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## **SEEDS MANAGEMENT MEMORANDUM**

**State Enterprise and Economic Development Section**

**Memorandum Number 9-02**

**Date:** June 15, 2009

**TO:** Economic Development Area Coordinators

**From:** Frank Luera, Chief  
State Enterprise and Economic Development Section  
DIVISION OF FINANCIAL ASSISTANCE  
DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

**SUBJECT:** Guidance for the Use of Electronic Signatures--Addendum

On May 15, 2008, the Department of Housing and Community Development (Department) issued Memorandum 8-02, which authorized Enterprise Zone managers to allow the use of electronic signatures to verify an employee residence in a Targeted Employment Area (TEA). The documents acceptable for this purpose include the Form I-9, U.S. Department of Justice, Immigration and Naturalization Service (I-9), and the Form W-4, Employee's Withholding Allowance Certificate (W-4).

Since the issuance of the memorandum, several businesses and their representatives have indicated that it did not provide enough guidance for a situation common among some companies using electronic data systems to record their employees' W-4s and I-9s. The purpose of this addendum is to expand and further clarify the use of electronic signatures on these documents.

### **Steps Required if Employee's Acceptance Is Not Indicated On Signature Field**

As noted in Memorandum 8-02, enterprise zones may accept W-4 forms produced by an electronic system provided it also included an electronic signature or other indicator of acceptance by the employee (e.g., time stamp, date stamp, employee ID number, etc.) in the "signature field" of the W-4. However, in the situation where the printed W-4 contains no information in the "signature field," the business will need to take additional steps to provide assurances on the accuracy and integrity of the information on the form. Specifically, the business must take the following steps:

1. When submitting vouchers to the enterprise zones, the business seeking a voucher shall attach to each voucher a letter on its letterhead that states it uses an electronic W-4 system

that does not provide any indicator of the employee's acceptance on the signature field of its W-4. In addition, the letter shall state that the system has the necessary controls in place to ensure that it accurately presents the information entered by the employee. Finally, the letter shall state that if requested by the State's Department of Housing and Community Development, it will provide the Department with the items requested in this memorandum (i.e., Memorandum 9-02).

2. Upon written request by the Department, the company shall provide the following items for the Department's review:
  - a. A description of the electronic process used to process the W-4 (or I-9, if applicable);
  - b. A copy of the computerized "screen shots" showing how the employee logs into a secure site to provide the W-4 information;
  - c. A copy of the screen shot showing the elections being made by the employee; and
  - d. A copy of the screen shot showing confirmation that the system has accepted the information.

Periodically, the Department intends to survey the enterprise zones to determine how many, if any, businesses have implemented the above procedure. Based on the results of the surveys, the Department will randomly follow up with some of these businesses to verify their conformance with the Department's expectations. If the Department later determines that a business's electronic system is inadequate, it may disallow any vouchers issued under this process.

### **Contact Information**

If you have any questions about this matter, please call Lesley James at (916) 322-1112.