



Centralized Audit Selection and Audit Case Management

Presented by:

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Mission Statement

“Assist revenue agencies to maximize collections, increase compliance, improve customer service and streamline operations through the use of enabling technologies, in particular, integrated tax and tax data warehouse solutions”



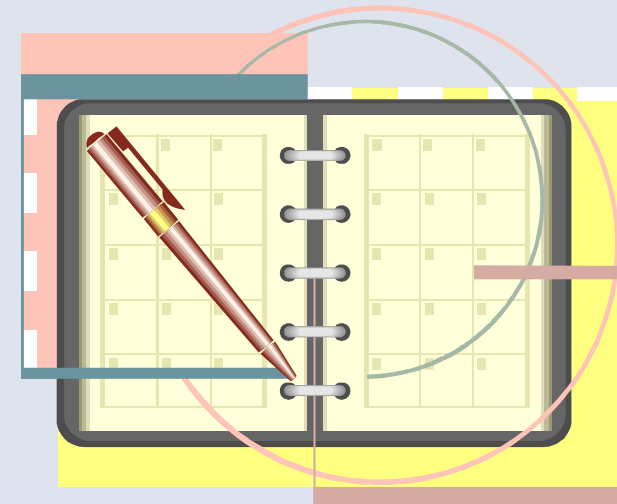
www.RevenueSolutionsInc.com

- Incorporated in May 1996
- Headquartered in Pembroke, MA with Solution Centers in Roseville, CA and Charlotte, NC
- Dedicated exclusively to providing products & services to tax agencies
- Over 200 tax professionals with 1000 combined years of revenue systems consulting
- Deep tax administration domain expertise
- Software Solutions for Integrated Tax and Integrated Compliance Management (Data Warehousing, Audit, Collections, Fraud...)
- Committed to client partnerships in delivery of projects



Centralized Audit Selection & Case Management

- Managing Change/Implementing New Technology
- Audit Selection
- Audit Case Management
- Summary & Discussion

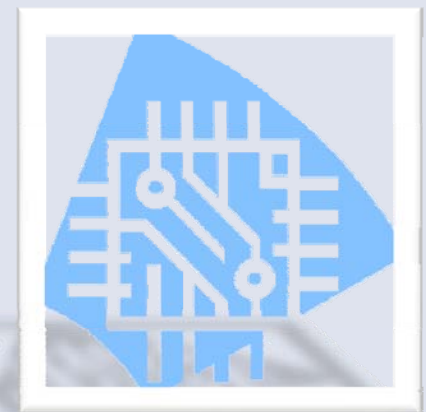


Managing Change Implementing New Technology



Important Concepts of “Managing Change” and “Implementing New Technology”

- Willingness to make change
- Management commitment and sponsorship
- Understanding wider organizational impacts
- Acknowledge change for individuals



Managing Change Implementing New Technology



Yesterday's Audit Selection & Case Management

- **Auditors**
 - Limited Data
 - Random Selection – Personal Preference, Dartboard
 - Instinct and Personal Bias

- **Supervisors**
 - Too Much Paper
 - Used paper file and talk to auditor face to face
 - Time consuming and Limited Results

- **Managers**
 - Where to begin?



Managing Change Implementing New Technology



Why Change?

- Not change for the sake of change, but to make marked improvement
- Ensure that the result will be improved selection and case management

Improved Allocation and
Use of Resources

=

Improved
Collections/Compliance

Managing Change Implementing New Technology



Implementation of New Technology

- Full discussion of motivation for change
- Everyone should know impact and benefits
- Not an “order from above” but a collaborative effort to improve
- Must involve staff early on to get buy-in and ensure all significant issues are understood
- Develop staff acceptance of impacts and benefits early in the process

Implementing technology without end-user buy-in will not be successful – will not produce planned results

Managing Change Implementing New Technology



The Goal of Compliance Management is to:

Apply the right compliance action,

To the right taxpayer,

At the right time...

Through the intelligent use of information



Managing Change Implementing New Technology



More Efficient Use of Resources

- **Selection**
 - Assigning resources to the best available audits
- **Selection/Case Management**
 - Movement of simple/limited-issue audit projects to Correspondence Audit
- **Case Management**
 - Insuring timely and proper completion of cases





Data Driven Selection

- History of Selection
 - Individual – Teams – Centralized Selection
- Expanded Data Access
 - Raw data, Derived information, Selection and case creation tools, Ongoing analysis/results
- “Audit Selection Teams”
 - Dedicated audit function, Reduced IT support
- Objectivity and Broader Coverage
- Measurable Benefits

Data Driven Selection – “*Let the Data Do the Talking*”

- **Good** – Use of Limited Data
- **Better** – Expand Data Used to Drive Selection
- **Best** – Modeling/Decision Analytics

Access to centralized data is critical to improving selection



Good – Use of Limited Data

- Return Data
- Registration Data
- What is available from other tax returns or registrations



Better – Expand Data Used to Drive Selection

- Increased Availability
- Reduced Cost
- Electronic Exchange
- Understanding the “matching problem”



Third-Party Data

- Numerous “Third Party” sellers
- Data gathering process has broadened
- Costs declining
- Improved/Intelligent Matching Capabilities – including Business data
- Access to information not previously available



Best – Modeling/Decision Analytics

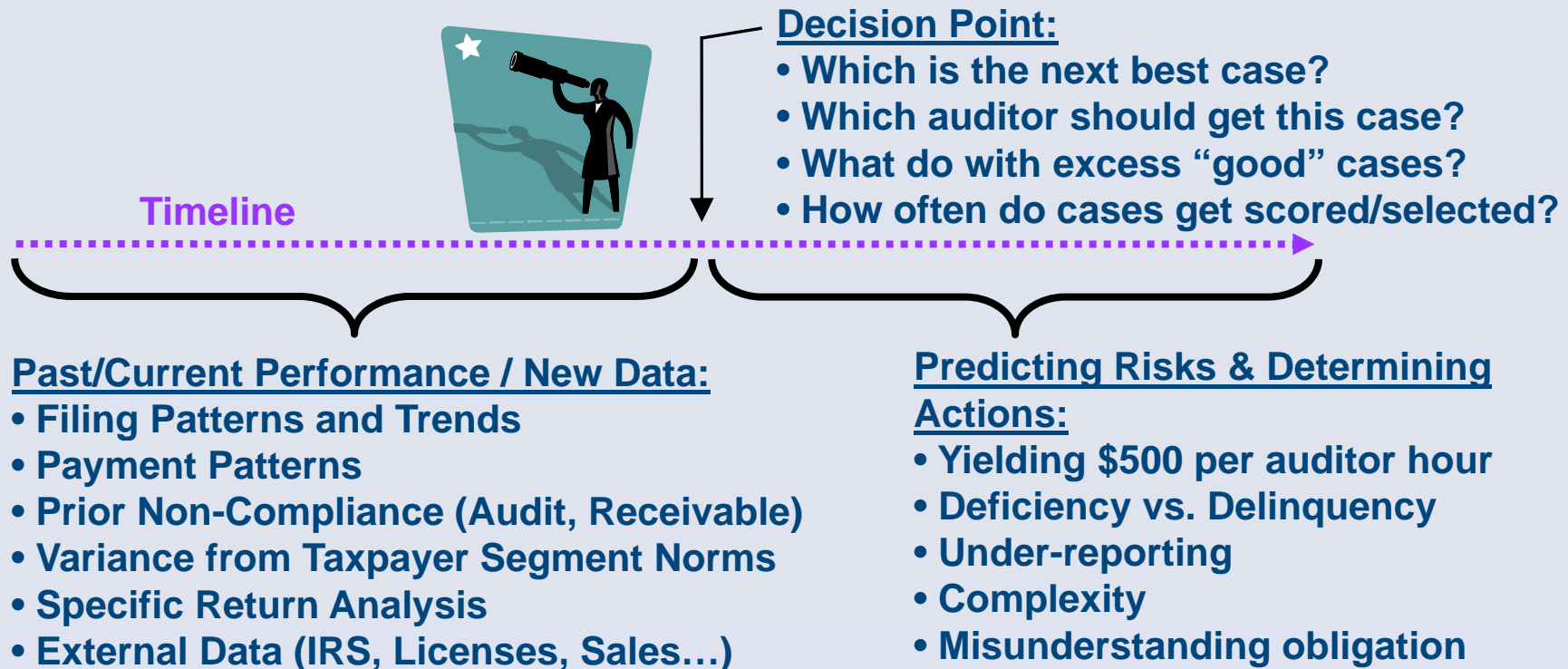
- Identify previously untapped “good” audit populations
- Specifically avoid no-change and unproductive audits
- Stratify the entire population to support prioritization within specific populations/projects



Decision Analytics – *What is it?*



→ Goal: Define the Probability of Each taxpayer Being a “Good” Audit Lead, and Use that Information, with Experience, to Make Better Selection Decisions

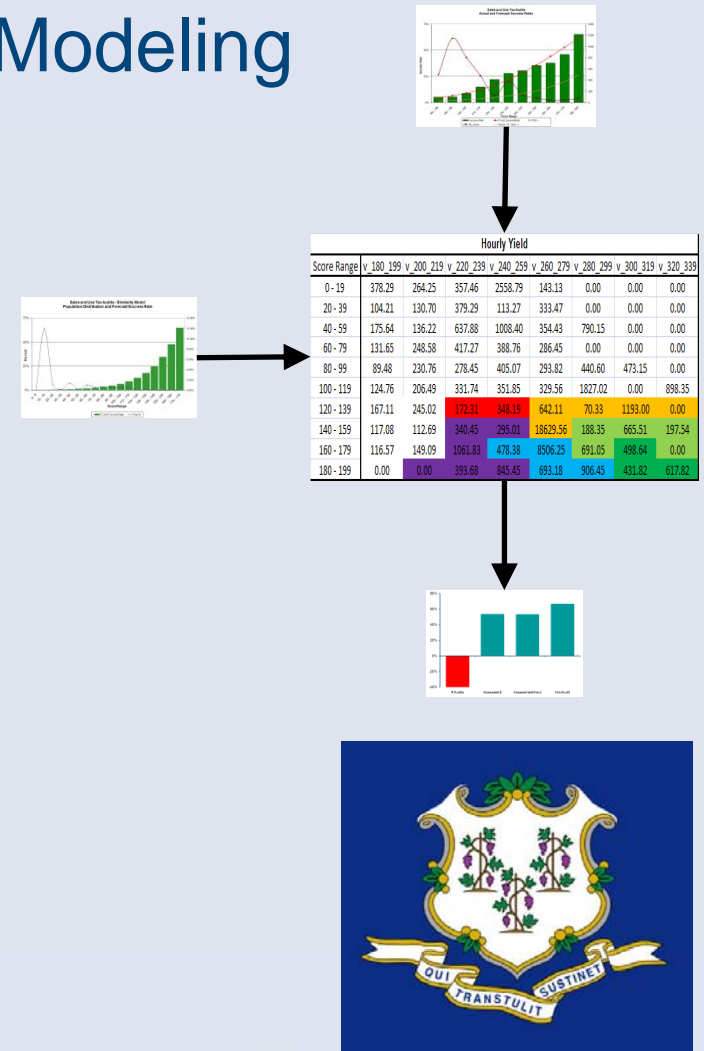


Decision Analytics Experience – Connecticut Case Study



Sales and Use Tax Audit Modeling

- Utilizing consolidated taxpayer data from data warehouse
- 37% increase in audits yielding > \$400/hr
- 26-100%+ potential improvement in gross assessed dollars



Reliance on Data is Key



- **Data foundation**
 - Consolidates agency's information about each taxpayer
 - Enables introduction of increased automation
 - Provides base for improving selection

- **Conduct more complex queries using more data**
 - Support truly in-depth analysis and statistical modeling
 - Reduced false positives (and better taxpayer service)

- **Identify, Stratify and Prioritize Audit Leads**
 - All leads cannot be worked as full audits
 - Avoid no-change and less productive audits



Centralized Audit Case Management

- Single Repository for Case Data
- Transparent Process for Management, Supervisors and Auditors
- Common, Consistent Procedures Followed
- Standard and Ad Hoc Reports
- Provides Detailed Data needed for Analysis and Improvement of Operations
- Mobile computing support – secure check-out/check-in of audit cases



Case Management: Improving Operations

- Foundation for Improvement – provides consistent base from which to drive effective and timely decision making.
- Data Driven – decisions and actions are based on having complete and accurate data. Better data will result in better decisions.
- Cooperative Effort – among auditors, supervisors, managers to improve the audit process in conjunction with technology.



Case Management: Analysis of Completed Cases

Reactive but effective in identifying areas for improvement

- Capturing granular information about cases, auditors and processes is key.
- Effective access to Case Management information facilitates better and faster decision making.
- Provides ability to identify specific areas of Case work that need improvement or streamlining.
- Flexible and configurable to support

Case Management: Monitoring In-Progress Cases

Proactive, Effective Decision Making

- What cases require follow up or additional attention?
- What cases are languishing from inaction?
- Which auditors, supervisors, managers need additional training or refined procedures?
- Where are the best opportunities for improving operational efficiency?



Case Management System Essentials

- Supports full audit process lifecycle
- Works effectively for all audit cases (automated, correspondence, field), and works *with* the auditors
- Effective Reporting support
- Provides granularity in the data to enable detailed analysis (not just operational reporting) to identify areas for improvement



Case Management Experience – Massachusetts Case Study



Centralized Audit Case Management

- Implemented RSI's centralized case management Audit Workbench in 2006
- Shared views for auditors and supervisors increase transparency, communication
- Case plans/budgets and alerts for critical milestones (SOL, follow up)
- Centralized reporting for all cases worked by Division (Discovery, Field audit, Desk audit, Fraud)



Conclusion: Improving Audit Productivity



■ Selection

- Select better cases – Identify cases that will produce increased revenue
- Expand data available to drive selection
- Use “Best” tools to identify cases

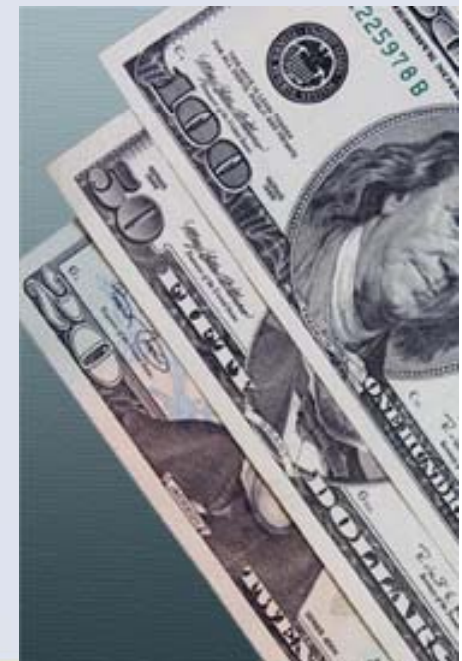
■ Case Management

- Reduce cost of audits, shorten case duration
- Conduct in most economical method (automated, correspondence, field audit)

■ Solution is Improved Technology

- Data Warehouse & Data Driven Audit Selection
- Enhanced Case Management

Compliance Management – Life Cycle Support



Questions and Discussion

