mexico	1/1/78	17 Min.	18
		83 Max.	90
Ohio	1/1/78	Individual-no dependent	102 Max. 111
		Individual-1 or 2 dependents	154 Max. 167
		Individual-3 or more dependents	161 Max. 175
Pennsylvania	1/1/78	133 Max.	143

#### DECISIONS, DECISIONS

##### California

Because this claimant had no one to look after her young child on weekends, she had to refuse employment which required weekend work. The California Supreme Court overruled the Appeals Board and the Superior Court in ruling the claimant eligible for benefits. The decision maintained that the claimant had good cause for refusing employment which prevented her from exercising her parental responsibilities.

##### Florida

Although the claimant objected unreasonably to her former employer's request to work certain hours, she was ruled eligible for benefits because she hadn't actually refused an order from the supervisor who had fired her.

New Jersey

Aliens illegally in the U. S. who lack work permits are therefore "unavailable for work" according to a New Jersey Appeals Court. Actually, the claimant had been employed and filed for benefits when laid off. Benefits were denied in accordance with the decision.

Oregon

Even though the claimant responded angrily to his former employer's request to work overtime, he was not guilty of misconduct. Benefits granted.

Where a claimant quits a job rather than transfer to an evening shift, benefits were denied. The reason - that the claimant had not taken advantage of grievance procedures available before quitting.

Pennsylvania

Before quitting a job because of illness, this claimant should have requested a leave of absence or a transfer to another job. Because this wasn't done, benefits were denied.

A claimant who quit his job on his doctor's advice was held ineligible for benefits since he had not requested lighter work which his doctor said he could do.

Tennessee

What constitutes excessive absenteeism? In this case, the claimant was out 95 times in a year and a half. However, he was disqualified for just the 53 times he was not ill.

GENERALITIES

Employers in New Hampshire should ignore line 19(b) of the 1977 Form 940 which is the calculation of the credit reduction on the FUTA tax. It seems the form was printed by IRS before New Hampshire received approval by the U. S. Department of Labor of its revised unemployment insurance law thus eliminating the credit reduction. Only employers in D. C. will be penalized by .003 of taxable wages paid in 1977.

In an effort to deter fraud in unemployment insurance benefits, Connecticut has begun issuing photo I.D. cards to claimants. Thus, Connecticut joins Rhode Island as the second state using such a system.

A recently enacted amendment to the New Jersey unemployment insurance law provides that for benefit years beginning on or after April 1, 1978, a claimant's weekly benefit rate will be 1/2 (instead of 2/3) of his average weekly wage with a maximum of 2/3 (instead of 1/2) of the statewide average weekly wage. This would result in a significant increase in maximum weekly benefit amount of the present \$110 to about \$146.

According to Ed Foyer, our Vice President in charge of Audit and Technical matters, Reed, Roberts was able to recover \$491,608 for its clients in refunds of both Federal and State Unemployment Insurance taxes during 1977.

HORNBLOWING DEPARTMENT

Syd Donaldson, of our New Jersey technical staff whose "Eyes like a Hawk" were reported in the November issue, has done it again! In conducting our initial audit for a New Jersey client, he discovered that the state had misinterpreted a transfer of experience, thereby giving the client a higher tax rate than he should have. Through the hearing process, Syd was able to convince the state of its error, thereby obtaining a \$36,600 refund for the client.

On January 26th, Paul Barnett, our Assistant Vice President in Client Service will speak to the New York Medical Compensation Association at St. Vincent's Hospital. In addition, Paul is the scheduled speaker at a meeting of the New York Compensation Association being held at the Yale Club. If you would like to attend, call Clyde Strassner of SCM for details.

Not to be outdone, our Sr. Vice President, Ed Tennenbaum has been invited by Adelphi University in Garden City to be a guest lecturer at three sessions of a seminar (January 31-March 21, February 1-March 22, February 4-March 25) on Employee Benefit Management covering Unemployment Insurance Management. For details or to register, call Frank Cancelliere at the University.

Ed will also be a featured speaker at the American Apparel Manufacturer's Association Meeting in San Diego on January 25th to January 29th.

Finally, Ed will address an Insurance Seminar of the National Tank Truck Carriers, Inc. on "Worker's Compensation" being held in Washington, D.C. on February 14th. He will be accompanied on this trip by Dick Napolitano, the Vice President in charge of our Worker's Compensation division.

BOX SCORE

For the month of December, our hearing box score reads as follows:

Decisions Recieved:	1,066
Decisions Won:	833
Batting Average:	.781

Estimated saving to our clients' account balances: \$1,366,120.

Of the 1,066 decisions received, 122 were for non-profit clients on a reimbursable basis with 99 won for an estimated saving of \$162,360.

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QUARTERLY ACTIVITY REPORT

E.R. NO. 00005672061

NAME

STATE

QUARTER ENDED

CLAIMANT NAME	SOCIAL SECURITY NO.	LOCATION STORE DEPT.	POSITION	EXP. DATE MO. YR.	REASON FOR SEPARATION	DISP.	BEN. RATE
R SMITH	021-36-3551	0001 SHIP	FORMN	03 74	COMPULSORY RETIREMENT	6	
T NASH	059-46-8620	0001 LEGL	MAIL CLK	05 74	UNSATISFACTORY PERFORMANCE	6	
C HAGAN	062-34-0250	0001 BILL	TYPST	04 74	NOT QUALIFIED	6	
A ROJAS	065-07-6593	0001 SALES	REP	03 74	VOLUNTARY QUIT - PREGNANCY	3	
G DAILEY	065-22-2501	0001 BILL	SUPRVSR	05 74	DOMESTIC RESPONSIBILITIES	1	
J WHITE	070-26-4374	0001 LEGL	FILE CLK	03 74	VIOLATION OF COMPANY RULE	5C	
P ETTER	073-12-8329	0001 SHIP	LABORER	12 73	NOT LAST EMPLOYER - CHARGEABLE	6	
D LAZZARINI	077-24-9704	0001 PUR	TYPST	04 74	EXCESSIVE TARDINESS	2	
M BURCH	078-26-9371	0001 SHIP	LABORER	05 74	LACK OF WORK - TEMPORARY	6	
O POPE	079-28-6825	0001 BILL	FILE CLK	01 74	LACK OF WORK - PERMANENT	6	
L MARTINEZ	082-15-0857	0001 PUR	SEC	02 74	FAILED TO APPEAR OR CALL	3	
M CAREY	088-20-1182	0001 SHIP	LABORER	04 74	LACK OF WORK - PERMANENT	6	
L BERGER	091-40-9078	0001 SALES	MGR	04 74	JOB REFUSAL	3A	
D FITZGERALD	092-28-4373	0001 PUR	BKPR	03 74	TO LEAVE AREA	3	
J DAWSON	095-42-9574	0001 PRSNL	SUPRVSR	03 74	TO SEEK OTHER EMPLOYMENT	3A	
P TANG	102-48-7750	0001 SHIP	LABORER	04 74	LACK OF WORK - PERMANENT	6	
E TODD	107-14-7184	0001 SALES	REP	06 74	UNMATCHED CHARGE	5A	
L SOTO	107-47-5791	0001 PRSNL	TYPST	05 74	TO ATTEND SCHOOL	3	
M YOUNG	112-25-3749	0001 BILL	BILL CLK	06 74	DISSATISFACTION WITH JOB	3	
C DUPONT	114-03-1722	0001 SALES	SEC	05 74	TO GET MARRIED	1	
W LAWSON	115-42-7489	0001 SALES	DISTR MGR	06 74	AUTHORIZED LEAVE OF ABSENCE	1	
G MANTZ	117-24-7770	0002 OFC	TYPST	03 74	EXCESSIVE ABSENTEEISM	3A	
K OLEARY	125-45-2734	0002 BILL	BILL CLK	04 74	LEFT OF OWN ACCORD, NO REASON GIVEN	3	
E LUNA	126-45-5397	0002 LEGL	FILE CLK	01 74	NOT LAST EMPLOYER - CHARGEABLE	6	
V BOVI	128-32-1511	0002 SALES	DISTR MGR	04 74	VOLUNTARY RETIREMENT	3	
R GETHERS	132-12-8872	0002 SHIP	LABORER	03 74	JOB REFUSAL	3A	
P PACHECO	134-32-4572	0002 PUR	BKPR	04 74	TO ACCEPT OTHER EMPLOYMENT	2C	
C GEOGHEGAN	142-32-1198	0002 OFC	RECPTNST	05 74	LEFT OF OWN ACCORD, NO REASON GIVEN	3	
W MOMACHO	214-35-1057	0002 BILL	TYPST	04 74	VOLUNTARY QUIT - PREGNANCY	7	
V QUIGLEY	215-40-5783	0002 OFC	MAIL CLK	03 74	LACK OF WORK - PERMANENT	6	
M SLATTERLY	230-22-2031	0002 PUR	SUPRVSR	06 74	DISCHARGE - PREGNANCY	6	
J LADSON	237-17-0953	0002 OFC	STCK BY	06 74	MILITARY SERVICE	1	
A HERNANDEZ	243-75-0337	0002 LEGL	TYPST	03 74	CURRENTLY EMPLOYED PART-TIME	6	
E FLORES	249-38-4128	0002 OFC	FILE CLK	02 74	DELIBERATE UNSATISFACTORY PERFORMANCE	3A	
A VIVO	249-47-5509	0002 SHIP	FORMN	04 74	DISSATISFACTION WITH JOB	3	
E CORDERO	250-72-4793	0002 PRSNL	SEC	03 74	VIOLATION OF COMPANY RULE	3A	
S CRUZ	258-30-1725	0002 LEGL	MAIL CLK	05 74	UNSATISFACTORY PERFORMANCE	6	
J VERI	271-54-3609	0002 PRSNL	SUPRVSR	05 74	LEFT OF OWN ACCORD, NO REASON GIVEN	1	
T WAGNER	300-07-5824	0002 SALES	REP	06 74	TO SEEK OTHER EMPLOYMENT	3	
R RODRIQUEZ	321-38-6974	0002 PUR	BKPR	01 74	NOT LAST EMPLOYER - CHARGEABLE	6	

AS PER STATE PROCEDURES

PENNSYLVANIA & KENTUCKY

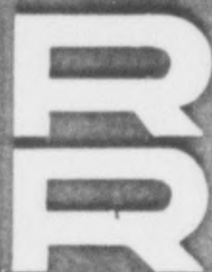
AS PER  
STATE  
PROCEDURES

DISPOSITION LEGEND

1. DECISION PENDING
2. DECISION LOST
  - A. INSUFFICIENT EVIDENCE OR DOCUMENTATION.
  - B. NO WITNESS AVAILABLE.
  - C. VOLUNTARY QUIT HELD TO BE FOR GOOD CAUSE.
  - D. ATTEMPT TO REVISE PRECEDENT NOT UPHELD.
  - E. REASON FOR SEPARATION HELD TO BE NOT DISQUALIFYING.

3. DECISION WON/CREDIT RECEIVED
  - A. HEARING/APPEAL WIN.
4. CLAIMANT REQUALIFIED
5. PROTEST/APPEAL PREVENTED
  - A. NO CLAIM RECEIVED
  - B. CLAIM/HEARING NOTICE RECEIVED LATE.
  - C. PER EMPLOYER INSTRUCTION.
  - D. DETERMINATION/DECISION NOT RECEIVED OR RECEIVED LATE.
  - E. DETERMINATION RECEIVED WITHOUT CLAIM.
  - F. FAILURE TO RECEIVE SEPARATION INFORMATION.

6. NOT PROTESTABLE UNDER STATE REGULATION.
7. CLAIM PROCESSED—CHARGES SUBJECT TO INVESTIGATION.
8. CLAIM CURRENTLY UNDER INVESTIGATION.



FOR THE QUARTER ENDING  
JUNE 30, 1978

XYZ CORPORATION  
123 FOURTH STREET  
CENTER CITY, NEW JERSEY

THE FOLLOWING CHARGES WERE REPORTED DURING THE PAST QUARTER

CLAIMANT NAME		SS #	LOCATION	CLAIM ENDS	WEEKLY BENEFIT	PAYMENTS THIS QTR	PAYMENTS TO DATE	POTENTIAL LIABILITY
DEARINGER	GE	004-03-6491	G781/6320	11/77*	\$ 52	\$ 156	\$2,860	\$2,704
CROCKER	RC	042-18-5224	Y880/7701	09/78	\$104	\$1,352	\$1,560	\$2,704
AUGUSTYNIWIC	SW	047-52-2842	P557/6320	03/78	\$ 79	\$ 790	\$ 790	\$2,059
PRIME	MG	052-44-0728	G781/9850	10/78	\$ 92	\$1,196	\$1,564	\$2,402
QUINN	RJ	052-56-5759	G900/5000	01/78	\$104	\$1,352	\$2,704	\$2,704

\*CLAIMANT RECEIVING EXTENDED BENEFITS



FOR THE QUARTER ENDING  
JUNE 30, 1978

XYZ CORPORATION  
123 FOURTH STREET  
CENTER CITY, NEW JERSEY

THE FOLLOWING CLAIMS WERE INITIATED DURING THE PAST QUARTER

CLAIMANT NAME	SS #	LOCATION	POSITION	CLAIM ENDS	REASON FOR SEPARATION	REASON FOR DISPOSITION	POTENTIAL LIABILITY	SAVINGS
CLAIMS PROTESTED AND DECIDED IN YOUR FAVOR								
THURING	WP 154-38-7333	75/083	LATHE OP	12/78	JOB REFUSAL	HELD TO BE WILLFUL	\$2,704	\$2,704
MCGUINNES	FX 154-52-5881	75/121	SWEEPER	11/78	VOLUNTARY QUIT	HELD TO BE NOT GOOD CAUSE	\$2,402	\$2,402
PACCIONE	AN 158-42-7519	75/121	SECRETARY	11/78	EXCESSIVE ABSENTEEISM	LAST ABSENCE NOT VALID	\$2,059	\$2,059
VAN GELDER	LE 082-28-3415	75/127	MANAGER	12/78	DRINKING	YOUR WITNESS MORE CREDIBLE	\$2,704	\$2,704
MORE	TS 584-40-8999	75/115	CLERK	12/78	VIOLATION OF COMPANY POLICY	YOUR WITNESS MORE CREDIBLE	\$2,059	\$2,059
CLAIMS PROTESTED BUT DECIDED IN FAVOR OF THE CLAIMANT								
BARLAR	LJ 036-01-1038	75/552	SALESMAN	10/78	EXCESSIVE ABSENTEEISM	VALID EXCUSE LAST ABSENCE	\$2,704	
HALAWAY	AE 093-09-1996	75/121	P T CLK	10/78	WILLFUL MISCONDUCT	HELD NOT WILLFUL	\$1,716	
GLASGOW	GL 089-56-4898	75/127	STOCKMAN	11/78	VOLUNTARY QUIT	MEDICAL EVIDENCE	\$2,059	
MC TIGUE	LD 261-84-7696	75/010	DRIVER	12/78	INSUBORDINATION	FIRE TOO LONG AFTER INCIDENT	\$2,704	
KADZIELEWSKI	PJ 582-30-2118	75/081	ENGINEER	12/78	WILLFUL MISCONDUCT	WITNESS DIDN'T APPEAR	\$2,704	
CLAIMS DETERMINED BY REED ROBERTS TO BE NON-PROTESTABLE UNDER LAW								
ORTIZ	PA 108-45-0873	75/982	DRAFTSMAN		PERMANENT LACK OF WORK		\$2,704	
ROBINSON	RG 078-48-6608	75/763	BOOKKPR		NOT QUALIFIED		\$2,402	
RANZ	DM 087-46-2999	75/551	SALESMAN		NOT LAST EMPLOYER CH G BLE		\$2,704	
LEACH	RD 124-34-5137	75/010	SECRETARY		QUIT TO ACCEPT EMPLOYMENT		\$2,059	
ADIE	JR 109-52-2605	75/010	MANAGER		COMPULSORY RETIREMENT		\$2,704	
							\$36,388	\$11,928



ALABAMA ASSOCIATION OF SCHOOL BOARDS

P. O. BOX 11475 \* MONTGOMERY, AL. 36111 \* Tel.: 205/277-9700

OFFICE LOCATION: 4250 LOMAC STREET

TO: ALL ALABAMA SCHOOL BOARDS

Alabama's new unemployment compensation law is, for many school boards, a venture into the unknown. It is a state-mandated benefit in which few local governments have had any administrative experience.

How much will it cost?

How can claims be held to a minimum?

Do existing personnel policies and procedures invite more successful claims than necessary?

These are only a few of the questions that must be faced by all school boards, questions that must be satisfactorily answered if the U.C. program is to be held to something less than a nightmare.

To help local boards "get a handle" on the U.C. program -- and maintain control of that handle -- the AASB Board of Directors has endorsed an Unemployment Compensation Service program that is available to each Alabama school board. The program is offered through one of the country's largest and most respected U.C. service agencies, Reed, Roberts and Associates. Reed, Roberts also has been endorsed by the Association of Alabama County Commissioners, the Alabama Hospital Association, and many others.

Additional information on the program, including a precise look at what will be provided and what it will cost, is found elsewhere in this packet of information. We urge each local school board to very carefully review the program. We believe that, all factors considered, few school boards can do for themselves what this program offers, for the price at which it is offered.

Sincerely yours,

Randy Quinn  
Executive Director

RQ:dt



## GREATER NEW YORK HOSPITAL ASSOCIATION

3 East 54th Street, New York, N.Y. 10022 / 421-3300, Area Code 212

### OFFICERS

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SIDNEY FEINBERG

SISTER MARY KELLY, O.S.F.

HARVEY MACHAVER

RAY E. TRUSSELL, M.D.

#### *Class of 1980*

KENNETH F. ADAMEC

LEON N. COHEN

RICHARD N. KERST

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SISTER EVELYN M. SCHNEIDER

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JACK KORETSKY

STEVEN SIEVERTS

JOSEPH V. TERENZIO

#### *Counsel*

PROSKAUER ROSE GOETZ

& MENDELSON

October 17, 1977

Mr. Edward Tennenbaum  
Senior Vice President  
Reed, Roberts Associates, Inc.  
118 Seventh Street  
Garden City, New York 11530

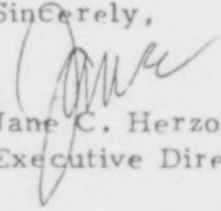
Dear Ed:

We are nearing the end of our sixth year of association with Reed Roberts and I just want to say on behalf of our hospitals that we have been extremely pleased with the scope and depth of your services.

You have kept a finger on the pulse from day one -- with advice on going direct reimbursement as opposed to taxable which has saved us an average of \$7,000,000 per annum -- and seminars to deal with routine problems as well as the particular challenges of limiting exposure in the face of a physician malpractice insurance action which for a time impacted on personnel requirements.

We look forward to our upcoming seminar which once again will provide a valuable update on unemployment insurance management.

Sincerely,

  
Jane C. Herzog  
Executive Director

JCH:gi

The Greater New York Hospital Association is a coordinating agency for the programs of all the major non-profit hospitals and long term and extended care facilities and all the municipal hospitals in the metropolitan area. Dedicated to serving the health and welfare needs of the community, the Association seeks to advance the interests of its member institutions by building cooperation among them, by assisting them in achieving ever-increasing levels of effective performance, by encouraging essential educational and research endeavors, and by interpreting all these functions to the general public and to allied professional, governmental and other organizations. The Association also maintains active liaison with groups in related fields interested in improving community health and raising standards of patient care.

GREATER NEW YORK HOSPITAL ASSOCIATION

Member Client Expense

Current Period - Fiscal Year Ended 9/30/77

Current Estimated Taxable Payroll (\$4,200 Base)	<u>\$263,523,186</u>
--	----------------------

Reimbursable Method (In Effect)

Benefits Charged		
Ratio of Benefits to Taxable Payroll	1.07%	\$ 2,831

Taxable Method

Current Average New York Rate	3.5%
-------------------------------	------

Total Taxes Paid - if taxable method employed	<u>\$ 9,223,</u>
---	------------------

Savings realized employing reimbursable (in effect)	<u>\$ 6,391,</u>
---	------------------

Projected Period - Fiscal Year Ended 9/30/78

Estimated Taxable Payroll (\$4,200 - 1977, \$6,000 - 1978)	<u>\$376,446,000</u>
--	----------------------

Reimbursable Method (In Effect)

Estimated Benefits Charged (\$115 to \$125 per week maximum)		
Ratio of Estimated Benefits to Estimated Taxable Payroll	0.84%	\$ 3,171,

Taxable Method

Average New York Rate - as above	3.5%
----------------------------------	------

Total Taxes Paid - if taxable method employed	<u>\$13,176,</u>
---	------------------

Projected savings employing reimbursable method	<u>\$10,005,</u>
---	------------------



## Georgia Hospitals Shared Services, Incorporated

3046 Miller Road  
Lithonia, Georgia 30058  
Telephone (404) 981-2572

TO : GHSS MEMBERS  
FROM : George Simpson  
Chairman, Board of Directors  
DATE : February 22, 1978  
SUBJECT: UNEMPLOYMENT COMPENSATION CONSULTANTS

Because of the change in the unemployment compensation law that brought coverage to hospital authorities, GHSS made the decision through its Committee on Personnel Administration to solicit proposals from three firms in the state providing consultant services. The three firms are: Reed, Roberts Associates, Inc.  
Gates McDonald  
R. E. Harrington

It was requested that all three firms provide the following: (1) description of scope of service provided; (2) win/loss ratio on protest appeals; (3) copy of annual report; (4) cost of services; (5) reference letters; and (6) office locations. It was on this basis that the committee evaluated the firms.

Based upon the submission of the proposals as requested, all services provided by the three firms were similar and acceptable. Each institution is urged to study the below table and make your own decision.

<u>FIRM</u>	<u>COST FOR:</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>WIN/LOSS %</u>
* Reed Roberts	\$2.00	\$1.90	\$1.80		86%
** Gates McDonald	\$2.00	\$1.75			30%
*** R.E. Harrington	\$2.00	\$1.75			66%
	\$1.90	\$1.70			
	\$1.30	\$1.65			

\* Cost based on full-time equivalents as reported by the hospital.

\*\* Cost based on per employee.

\*\*\* Cost based on the following: 8,000-20,000 employees  
20,000-25,000 employees  
over 25,000 employees



## Genesee Intermediate School District

2413 W. MAPLE AVENUE

TELEPHONE 767-4310

FLINT, MICHIGAN 48507

March 16, 1977

Mr. Donald Lucas  
District Sales Manager  
Reed, Roberts Associates, Inc.  
30100 Telegraph Road  
Birmingham, Michigan 48010

Dear Mr. Lucas:

This is the final month of the second annual contract between the Genesee Intermediate School District and Reed, Roberts Associates, Inc. for unemployment compensation consulting services. Your firm has very effectively served the interests of the local districts, Mott Community College and the Genesee Intermediate School District.

In addition to assistance in the interpretation of unemployment compensation laws and processing claims, the representation provided by your firm at claim hearings has reflected significant savings in personnel time on the part of the districts.

The extent and quality of services provided have been reviewed with the nineteen participating constituent districts and the community college and they have endorsed the program and recommended that it be continued.

This recommendation was presented to our board of education. The Genesee Intermediate School District Board of Education, therefore, approved a renewal of the contract and voted to again make these services available to the constituent districts and the community college. Please prepare a contract for the appropriate signatures.

We look forward to working with you in the coming year.

Sincerely,

  
Robert A. Ackerman  
Deputy Superintendent

RAA:ph

ERWIN L. DAVIS  
SUPERINTENDENT

ROBERT A. ACKERMAN  
DEPUTY SUPERINTENDENT

RICHARD L. WOOD  
PRESIDENT

BESSIE M. MOOSE  
VICE PRESIDENT

WILLIAM R. WALWORTH  
TREASURER

ELMER A. KNOPF  
TRUSTEE

DUANE M. TESTER  
TRUSTEE

# ASSOCIATION COUNTY COMMISSIONERS OF GEORGIA

1124 CARNEGIE BUILDING • ATLANTA, GEORGIA 30303 • AREA CODE 404 522-5022

October 25, 1977

To: County Commissioners, Administrators, and Clerks

From: Leroy Johnson, President

Subject: ACCG Board Endorsement of the Unemployment Compensation Cost  
Control Program of Reed, Roberts Associates

On January 1, 1978, all public employers in Georgia, including counties, will assume the financial responsibility for unemployment compensation benefits paid to their ex-employees. There are many things which a county can do to insure that only those ex-employees fully eligible actually receive benefits.

There are three national firms which offer an unemployment compensation cost control service to public employers: Reed, Roberts Associates, the R.E. Harrington Company, and the Gates McDonald Company. The cost control services offered by these firms are aimed at helping a public employer do all of the things that can legally be done to hold down the cost of unemployment compensation.

After considerable investigation by the staff of the Association, the Board of Managers, on October 19, formally recommended the firm of Reed, Roberts Associates as the firm most capable and willing to provide a comprehensive cost control program at a reasonable price to all of Georgia's counties.

The Association has investigated and endorsed Reed Roberts as a service to our membership. Naturally, any county is free to contract with either of the other two firms or not to contract at all.

The Association's agreement with Reed, Roberts is very simple: we will continue to recommend their program as long as they continue to provide the services that are shown on the back of this sheet to all counties in a satisfactory manner.

The cost of Reed, Roberts' program is extremely reasonable: \$1.80 per eligible employee per year. For example, a county with 100 employees would pay \$180.00 per year.

For further information about this valuable program, you should call (collect) Mr. Ottis Moore, Jr. of Reed, Roberts at (404) 294-6647 or the ACCG office at (404) 522-5022.

(Over)

### Reed Roberts Proposed Services

1. A written evaluation of all your personnel forms (application forms, handbook, rules, etc.) will be submitted to your county with appropriate additions/deletions.
2. Seminars will be held for your county's key supervisory personnel. These educational seminars are designed to teach your supervisors what a claim is, the potential cost impact, and how to prevent unnecessary claims. Further, the importance of documentation of all infractions is stressed as well as the effect on their departmental budget.
3. Complete claims handling. All claims will be reviewed for eligibility, chargeability, duration, etc. All protestable claims will be appealed and taken to their proper conclusion.
4. Reed Roberts Associates will physically represent your county at all Appeal Hearings anywhere in the continental United States.
5. Every quarter the State of Georgia will send your county a Statement of Amount Due for Unemployment Charges. Reed Roberts Associates will scrutinize each individual charge for accuracy and verify that the individual actually worked for your county.
6. Every quarter your county will receive from Reed Roberts Associates an individual Quarterly Activity Report detailing your claims activity for the preceding quarter. This report will be broken down by claimant name, social security number, location, department, and reason for separation. This report is not only a quarterly review of Reed Roberts' performance but also shows you where and why the turnover is occurring.
7. Constant communication through Management Letters, reports and personal visits to insure a vigilant control over this potentially burdensome cost area.
8. Reed Roberts may be contacted by collect call.

# WISCONSIN HOSPITAL association

October 3, 1977

Mr. N. Seldon Brown, Executive Director  
Georgia Hospital Association  
92 Piedmont Avenue, N.E.  
Atlanta, Georgia 30303

Dear Seldon:

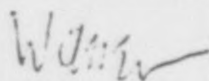
Kris Thorngren, Regional Manager of Reed, Roberts Associates, Inc., in Nashville, has asked me to comment on the service that the Company has provided to member hospitals of the Wisconsin Hospital Association. I am pleased to do this.

The firm has provided our member hospitals with excellent service for those who are enrolled in their program. In addition, the organization has provided to the Association many services which benefit our member hospitals who are not clients of the organization. We feel the service rendered by the staff of the organization has enabled hospitals in Wisconsin to gain an understanding of the Unemployment Compensation Law and its ramifications to their operations, and allowed them to minimize the costs related to the law.

I can enthusiastically recommend them to your Association when it considers recommending to its own member hospitals the services of a firm like Reed, Roberts. They have provided our hospitals with excellent service in all aspects of unemployment compensation cost controls.

With best wishes and kindest personal regards, I am,

Sincerely yours,



Warren R. Von Ehren  
President

WRVE/ds

*The Clean Air Capital*



CITY OF

**Largo, Florida**

P.O.Box 296, Largo, Florida 33540

March 21, 1977

Dan McArdle  
Reed, Roberts Associates, Inc.  
6151 Miramar Pkwy., Suite 317  
Hollywood, Florida 33023

Dear Mr. McArdle:

It was two years ago this month that we engaged your firm to serve as our consultants in unemployment compensation. I wanted you to know that this has been a very helpful and rewarding relationship. Your services have made it possible for us to deal with unemployment compensation in a fair manner. Through your help, we have been able to cope well with cases where unemployment compensation was not due. As a result, the City has been saved many thousands of dollars.

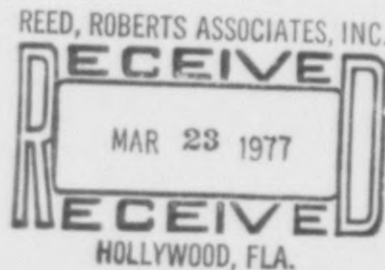
I merely wanted you to know of our appreciation for the help you have given us in the past and we are counting on the same top-level service in the future.

Cordially yours,

Glenn W. Timmons  
Personnel Director

/p

cc: Donald D. Herrman, City Manager



100% Recycled Paper

# South Carolina School Board Association

1706 Senate Street  
Columbia, S. C. 29201  
(803) 799-6607

John C. Cone  
Executive Director

March 7, 1978

## EXECUTIVE COMMITTEE

Dr. Fred Chapman, President  
Mr. Ed Hursey, President-Elect  
Mr. Allison Dalton, Vice-President  
Dr. Clemmie Webber, Secretary  
Treasurer  
Mrs. T. W. Graham, Past-President

## DISTRICT DIRECTORS

District One  
Jerome L. Myers  
District Two  
Lynn Hilley  
District Three  
Ruben L. Gray  
District Four  
A. Marion Finkbea  
District Five  
Brooks Brown, III  
District Six  
J. Ed Bankhead  
District Seven  
Haynes Morrow  
District Eight  
Cheryl Bannister  
District Nine  
Edward F. Burky  
District Ten  
Jack  
District Eleven  
Bobby Bowers  
District Twelve  
George Jordan  
District Thirteen  
Tom Chappelle  
District Fourteen  
Charles Riley  
District Fifteen  
Anne Collins  
District Sixteen  
Dr. Samuel Greer

TO: BOARD CHAIRMEN AND SUPERINTENDENTS, BOARD OF DIRECTORS  
FROM: JOHN C. CONE, EXECUTIVE DIRECTOR  
SUBJECT: REED, ROBERTS ASSOCIATES, UNEMPLOYMENT COMPENSATION

The South Carolina School Boards Association is pleased to propose a totally comprehensive Unemployment Compensation Cost Control Program for it's membership through Reed Roberts Associates. A number of South Carolina school districts have already joined the program.

The program is designed to provide each of the participating School Systems with a coordinated and consistent means of meeting their legislated obligation to extend Unemployment Insurance coverage to their employees under Public Law 94-566 and doing so at the lowest possible cost through minimizing benefit payments and internal administration.

Individual service at the local level is the cornerstone of our comprehensive Control Program. Thus each participating School District would receive:

1. An Unemployment Cost Projection
2. Written Evaluation of Personnel Procedures
3. Seminars and Workshops within each participating School District
4. Complete Claims Response and Follow up
5. Guaranteed representation at all Appeals Hearings anywhere in the Continental United States
6. Quarterly Charge Verification
7. Complete Quarterly and Annual Reports

Our Program is as follows:

### 1. Unemployment Cost Projection:

Through a study of previous separation activity and probable liability, as well as the application of actuarial data compiled independently by Reed Roberts, an approximate dollar cost for benefits will be provided to the participating School District.

### 2. Personnel Practices Evaluation:

The best way to reduce Unemployment benefit costs is to stabilize employment. Reed, Roberts will review the current personnel practices and procedures of each participating district and recommend adoption of formal policies that help stabilize employment. It has been our experience that many systems, especially the smaller members, have

few written formal policies regarding substitutes, etc. We feel that it is our obligation to our clients to recommend the adoption of certain key items that not only will be of assistance in preventing unwarranted Unemployment claims but also possible EEO complications.

3. Education Seminars and Workshops:

These seminars will be conducted within each participating School District. These meetings are designed to teach your supervisors what a claim is, the potential cost impact, and how to prevent unnecessary claims. Further, the importance of documentation of all infractions is stressed as well as the effect claims can have on departmental budgets as well as morale. At each session, various material including suggested internal forms, employee manuals, state forms, etc. will be reviewed.

4. Complete Claims Response and Follow-Up:

We have two basic methods of claims response and the individual school system selects the procedures which will be of most assistance. The most popular option works thusly: Upon the separation of any employee, the designated school official would immediately send us a copy of the separation form. We then, assuming we would be the Address of Record, would receive all determinations directly from the State. We would immediately investigate the claim in a timely fashion using the information from the separation report and the proper terminology.

5. Appeals and Hearings:

If the claimant is allowed benefits and we or the School District disagree with the decision, an appeal will be filed. This will trigger an Appeal Hearing. All Hearings, anywhere in the Continental United States, whether instituted by the school representative or by the claimant, will be attended by a Reed, Roberts representative. The representation in South Carolina will be with local South Carolina attorneys as required by law.

6. Quarterly Charge Verification:

Reed, Roberts, every quarter, automatically insures that all quarterly charges against each School System will be checked and verified for accuracy.

7. Reports and Other Information:

- A. As a normal part of our service, we maintain all claims information on our data processing equipment. We also, provide a Quarterly Activity Report, which is intended to show the turnover in each employing unit by Social Security Number, claimant name, position held, location or department, reason for separation and disposition of the claim. The purpose of this rather comprehensive report is to provide your School District with a management tool to control turnover where it appears to be excessive in specified departments or locations. It also is a graphic example of Reed, Roberts Associates' performance every three months.
- B. Annual Summary Report which is compilation of the quarterly reports giving total separations each quarter by protestable and non-protestable claims in general categories and an estimated dollar liability for each claim.
- C. Issuance of Monthly Management Letters relating to Unemployment compensation matters occurring nationally.

In effect, we become the unemployment compensation section of your School District's personnel and benefits department without office space, handling every aspect of this evermore complex and costly unemployment system. Few school systems can more economically provide for themselves the services that are offered by the SCSBA/Reed, Roberts Program.

HOW DO I JOIN THIS PROGRAM?

By signing the attached contract and sending it to the SCSBA or to Reed, Roberts, Inc. at 4285 Memorial Drive, Suite H. Decatur, Georgia 30032. Collect 404-294-6647.

#### ONCE I JOIN, WHAT HAPPENS NEXT?

1. Upon receipt by Reed, Roberts of signed contract, Reed, Roberts will contact your board within 15 working days to set up the initial presentation.
2. After the initial presentation, each board will provide Reed, Roberts with samples of all application blanks, handbooks, rules and regulation, and personnel forms used in the hiring and terminating process.
3. Within 60 days from receipt of the board's personnel forms, Reed, Roberts will supply a written evaluation of its findings in the form of a Personnel Practices Analysis. These are our recommendations on policies you may want to change, add, delete or eliminate.
4. Within 45 days from receipt of the Personnel Evaluation by the board, Reed, Roberts will schedule a training seminar for department heads and supervisorial staff, etc. These seminars will be conducted within the individual school district, and will be of the lecture type with questions and answer sessions at the completion of each topic.
  - a. History and concept of unemployment - who's eligible?
  - b. The importance of documentation and timeliness and credibility
  - c. Hiring process
  - d. Rules and Regulations
  - e. Warning procedures and separation procedures
  - f. Reed, Roberts procedures
  - g. Explanation of what a witness at a hearing may expect

These seminars are directed at the particular board policies and procedures currently in existence. Recommendations will be made as related to present or future needs for each area. These sessions are to be held on a continuing basis as needed.

#### BILLING

Take the number of full time equivalent employees (based on an eight-hour work day), minus all elected official, CETA employees and bus drivers then multiply by \$1.70. For example, 225 employees minus 7 elected official minus 18 CETA employees = 200 FTE x \$1.70 = \$340 annual fee. There are no hidden costs or additional fees.

REED, ROBERTS ASSOCIATES, INC.  
1976 ANNUAL REPORT

#### **DIRECTORS**

Philip Kaplan, *Chairman*  
Sidney J. Reed, *President*  
Harold Cagen, *President, Camast Management Corp.*  
Edmund Finger, *Chairman of the Board,*  
*President, Musical Instrument Corporation of America*  
Abraham Kaplan, *Attorney at Law*  
Joseph H. Lamm, *President, Mangel Stores Corp.*  
Albert J. Schiff, *President, Albert J. Schiff Associates, Inc.*

#### **OFFICERS**

Sidney J. Reed, *President*  
Philip Kaplan, *Executive Vice President*  
Abraham Kaplan, *Senior Vice President, General Counsel*  
Edwin M. Tennenbaum, *Senior Vice President*  
Wayne F. Millward, *Senior Vice President*  
Leonard B. Kaplan, *Secretary-Treasurer, Controller*  
Ronald L. Adler, *Vice President*  
Hollis E. Boss, *Vice President*  
Leslie J. Calverley, *Vice President*  
Edward Feuer, *Vice President*  
Benny Friedman, *Vice President*  
David Frieze, *Vice President*  
William E. Fuoss, *Vice President*  
Aggie M. James, *Vice President*  
Dennis Johnson, *Vice President*  
David W. Lotocki, *Vice President*  
Laurence J. McDonald, *Vice President*  
Paul Schardt, *Vice President*

#### **EXECUTIVE OFFICES**

118 Seventh Street, Garden City, N.Y. 11530

#### **AUDITORS**

Haskins & Sells  
100 Garden City Plaza, Garden City, N.Y. 11530

#### **TRANSFER AGENT**

American Stock Transfer Company  
44 Beaver Street, New York, N.Y. 10004

# REED, ROBERTS ASSOCIATES, INC. 1976 ANNUAL REPORT

## FINANCIAL HIGHLIGHTS

- ☐ Revenues rose 21% to a record \$5,270,954
- ☐ Net income rose 40% to a record \$404,798
- ☐ Per share earnings rose 32% to a record \$.50
- ☐ Dividends of \$.12 per share were paid
- ☐ Total assets increased to \$3,155,925 of which \$2,480,966 were current assets
- ☐ Stockholders' equity rose to \$2,367,960 or \$2.94 per share
- ☐ Our current ratio at year end stood at better than 3 to 1
- ☐ Number of clients rose to nearly 7,000
- ☐ Earnings as a percent of revenues showed improvement, rising to 9.7% in the fourth quarter

## REED, ROBERTS ASSOCIATES, INC. 5 YEAR SUMMARY OF OPERATIONS

	1976	1975	1974	1973	1972
Service Fees .....	\$5,270,954	\$4,364,457	\$3,989,372	\$3,820,932	\$3,024,931
Costs & Expenses .....	4,471,572	3,754,888	3,523,740	3,053,205	2,430,989
Income Before Income Taxes .....	799,382	609,569	465,632	767,727	593,942
Income Taxes .....	394,584	320,210	234,456	378,865	285,219
Net Income .....	<u>\$ 404,798</u>	<u>\$ 289,359</u>	<u>\$ 231,176</u>	<u>\$ 388,862</u>	<u>\$ 308,723</u>
Net Income Per Common Share:					
Assuming no dilution .....	<u>\$ .50</u>	<u>\$ .38</u>	<u>\$ .29</u>	<u>\$ .48</u>	<u>\$ .39</u>
Assuming full dilution .....	<u>\$ .50</u>	<u>\$ .38</u>	<u>\$ .29</u>	<u>\$ .47</u>	<u>\$ .38</u>
Weighted Average Number of Common Shares Outstanding .....	805,396	756,150	786,203	813,490	800,005
Dividends Paid .....	<u>\$ .12</u>	<u>\$ .10</u>			

### Management's Discussion of Operations

Service fees in 1973 rose 26% over service fees in 1972 while costs, expenses and net income for the year rose by a similar percentage.

During 1974, heavy unemployment throughout the country resulted in a tremendous increase in our work load while our fees were reduced as a result of declining taxable payrolls. In addition, economic pressure was forcing many non-profit and commercial organizations to attempt their own supervision of unemployment insurance costs to eliminate the expense of outside service. At the same time inflationary pressures on our costs tended to force our expenses out of line with revenues.

The last half of 1975 saw the eagerly awaited upward turn in the economy. New business written during this period gave rise to sharply improved earnings in the 4th quarter.

In 1976 service fees rose \$906,497 representing 21% over prior year revenues while costs and expenses increased 19% over 1975. This gave rise to an increase in net income of \$115,439.

## TO OUR SHAREHOLDERS:

It is with great pleasure that we can report to you that both revenues and income reached record levels in fiscal 1976.

Net income for the year ended December 31, 1976 rose 40 percent to \$404,798 compared with \$289,359 in 1975. This sharp gain in earnings was achieved on a 21 percent rise in revenues — from \$4,364,457 in 1975 to \$5,270,954 in 1976.

Per share earnings in 1976 increased to 50 cents, compared with 38 cents in 1975, a rise of 32%.

based on an additional 60,000 shares outstanding at year end. The additional shares were considered issued based on an earnings payout formula to the former owner of Albert J. Schiff Associates.

Not only were increases in revenues posted in consecutive quarters of 1976, but increased profitability was reflected as the year progressed in both earnings per share and in improved profit margins.

This trend is shown in the table below:

	Quarters Ended			
	March	June	Sept.	Dec.
Gross Revenues .....	\$1,203,311	\$1,239,381	\$1,330,201	\$1,498,061
Net Earnings .....	82,974	79,627	96,530	145,667
Net Earnings Per Share .....	.11	.11	.13	.15
Profit Margins .....	6.9%	6.4%	7.3%	9.7%

At the end of the fiscal year, your Company stood in strong financial condition, with current assets exceeding current liabilities by a better than 3 to 1 ratio.

Stockholders' equity rose to a record \$2,367,960 or \$2.94 per share. Even through removal of the asset "goodwill" from the balance sheet, your Company's net worth totalled \$1,873,787 or \$2.33 a share.

During 1976, the Board of Directors declared a cash dividend of 12 cents per share which was paid on Sept. 2, 1976. The dividend represented a 20 percent increase in the amount paid in 1975 — the first year a cash dividend was declared. While the board did not establish the dividend on a regular annual basis, it indicated that it intends to give full consideration to payment of a regular cash dividend, based on satisfactory operating results.

During 1976, a substantial contribution to profits was made by Albert J. Schiff Associates, Inc., a subsidiary acquired in 1973 which provides pension and actuarial services to clients throughout the country. This subsidiary's contribution last year amounted to approximately 16 percent of net profits.

Your Company made substantial progress last year in broadening its client roster to include a considerable number of large, multi-state corporations, many of which are included on the Fortune 500 list. As work on these clients becomes integrated into our operation and as initial start-up expenses begin to level off, profit margins in 1977 should show the same steady improvement as took place during 1976. To accommodate our growing number of clients and to continue to provide a high level of service to existing clients, the client service staff in each of our field offices has been

strengthened. The number of sales personnel in these offices also has been increased.

The growth of our client list should continue during 1977 as a result of the enactment late last year of The Unemployment Compensation Amendments Act of 1976. This new law requires that beginning in 1978, states must extend coverage to workers on large farms, to domestics, to nearly all state and local government employees and to employees of non-profit elementary and secondary schools.

The new law also raised the effective net Federal unemployment tax rate from 0.5 to 0.7 percent on January 1, 1977 and next January 1 will increase the taxable wage base from the present \$4,200 to \$6,000. Individual states will also likely increase their taxable wage base to the \$6,000 Federal level.

To illustrate the combined effect of this dual increase in taxable payroll and the effective Federal rate, a company with 1,000 employees would have had a taxable payroll of \$4,200,000, which taxed at the net .5% rate would have required a \$21,000 tax payment. Next year, under the new formulas, the taxable payroll would increase to \$6,000,000, which taxed at the new .7% rate, would effectively double the tax to \$42,000. While this example does not apply to all cases, overall the new laws will, in effect, double the Federal tax to most employers.

As the amount of the UC tax increases, and at a rapid rate, employers are developing an increasing sensitivity to the need to manage these escalating costs. As their awareness increases, our marketing efforts become easier, in that we do not have to undertake an educational process prior to convincing a client of the need for our services.

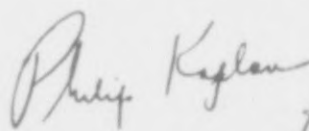
Although the extension of coverage to municipal and school workers is not effective until 1978, we are receiving inquiries from large numbers of

municipalities, school boards and related institutions which are not familiar with administration of unemployment compensation programs. Many of our new clients are non-profit entities, in particular a sizable number of school districts in the midwest and a number of municipalities in Florida. Workers in these organizations presently covered by state laws, will also be covered under Federal laws next year.

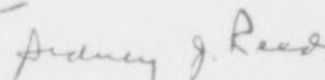
To carry our message to groups such as these, your Company has instituted a direct mail marketing campaign. In addition, Company representatives are meeting with school superintendents, mayors and other municipal officials to explain our services. As a result of these developments, we anticipate an increase in our business comparable to that which took place in 1971, when employees of non-profit institutions such as hospitals and universities were brought under unemployment compensation law for the first time.

Thus, we expect that 1977 will be a year in which revenues and earnings will show continuing improvement. We wish to thank our employees for their dedication and hard work. Thanks also are due to our clients and our shareholders for their confidence and support during 1976.

Sincerely,



Philip Kaplan  
Chairman



Sidney J. Reed  
President

Garden City, New York  
March 11, 1977

## THE NEED GROWS GREATER

Just a few years ago, few employers gave much thought, time or attention to the idea of managing their unemployment costs. By and large, the costs were considered merely trifling, a very small part of the cost of doing business.

Today, that has changed, as unemployment compensation costs have escalated alarmingly, and now represent a serious erosion of corporate earnings, and non-profit institution budgets.

A score of state funds are bankrupt, others are on the verge of failure. The Federal government has lent some \$3.8 billion to the states at this writing, and employers are being saddled with higher regular taxes, and in some cases, penalty levies, to help replenish the state funds.

But employment taxes are variables which can be controlled to some degree by employers. Normally, the tax upon a given employer is based on his actual experience in his state. If he tends to dismiss workers, or they leave under circumstances under which sizable numbers of claims are charged against his account, his tax will tend to be higher. If, on the other hand, his personnel are terminated under conditions which do not necessarily result in large numbers of successful claims being charged to his account, his rate may be lower. A number of variables come into play both generally and specifically, in virtually every employee termination.

Because these variables can be, to some extent, controlled through the conscious actions of the employer, and because the amount of money involved has increased sharply in recent years, a growing awareness for the need to manage this expense is developing in every sector of the economy.

Other important changes on the unemployment scene have been taking place, concurrent with changes in the laws and formulas.

As the amount of benefits to claimants, and the duration over which they may be paid, has been increased by state legislatures, applicants are becoming more sophisticated in their approach, and more militant in their demands for the maximum benefits they can obtain.

In the late 1960's, while the economy was strong and expanding, and unemployment rates quite low, perhaps one applicant in 20 appeared at a hearing accompanied by legal counsel. Today, the figure is more like 40 percent — two in five — who appear with a private legal counsel, or represented by one of the growing number of legal aid and legal assistance groups. Indeed, this trend, first noted

only in major metropolitan areas, is now quite evident in small communities.

With benefits now extended in some states to as many as 65 weeks, and running as high as \$174, including allowance for dependents, in many states, claimants are more determined than ever to qualify for the maximum.

As the recession of 1974-5 threw hundreds of thousands of persons out of work, and stranded hundreds of thousands of others already unemployed, the quality of surveillance among most state agencies understandably deteriorated. Unable to keep up with burdensome caseloads of new and repeat claimants, the state agency staffs were forced to forego individual review of cases which might previously have been given closer scrutiny. Employers have perceived the need for more vigilant review of claims charged against their accounts, and our services have increasingly been sought for this particular assignment.

As the tax bases and tax rates have increased in every state, as well as on the Federal level, the importance of managing these costs becomes more apparent to corporate and institutional managers. An interesting marketing point emerges from the increased costs to employers, from Reed, Roberts' point of view. As his costs rise, our service fee as a percentage of total savings, has fallen inversely. Indeed, we are finding a number of opportunities for new business development among companies which several years ago felt the potential savings for the costs involved did not warrant retaining us. Today, these same companies are initiating inquiries to us.

### *A Balance of People and Hardware*

As the country's largest specialist in management of UC costs and related employee benefit programs, we maintain 22 regional offices throughout the U.S. through which we can provide close personalized service to our 7,000 clients throughout the U.S.

While sophisticated data processing systems today perform a great volume of work for our clients, we still maintain as a strong conviction the principle that educated human judgment is absolutely essential to the proper management of any employee benefit program.

We therefore maintain fully staffed field offices in all our regions, backed by a strong cadre of seasoned and experienced specialists in law, finance, accounting, taxation, personnel

management, training and other disciplines related to our function.

Our service to clients covers a wide range of activities, beginning with a comprehensive analysis of the hiring and personnel practices and procedures, analysis and determination of the preferred method of UC payment by new employers, control and co-ordination of claims handling, audits of benefit charges and balances in state funds, personal representation at hearings and appeals, and developing training programs of supervisory personnel in our clients' employ.

In many cases, the simple establishment of personnel programs and practices which tend to stabilize employment can reduce a client's costs. In other cases, more specific action may be required of our staff, including the challenging of claims, and personal appearances at hearings and appeals. The hearings are quasi-judicial in nature, and it is imperative that personnel attending these hearings on management's behalf be properly trained.

Our special expertise in the various laws and practices governing unemployment programs in all 48 continental states is put to work in other ways, as well, such as analyzing a company's state fund balance, and where appropriate, recommending an additional payment to the fund — the voluntary contribution — which can raise his balance to a point where he qualifies for a lower rate, which in turn actually reduces his annual or quarterly taxes. Incongruously, by paying more, he winds up paying less.

Our experience in the complexities of unemployment compensation programs has been put to work for a number of clients involved in mergers and acquisitions. Few corporate managers are fully aware of the effect of merging a small subsidiary with a very poor experience rating into a larger firm with a good experience rating. The larger firm may, in some cases, become "tainted" with the negative experience of the small subsidiary.

Through these and a number of other techniques, we manage to save employers considerable amounts of money each year.

#### *The ERISA Mess*

While no one cares to applaud good fortune achieved at the expense of others, the fact of the matter is that Albert J. Schiff Associates, experienced a phenomenal year in 1976, and appears headed for another excellent year in 1977.

Schiff offers consulting, management, administrative and actuarial services to employers covered by requirements of the Employees Retirement Income Security Act of 1974 (ERISA), which has properly been described as an administrative nightmare.

Although well-intended, and designed to protect employees who were enrolled in retirement and pension programs, the provisions of the law produced a set of reporting requirements so complex and burdensome, that many small to medium employers have chosen to drop their pension plans, rather than continue them under the Federal requirements.

As an example of how burdensome and frustrating this piece of legislation has been, the Federal government received 17,000 applications to terminate pension and retirement plans last year — more than all the applications combined in the entire history of pension programs.

Schiff's services range from consulting services, to continuing administration and management of the programs, to fulfilling actuarial and reporting requirements to regulatory agencies.

Schiff tripled its client roster in this field in 1975, then doubled its clients in 1976, and expects to have another excellent year.

#### *Controlling Insurance Costs*

Through our subsidiaries Falcon Claims Service, and National Personnel Programs, Inc., Reed, Roberts offers two sophisticated insurance administration and control services to employers.

Falcon Claims is a licensed, independent insurance adjustment company which is engaged in the administration and management of workmans compensation programs. While virtually all employers carry workmans compensation insurance with private insurance carriers to protect themselves against payments to injured workers as required under state laws, they are not required in fact to carry the insurance — but may instead submit ability to pay the claims.

For many years the most economical method for most employers was to purchase insurance from private carriers. However, in recent years insurance premiums have risen sharply, along with homeowners, auto, product liability and other premiums. For workmans compensation premiums, the increase has been something on the order of a 100 to 150 percent over the last five years.

Today, many employers may actually save significant amounts on this expense by simply paying the valid claims, and administering their own workmans compensation programs.

Reed, Roberts offers a highly specialized service to employers who may stand to benefit from adoption of a self-insurance program. We conduct an extensive investigation of the company's premium, personnel, plant, actual claims experience and safety programs.

From this investigation, we prepare a feasibility study to determine if the company could economically engage in its own self-insurance program, and if our findings are affirmative, we propose a program through which we administrate and manage his self-insurance.

Our service includes claims investigation, handling, and payment, appearances before Workmans Compensation Boards, safety analysis engineering, and computerized analysis of loss experience. In effect, the company becomes its own insurance company, and we become both the claims adjuster and the administrative arm of the firm.

In most cases, a client's self-insurance may also involve purchase of bonding protection, or outside insurance coverage above specified amounts. Through this approach, the client actually adopts an insurance coverage program which involves a very large deductible clause, with the outside insurance company covering the balance of total risk.

As an example of how this service works, we were retained somewhat over a year ago by a major

industrial corporation with operations in three states — New York, New Jersey and Maryland — to administer a workmans compensation self-insurance program. The premiums to this corporation last year under outside insurance would have totaled \$675,000. The claims actually paid total \$350,000 a savings of \$325,000 or 48%.

While this case is a bit unusual, in that most savings to our workmans compensation clients average around 30%, it illustrates the substantial savings a corporation can realize through proper management of its workmans compensation program.

An interesting aspect of the self-insurance program is that it tends to reduce the number of inflated, questionable or outright fraudulent claims by employees, since they are now dealing directly with their employer, and not with some geographically removed, monolithic insurer. Supervisory personnel are also less likely to take an overly generous view of claims submitted against their company, as well.

For companies which our feasibility study indicated would not be better off in a self-insurance program, we offer a "premium control" service, through which we provide close professional, personal supervision of claims in health insurance, liability, workman's compensation and related insurance programs. For the smaller employer, or the large employer who actuarially should not engage in a self-insurance program, this service can provide significant savings each year for a nominal service fee.



REED, ROBERTS ASSOCIATES, INC.  
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

ASSETS	December 31,	
	1976	1975
<b>CURRENT ASSETS:</b>		
Cash .....	\$ 435,748	\$ 78,752
Short-term investments, at cost which approximates quoted market value .....	182,686	266,732
Service fees receivable:		
Billed (less allowance for doubtful accounts — \$45,727 in 1976, \$15,000 in 1975) .....	692,808	801,272
Unbilled (Note 2) .....	1,018,218	546,741
Receivable from employees and affiliated company .....	59,749	115,756
Prepaid expenses and other assets .....	91,757	29,926
<i>Total current assets</i> .....	<u>2,480,966</u>	<u>1,839,179</u>
<b>FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS —</b>		
At cost (Note 1):		
Furniture and equipment .....	262,500	228,832
Leasehold improvements .....	104,855	98,939
<i>Total</i> .....	367,355	327,771
Less accumulated depreciation and amortization .....	198,792	175,612
<i>Furniture, equipment and leasehold improvements — net</i> .....	168,563	152,159
<b>DEFERRED CHARGES AND OTHER ASSETS</b> .....	12,223	23,979
<b>GOODWILL — Unamortized cost (Notes 1, 4 and 7)</b> .....	494,173	508,164
<b>TOTAL</b> .....	<u>\$3,155,925</u>	<u>\$2,523,481</u>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>CURRENT LIABILITIES:</b>		
Accounts payable .....	\$ 222,634	\$ 170,724
Accrued liabilities:		
Federal and state income taxes .....	302,527	79,394
Salaries and payroll taxes .....	262,804	176,729
<i>Total current liabilities</i> .....	787,965	426,847
<b>DEFERRED FEDERAL INCOME TAXES (Notes 1 and 5)</b> .....	—	12,900
<b>COMMITMENTS (Note 8)</b>		
<b>SHAREHOLDERS' EQUITY (Notes 4, 6 and 7):</b>		
Preferred stock — \$.10 par value; authorized, 500,000 shares; issued, none.		
Common stock — \$.10 par value; authorized, 2,000,000 shares; issued, 829,247 shares .....	82,924	82,924
Paid-in capital .....	496,073	496,073
Retained earnings .....	2,214,380	1,898,078
Less cost of common shares held in treasury — 1976 — 99,475 shares; 1975 — 88,825 shares .....	(425,417)	(393,341)
<i>Total shareholders' equity</i> .....	2,367,960	2,083,734
<b>TOTAL</b> .....	<u>\$3,155,925</u>	<u>\$2,523,481</u>

See Notes to Financial Statements.

REED, ROBERTS ASSOCIATES, INC.  
AND SUBSIDIARIES

STATEMENT OF CONSOLIDATED INCOME AND  
RETAINED EARNINGS

	For the Year Ended December 31,	
	1976	1975
SERVICE FEES .....	\$5,270,954	\$4,364,457
<b>COSTS AND EXPENSES:</b>		
Salaries .....	2,406,037	2,080,318
Other operating and administrative costs .....	2,034,934	1,635,727
Depreciation and amortization (Note 1) .....	41,898	42,848
Interest — net .....	(11,297)	(4,005)
<i>Total costs and expenses</i> .....	<u>4,471,572</u>	<u>3,754,888</u>
INCOME BEFORE INCOME TAXES .....	<u>799,382</u>	<u>609,569</u>
<b>INCOME TAXES:</b>		
Federal (Notes 1 and 5):		
Current .....	348,278	269,474
Deferred (benefit) .....	(20,100)	(3,150)
State .....	66,406	53,886
<i>Total income taxes</i> .....	<u>394,584</u>	<u>320,210</u>
NET INCOME .....	<u>404,798</u>	<u>289,359</u>
RETAINED EARNINGS, BEGINNING OF YEAR .....	1,898,078	1,682,961
LESS CASH DIVIDENDS (per share — \$.12 in 1976 and \$.10 in 1975) .....	(88,496)	(74,242)
RETAINED EARNINGS, END OF YEAR .....	<u>\$2,214,380</u>	<u>\$1,898,078</u>
NET INCOME PER COMMON SHARE AND COMMON EQUIVALENT SHARE (Note 1) .....	<u>\$ .50</u>	<u>\$ .38</u>

See Notes to Financial Statements.

REED, ROBERTS ASSOCIATES, INC.  
AND SUBSIDIARIES

STATEMENT OF CHANGES IN CONSOLIDATED  
FINANCIAL POSITION

	For the Year Ended December 31,	
	1976	1975
<b>SOURCE OF FUNDS:</b>		
Operations:		
Net income .....	\$404,798	\$289,359
Charges (credits) not requiring (providing) the use of current funds:		
Depreciation and amortization of furniture, equipment and leasehold improvements .....	27,907	28,857
Amortization of goodwill .....	13,991	13,988
Amortization of deferred charges .....	11,152	11,152
Deferred Federal income taxes (benefit) .....	(20,100)	(3,150)
<i>Total funds from operations</i> .....	437,748	340,206
Disposals of furniture and equipment .....	4,689	740
Conversion of notes payable into common stock .....	—	131,354
Reduction of original purchase price of acquisition (Note 4) .....	—	125,000
Other .....	7,804	7,617
<i>Total</i> .....	450,241	604,917
<b>FUNDS USED:</b>		
Purchase of treasury stock .....	32,076	210,049
Cash dividends .....	88,496	74,242
Reductions of non-current notes payable .....	—	95,000
Additions to furniture, equipment and leasehold improvements .....	49,000	22,517
<i>Total</i> .....	169,572	401,808
<b>INCREASE IN WORKING CAPITAL</b> .....	<b>\$280,669</b>	<b>\$203,109</b>
<b>CHANGES IN COMPONENTS OF WORKING CAPITAL:</b>		
Increase (decrease) in current assets:		
Cash and short-term investments .....	\$272,950	\$ 94,972
Service fees receivable .....	363,013	77,728
Income tax overpayments — refundable .....	—	(36,309)
Other .....	5,824	65,284
<i>Total</i> .....	641,787	201,675
(Increase) decrease in current liabilities:		
Current maturities of notes payable .....	—	120,000
Federal and state income taxes .....	(223,133)	(50,735)
Accounts payable and accrued liabilities .....	(137,985)	(67,831)
<i>Total</i> .....	(361,118)	1,434
<b>INCREASE IN WORKING CAPITAL</b> .....	<b>\$280,669</b>	<b>\$203,109</b>

See Notes to Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. **PRINCIPLES OF CONSOLIDATION** The consolidated financial statements include the accounts of the Company and its subsidiaries. Intercompany transactions are eliminated in consolidation.

B. **DEPRECIATION AND AMORTIZATION** Depreciation of furniture and equipment is provided over periods from four to ten years, generally by means of the straight-line method. Leasehold improvements are amortized over the life of the lease on the straight-line method.

Expenditures for maintenance and repairs are charged to expense as incurred. Expenditures for renewals and betterments are capitalized.

When properties are retired or disposed of, the cost and accumulated depreciation or amortization are eliminated from the accounts and the resulting gain or loss is reflected in income.

C. **GOODWILL** Goodwill is being amortized over forty years on the straight-line method. Accumulated amortization was \$73,721 and \$59,730, respectively, at December 31, 1976 and 1975.

D. **FEDERAL INCOME TAXES** The Company and its subsidiaries file separate Federal income tax returns. Income taxes are provided in the year transactions enter into the determination of net income, regardless of when such transactions are recognized for tax purposes.

E. **STOCK OPTIONS** Upon the exercise of common stock options the common stock account is credited with the par value of the common stock issued and the excess of the proceeds of common stock options over the par value of the common stock issued is credited to paid-in capital.

F. **EMPLOYEES PENSION PLAN** Effective December 31, 1975, the Company established The Employees Pension Plan covering substantially all employees. At the inception of the plan, there were no vested benefits. The provision for pension expense for the year ended December 31, 1976 was \$78,000. Past service cost is being amortized over a 30 year period. The Company's policy is to fund pension cost accrued.

G. **NET INCOME PER COMMON SHARE** Net income per common share is based on the weighted aver-

age number of shares of common stock outstanding during each year and includes common equivalent shares. The weighted average number of common shares and common equivalent shares outstanding for the years ended December 31, 1976 and 1975 were 805,396 and 756,150, respectively. Common equivalent shares represent additional shares of common stock contingently issuable to the former owner of Schiff (Note 7) based on the market price of the Company's common stock and on earnings, as defined, of Schiff for the five years ended December 31, 1977.

The effect on the per share amounts resulting from the issuance of common stock upon the exercise of outstanding options is not material.

### 2. UNBILLED RECEIVABLES

Unbilled receivables at December 31, 1976 and 1975 represent amounts estimated to be billable for the fourth and prior calendar quarters of 1976 and 1975, respectively, which were not billed at those dates. Such estimates are based upon the taxable payroll of clients.

### 3. SHORT-TERM BORROWINGS

During the years ended December 31, 1976 and 1975 the maximum amounts of the Company's short-term borrowings from banks were approximately \$75,000 and \$150,000, respectively, and the average monthly amounts borrowed were \$4,000 and \$11,000, respectively. The weighted average interest rate on the short-term borrowings for 1976 and 1975 computed by dividing interest expense on such borrowings by the average monthly amounts borrowed, was approximately 7.8% and 8.8%, respectively.

### 4. ADJUSTMENT OF ORIGINAL PURCHASE PRICE OF ACQUISITION

During 1975 and 1974, \$120,000 and \$60,000, respectively, plus interest thereon, of the Company's 4% convertible notes payable were converted at the rate of \$8.75 a share into 15,012 and 7,232 shares, respectively, of common stock of the Company. The excess of the principal amount of the note, plus interest thereon, over the par value of the common stock issued, \$129,853 and \$62,588 in 1975 and 1974, respectively, has been credited to paid-in capital.

Effective April 10, 1975 the Company entered into an agreement which adjusted the original purchase price of the 1972 Weaver Associates, Inc. acquisition. Under such agreement the Company received 22,244 common shares in 1975 which had been issued to the holders of the convertible notes payable upon conversion of such notes and \$95,000 face amount of 4% convertible notes payable for a cash payment of \$169,000 and a resulting reduction of goodwill of \$125,000. The shares received were recorded as treasury shares at their original issue value of \$194,635. In addition, 10,650 and 9,631 treasury shares were acquired during 1976 and 1975 for \$32,075 and \$15,414, respectively.

#### 5. INCOME TAXES

Total income tax expense amounted to \$394,584 and \$320,210 for the years ended December 31, 1976 and 1975, respectively, a total tax expense greater than the amount of \$383,703 and \$292,593 for the years ended December 31, 1976 and 1975, computed by applying the U.S. Federal income tax rate of 48% to income before tax. The reasons for this difference are as follows:

	DECEMBER 31, 1976		DECEMBER 31, 1975	
	AMOUNT	% OF PRE-TAX INCOME	AMOUNT	% OF PRE-TAX INCOME
Computed "expected" tax expense	\$383,703	48.0%	\$292,593	48.0%
Increases (reduc- tions) in taxes resulting from:				
State income taxes	31,874	4.0	25,865	4.2
Miscellaneous	(20,993)	(2.6)	1,752	.3
Actual tax expense	\$394,584	49.4%	\$320,210	52.5%

#### 6. STOCK OPTIONS

The qualified Stock Option Plan adopted in 1969 provides that eligible key employees may be granted options to purchase common stock of the Company at a price which shall not be less than the fair market value on the date of grant and that no option granted shall be more than five years duration.

The following is a summary of the Company's common stock under option at December 31, 1976:

Year of Grant	Number of Shares	Option Price		Fair Market Value At Dates Granted	
		Per Share	Total	Per Share	Total
1972	3,200	\$8.50	\$ 27,200	\$8.50	\$ 27,200
1973	5,350	4.50	24,075	4.50	24,075
1974	7,100	1.63	11,538	1.63	11,538
1975	6,400	2.75	17,600	2.75	17,600
1976	6,050	3.38	20,419	3.38	20,419
Total	28,100		\$100,832		\$100,832

The following is a summary of options which became exercisable during the two years ended December 31, 1976:

	Number of Shares	Option Price Range		Fair Market Value At Date Exercisable	
		Per Share	Total	Per Share	Total
Options that became exercisable:					
1975	4,695	\$1.63 to 8.50	\$19,919	\$2.38 to 2.75	\$11,469
1976	5,513	1.63 to 8.50	20,114	3.13 to 3.50	18,128

At December 31, 1976, 12,362 shares were exercisable; no options were exercised in 1976 and 1975. Options to purchase 3,875 and 4,100 shares were cancelled during the years ended December 31, 1976 and 1975, respectively. At December 31, 1976 and 1975, 648 and 3,173 shares, respectively, were available for the granting of additional options.

#### 7. CONTINGENT ISSUANCES OF COMMON STOCK

As of January 1, 1973, in a transaction accounted for as a purchase, the Company acquired all the outstanding capital stock of Albert J. Schiff Associates, Inc. ("Schiff"), a company rendering pension and actuarial services, in exchange for 6,851 shares of the Company's common stock. The shares of common stock issued are subject to a maximum increase of 60,000 shares based upon the earnings, as defined, of Schiff for the five years ending December 31, 1977.

In addition to shares contingently issuable based on earnings of Schiff, the Company has agreed to issue additional shares of its common stock in the event that shares issued in connection with the acquisition of Schiff are sold by the former owner of Schiff on or before December 31, 1977 at a price less than \$6.50 a share or that shares issued in connection with the acquisition of Schiff held by the former owner of Schiff at December 31, 1977 had a market value of less than \$6.50 a share during the ten days preceding December 31, 1977.

#### 8. LEASE COMMITMENTS

The Company and its subsidiaries are lessees under noncancelable lease agreements for office space and automobiles. The minimum aggregate annual rentals under the leases are as follows: years ending December 31, 1977 through 1981, \$208,300, \$161,000, \$100,600, \$63,000 and \$46,600, respectively; five year period end-

ing December 31, 1986, \$221,000 and the year ending December 31, 1987, \$22,100. The minimum aggregate annual rentals include the following amounts applicable to non-capitalized financing leases: years ending December 31, 1977, 1978 and 1979, \$116,900, \$90,400 and \$53,800, respectively, thereafter to 1987, \$331,500.

Rent expense for the years ended December 31, 1976 and 1975 is as follows:

	Office Space	Automobiles	Total
1976 .....	\$174,700	\$73,600	\$248,300
1975 .....	161,200	58,900	220,100

Total rent expense applicable to non-capitalized financing leases for the years ended December 31, 1976 and 1975 was approximately \$117,800 and \$100,900, respectively.

At December 31, 1976 and 1975 the present value of non-capitalized leases was as follows:

	Office Space	Automobiles	Total
1976 .....	\$155,000	\$111,000	\$266,000
1975 .....	160,000	100,000	260,000

The weighted average interest rate for 1976 and 1975 was 12.0% and 12.4%, respectively. Annual interest rates ranged from 7.8% to 14.7% for 1976 and 1975. The effect on net income assuming that the non-capitalized financing leases were capitalized is not material.

The Company leases office space from a company owned principally by the families of the Company's Chairman and President. The lease commitment for office space is a non-capitalized financing lease.

#### 9. UNAUDITED QUARTERLY FINANCIAL DATA

The following tabulation sets forth unaudited quarterly financial data for the year ended December 31, 1976:

1976 Quarter	Service Fee	Net Income	Earnings per Common Share and Common Equivalent Share
1st	\$1,203,311	\$ 82,974	\$.11
2nd	1,239,381	79,627	.11
3rd	1,330,201	96,530	.13
4th	1,498,061	145,667	.15

## AUDITORS' OPINION

Reed, Roberts Associates, Inc.:

We have examined the consolidated balance sheet of Reed, Roberts Associates, Inc. and subsidiaries as of December 31, 1976 and 1975 and the related statements of consolidated income and retained earnings and of changes in consolidated financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements present fairly the financial position of the companies at December 31, 1976 and 1975 and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied.

HASKINS & SELLS

Garden City, New York  
March 9, 1977

#### STOCK MARKET PRICES

The Company's stock is traded in the Over-The-Counter Market and the prices were taken from the National Daily Quotation Service. The amount used below is the average of the bid and asked price.

	Quarter				Annual
	First	Second	Third	Fourth	
1976					
Low .....	2½	2¾	3	2½	2½
High .....	2¾	3½	3⅝	3	3⅝
1975					
Low .....	1⅝	1⅝	2⅜	2⅜	1⅜
High .....	1¾	2¼	2⅞	2½	2⅞

Dividend payments of \$88,496 (\$.12 per share) and \$74,242 (\$.10 per share) were made in the third quarters of 1976 and 1975, respectively.

#### FORM 10-K

The Company's annual report on form 10-K will be furnished upon written request to Mr. Leonard B. Kaplan, Secretary-Treasurer, Reed, Roberts Associates, Inc., 118 Seventh Street, Garden City, New York 11530.

#### **DIVISION OFFICES**

- RONALD L. ADLER, *Vice President*  
9 — 1616 Walnut St., Philadelphia, Pa. 19103  
WILLIAM E. FUOSS, *Vice President*  
11 — 7616 L.B.J. Freeway, Dallas, Tex. 75251  
DENNIS JOHNSON, *Vice President*  
4 — 9911 West Pico Blvd., Los Angeles, Cal. 90035  
DAVID W. LOTOCKI, *Vice President*  
19 — 1911 N. Fort Myer Drive, Arlington, Va. 22209  
PAUL SCHARDT, *Vice President*  
3 — 4825 North Scott St., Schiller Park, Ill. 60176

#### **SUBSIDIARIES**

- HOLLIS E. BOSS, *President*  
5 — FALCON CLAIMS SERVICE INC.  
2427 Grand Island Blvd., Grand Island, N.Y. 14072  
RICHARD NAPOLITANO, *Vice President*  
1 — NATIONAL PERSONNEL PROGRAMS, INC.  
118 Seventh St., Garden City, N.Y. 11530  
ALBERT J. SCHIFF, *President*  
20 — ALBERT J. SCHIFF ASSOCIATES INC.  
1252 Avenue of the Americas, N.Y. 10020  
FRANK PERFETUO, *Assistant Vice President*  
6 — WEAVER ASSOCIATES INC.  
120 Wells Ave., Newton Centre, Mass. 02159

#### **BRANCH OFFICES**

- 2 — 650 Smithfield St., Pittsburgh, Pa. 15222  
5 — 2427 Grand Island Blvd., Grand Island, N.Y. 14072  
6 — 120 Wells Ave., Newton Centre, Mass. 02159  
7 — 915 Clifton Ave., Clifton, N.J. 07013  
8 — 4277 Memorial Drive, Decatur, Ga. 30032  
10 — 11906 Manchester Rd., St. Louis, Mo. 63131  
12 — 819 Mitten Rd., Burlingame, Cal. 94109  
13 — 920 Michigan Ave., Columbus, Ohio 43216  
14 — 5801 Duluth St., Golden Valley, Minn. 55427  
17 — 1808 West End Bldg., Nashville, Tenn. 37203  
18 — 5712 Odana Rd., Madison, Wisc. 53719  
21 — 6151 Miramar Pkwy., Hollywood, Fla. 33023  
22 — High Bridge Annex, 123 High Bridge Rd.,  
Fayetteville, N.Y. 13066



REED, ROBERTS ASSOCIATES, INC.

118 Seventh Street, Garden City, N.Y. 11530

## STATE AUDITOR'S OFFICE

80702  
Amendment #2EXHIBIT III  
3/27/78

## REPORT ON CONSULTANTS

Name of State Agency: Division of Health and Social Development - Division of AdministrationDate of Report: \_\_\_\_\_ Prepared by: John J. ZemaitisName of Consultant or Firm: Robert B. Carleson and Associates, Inc.Address of Consultant or Firm: 555 Capitol Mall, Suite 510, Sacramento, California 95814

## Terms of Consultant Contract:

Beginning Date: August 22, 1977 Ending Date: June 30, 1978Rate of Pay: \$ \_\_\_\_\_ per \_\_\_\_\_; Maximum under this contract: \$30,000\*  
Amount of this Amendment 15,000Source of Funds: \$15,000 (100 %); \_\_\_\_\_ ( \_\_\_\_\_ %); \_\_\_\_\_ ( \_\_\_\_\_ %).  
(State) (Federal) (Other)

## Purpose Or Goal of Consultant:

This Amendment expands the Scope of Services and adds an additional \$15,000.  
(copy of Amendment attached)Original contract, \$10,000; approved 8/22/77 (copy attached)  
Amendment No: 1, \$5,000; approved 12/14/77 (copy attached)

Was this Individual or Firm Selected through the Submission of Bids or Proposals?

Yes \_\_\_\_\_ No x

If yes, How many Bids or Proposals were Received? \_\_\_\_\_

Amendment #2  
APPROVED  
MAR 27 1978  
Budget + Control Board  
WJH

## STATE AUDITOR'S OFFICE

80702  
Amendment #2EXHIBIT III  
3/27/78

## REPORT ON CONSULTANTS

Name of State Agency: Division of Health and Social Development - Division of AdministrationDate of Report: \_\_\_\_\_ Prepared by: John J. ZemaitisName of Consultant or Firm: Robert B. Carleson and Associates, Inc.Address of Consultant or Firm: 555 Capitol Mall, Suite 510, Sacramento, California 95814

## Terms of Consultant Contract:

Beginning Date: August 22, 1977 Ending Date: June 30, 1978Rate of Pay: \$ \_\_\_\_\_ per \_\_\_\_\_; Maximum under this contract: \$30,000\*  
Amount of this Amendment 15,000Source of Funds: \$15,000 (100 %); \_\_\_\_\_ ( \_\_\_\_\_ %); \_\_\_\_\_ ( \_\_\_\_\_ %).  
(State) (Federal) (Other)

## Purpose or Goal of Consultant:

This Amendment expands the Scope of Services and adds an additional \$15,000.  
(copy of Amendment attached)

Original contract, \$10,000; approved 8/22/77 (copy attached)  
Amendment No. 1, \$5,000; approved 12/14/77 (copy attached)

Was this Individual or Firm Selected through the Submission of Bids or Proposals?

Yes \_\_\_\_\_ No x

If yes, How many Bids or Proposals were Received? \_\_\_\_\_

Amendment #2  
APPROVED  
MAR 27 1978  
Budget + Control Board  
WJM

## STATE AUDITOR'S OFFICE

Amendment #1

## REPORT ON CONSULTANTS

Name of State Agency: Division of Administration, Office of the GovernorDate of Report: December 1, 1977 Prepared by: Jerry W. BranhamName of Consultant or Firm: Robert B. Carleson & Associates, Inc.Address of Consultant or Firm: 555 Capital Mall, Suite 510, Sacramento, Calif. 95814

## Terms of Consultant Contract:

Beginning Date: August 22, 1977 Ending Date: June 30, 1978Rate of Pay: \$ \_\_\_\_\_ per \_\_\_\_\_; Original Contract Amount, \$10,000; amendment \$5,000; Maximum under this contract: \$ 15,000.00Source of Funds: \$5,000 (100%); \_\_\_\_\_ ( \_\_\_\_\_ %); \_\_\_\_\_ ( \_\_\_\_\_ %)  
(State) (Federal) (Other)

## Purpose or Goal of Consultant:

This Amendment expands the Scope of Services and adds an additional \$5,000.

Item d) is amended as follows, and Item e) is added:

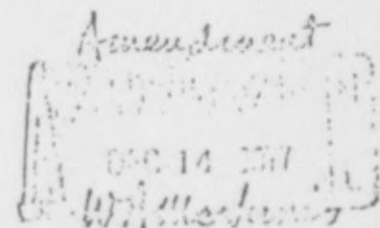
- d) In connection with the above, the services of Mr. Robert B. Carleson or Mr. Carl B. Williams shall be made available to the Governor or his designated representative(s) for not less than the sum of six weeks during this eleven month period.
- e) Advise the Governor on Medicaid (Title XIX) problems associated with the proposed AFDC (Title IV A) Legislation.

Was this Individual or Firm Selected through the Submission of Bids or Proposals?

Yes \_\_\_\_\_ No X \_\_\_\_\_

If yes, How many Bids or Proposals were Received? \_\_\_\_\_

A copy of the Original Contract  
approval dated 8/22/77 is  
attached.



STATE AUDITOR'S OFFICE

REPORT ON CONSULTANTS

#80700

Name of State Agency: Division of Health and Social Development - Division of Administration

Date of Report: August 17, 1977 Prepared by: John J. Zemaitis

Name of Consultant or Firm: Robert B. Carleson and Associates, Inc.

Address of Consultant or Firm: 555 Capital Mall, Suite 510, Sacramento, California 95814

Terms of Consultant Contract:

Beginning Date: August 22, 1977 Ending Date: June 30, 1978

Rate of Pay: \$            per           ; Maximum under this contract: \$ 10,000

Source of Funds: \$10,000 (100 %);            (    %);            (    %).  
(State) (Federal) (Other)

Purpose or Goal of Consultant: Prior to final decision of proposed AFDC Legislation, The Contractor shall:

- a) Prepare complete analysis of proposed AFDC legislation as it would relate to relevant policies adopted and presently in effect within DSS; make a detailed analysis of fiscal impact projected under proposed legislation to the extent of available relative information; and to do other follow-up work as requested by the Governor.
- b) As directed by the Governor or his designated representative, appear before duly constituted bodies to provide testimony and explanation of legislative proposals developed under (a) above;
- c) Provide to the Governor or those whom he may designate technical assistance in the implementation of welfare reforms.
- d) In connection with the above, the services of Mr. Robert B. Carleson or Mr. Carl B. Williams shall be made available to the Governor or his designated representative(s) for not less than the sum of four weeks during this eleven month period.

Was this Individual or Firm Selected through the Submission of Bids or Proposals?

Yes            No X

If yes, How many Bids or Proposals were Received?           

RECEIVED  
AUG 22 1977  
J. J. Zemaitis  
1977/8/22

OFFICE OF THE GOVERNOR  
Division of Administration

DOA Unit:

Contract Monitor:

<p>Contractor:</p> <p style="text-align: center;">Robert B. Carleson &amp; Associates, Inc.</p> <p>(Federal Employer's Identification No. <u>94-2311971</u> or Individual's Social Security No. _____)</p> <p>Furnish Requisition/Bill for Payment to:</p> <p style="text-align: center;">John J. Zemaitis, Director, Health &amp; Social Dev. Division of Administration, Office of the Governor 1205 Pendleton Street, Columbia, S. C. 29201</p> <p><small>(Include Project &amp; Contract Numbers on all Invoices)</small></p> <p>General Nature of Contract:</p> <p>Technical assistance and development of legislative package.</p> <p>This amendment expands the scope of services and increases the contract by \$15,000.</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">Project No.</td> <td style="width: 50%;">Contract Number:</td> </tr> <tr> <td style="text-align: center;">80702</td> <td></td> </tr> <tr> <td colspan="2" style="text-align: center;"><del>AMENDMENT #2</del></td> </tr> <tr> <td colspan="2">Unit/Contract/Objective Codes:</td> </tr> <tr> <td style="text-align: center;">810 / 10</td> <td style="text-align: center;">/ 208</td> </tr> <tr> <td colspan="2">Pages <u>1</u> thru <u>3</u> <del>xxxxxx</del></td> </tr> <tr> <td colspan="2" style="text-align: center;"><del>xxxxxxxxxxxxxxxxxxxxxx</del> <del>Pages</del> <del>xxxxxxxxxxxxxx</del></td> </tr> <tr> <td colspan="2">Amount:</td> </tr> <tr> <td></td> <td style="text-align: right;">New Total</td> </tr> <tr> <td colspan="2">An additional \$15,000     \$30,000</td> </tr> <tr> <td colspan="2">Period of Contract:</td> </tr> <tr> <td colspan="2">August 22, 1977 thru June 30, 1978</td> </tr> <tr> <td colspan="2">Area Covered:</td> </tr> <tr> <td colspan="2">State of South Carolina</td> </tr> </table>	Project No.	Contract Number:	80702		<del>AMENDMENT #2</del>		Unit/Contract/Objective Codes:		810 / 10	/ 208	Pages <u>1</u> thru <u>3</u> <del>xxxxxx</del>		<del>xxxxxxxxxxxxxxxxxxxxxx</del> <del>Pages</del> <del>xxxxxxxxxxxxxx</del>		Amount:			New Total	An additional \$15,000     \$30,000		Period of Contract:		August 22, 1977 thru June 30, 1978		Area Covered:		State of South Carolina	
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Area Covered:																													
State of South Carolina																													

The Contractor agrees to furnish and deliver all products and perform all services set forth in the attached pages for the consideration stated therein.

Changes: This Contract constitutes the entire Agreement between the parties. No amendment or modification changing its scope or terms shall have any force or effect unless in writing and signed by both parties.

Subcontracting: None of the work or services covered by this Contract shall be subcontracted without prior written approval.

Compliance: The Contractor shall comply with all applicable terms, conditions, laws, rules and regulations which deal with or relate to funding and performance of this Contract.

Name and Address of Contractor  
(or Chief Elected Official):  
Robert B. Carleson & Associates, Inc.  
555 Capital Mall, Suite 510  
Sacramento, California 95814

Office of the Governor  
Division of Administration (DOA)  
Edgar A. Brown Building  
1205 Pendleton Street  
Columbia, South Carolina 29201

By: \_\_\_\_\_  
(signature)  
  
Robert B. Carleson, President  
(typed name and title)

By: \_\_\_\_\_  
(signature)  
  
Jerry W. Branham, Director (DOA)  
(typed name and title)

ATTEST:

\_\_\_\_\_  
(signature)  
  
\_\_\_\_\_  
(Treasurer or Attorney, if applicable)

By: \_\_\_\_\_  
(signature)  
  
John J. Zemaitis, Director, DHSN  
(title and DOA Unit)

OFFICE OF THE GOVERNOR  
Division of Administration  
Columbia, South Carolina

WHEREAS, by Contract dated August 22, 1977, the Office of the Governor, Division of Administration, entered into an agreement with Robert B. Carleson & Associates, Inc. for technical assistance and development of legislative package.

NOW, THEREFORE, the parties have mutually agreed to amend the said Contract as follows:

Section 3. Scope of Services (Page 3 of 7 Pages)

Amend Section 3, Items a,b, and d, to read as follows:

- a) Prepare complete analysis of proposed AFDC Legislation as it would relate to relevant policies adopted and presently in effect within DSS; make a detailed analysis of fiscal impact projected under proposed legislation to the extent of available relative information; amend proposed legislation based upon discussions held with representatives and senators and draft legislation reflecting discussions; and do other follow-up work as requested by the Governor.
- b) As directed by the Governor, or his designated representative appear before duly constituted bodies to provide testimony and explanation to justify and support documentation of legislative proposals developed under (a) above.
- d) In connection with the above, the services of Mr. Robert B. Carleson or Mr. Carl B. Williams shall be made available to the Governor, or his designated representative(s), for not less than the sum of twelve weeks during this eleven-month period.

Amend Section, by adding Item f, as follows:

- f) Follow through with advice and recommendations made to the Governor, as set forth in items above, by appearing before the General Assembly to discuss specifics, provide supportive documentation and justification for implementation of legislation.

Section 6. Compensation (Page 4 of 7 Pages)

Amend Section 6 to read as follows:

The Planning Agency agrees to pay the Contractor the total sum of Thirty Thousand and no/100 Dollars (\$30,000.00) for the above services.

Section 7. Method of Payment (Page 5 of 7 Pages)

Amend Section 7 to read as follows:

It is expressly understood and agreed that in no event will the total compensation and reimbursement, if any, to be paid hereunder exceed the maximum sum of Thirty Thousand and no/100 Dollars (\$30,000.00) for all of the services required.

All other Terms and Conditions of this Agreement shall remain the same.

**THE END**