







Tax Compliance System Data Warehousing Results Achieved in Missouri

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Agenda

-  Goals and Project Scope
-  Project Timeline
-  Compliance Programs
-  Case Management System
-  Enterprise Data Warehouse
-  Reporting and Analysis/Business Intelligence
-  Lessons Learned/Opportunities



Goals

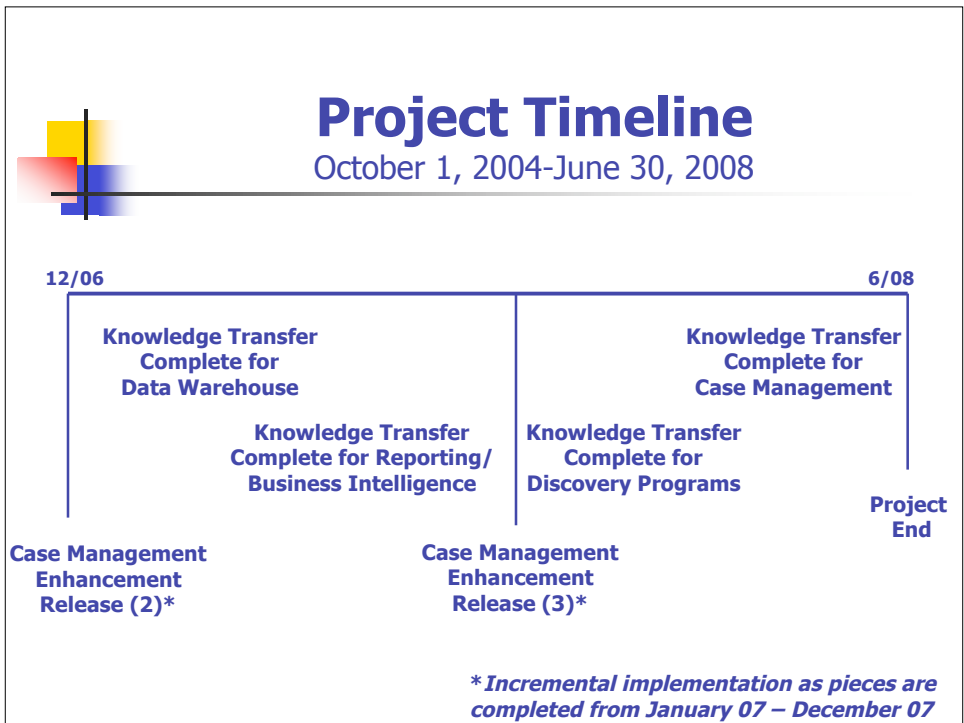
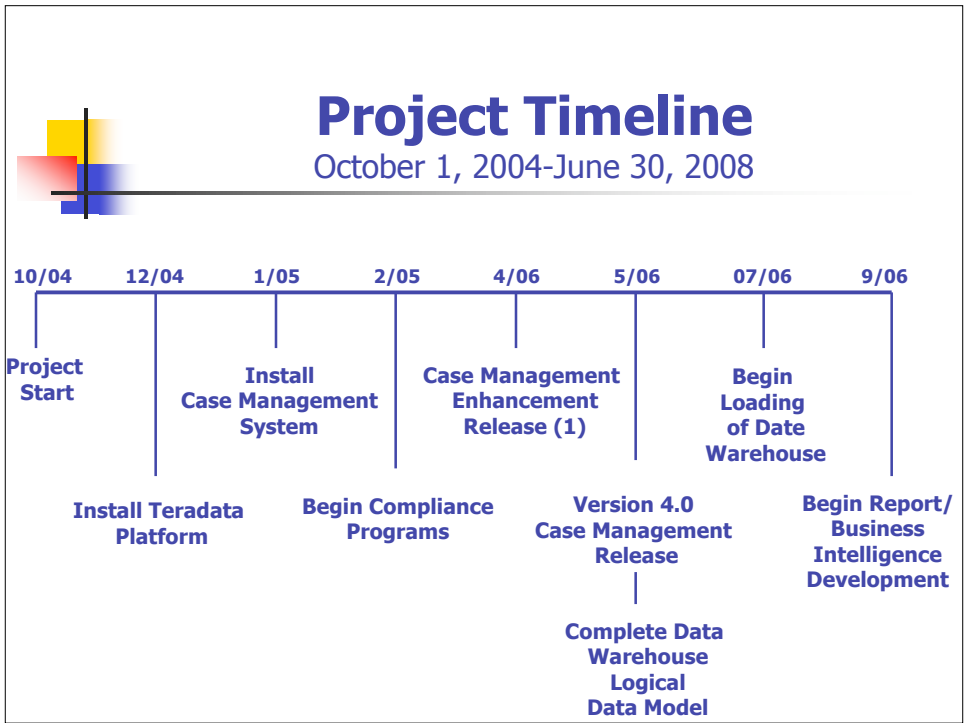
Increase compliance with Missouri tax laws and policies while minimizing unnecessary intrusion on citizens and maximizing audit efficiency with measurable results.

- Identification and prioritization of areas of non-compliance
- Improve audit/auditor efficiency
- Increase Revenue
- Decrease Costs
- Taxpayer Education



Project Scope

- Benefits Based
- 8 Compliance Programs
- Case Management System
- Enterprise Data Warehouse
- Reporting and Analysis/Business Intelligence Tools





Benefits Based

Definition:

- Vendor receives payment only when MDOR Collects actual \$\$'s.

Assumptions:

- Vendor payments limited to new revenue generated
- Reduced risk for MDOR
- Increased value and focus of a true partnership with vendor
- Revenue generating tasks must be moved to start of project



Compliance Programs

Definition:

- Identification of businesses and individuals non-compliant with Missouri tax laws. Also includes bringing these entities into compliance.

Assumptions:

- Initiate flow of benefits early in project
- Use external and internal data to identify known and unknown non-compliant entities.
- Must be pursued with existing staff
- Had to coincide with several other initiatives



Compliance Programs

Progress to Date

*Generally 2-3 mos.
development time

Program 1 - Labor unemployment data to identify non-filing corporations
10,018 leads; final stage before collections efforts initiated

First letters issued 2/18/05 - Collections **\$1,991,700**

Program 2 - Labor unemployment data to identify non-filing sales/use entities
3,407 leads; final stage before collections efforts initiated

First letters issued 6/1/05 - Collections **\$734,836**



Compliance Programs

Program 3 - Internal MDOR registration data to identify non-filing corporations and sales/use entities

36,796 leads; 28,343 not yet worked

First letters issued 2/2/06 - Collections **\$149,806**

Program 4 - IRS and internal data to identify non-filing individuals - 1099 Misc, Extensions,

Stop/Gap

57,705 leads; 21,940 not yet worked—mostly

Stop/Gap

First letters issued 8/23/05 - Collections **\$455,604**



Compliance Programs

Program 5 - IRS data to identify non-filing individuals -
1099 INT/DIV, FAGI Match, Alimony
96,171 leads; 75,285 not yet worked— 1099
INT/DIV*

First letters issued 10/19/05 - Collections
*Utilizing collection agency resources for telephone calls from first contact.
\$1,318,842

Program 6 - IRS withholding data to identify non-filing
employers
11,795 leads; 7,425 not yet worked
First letters issued 3/3/06 - Collections **\$45,723**



Compliance Programs

Program 7 - IRS business data to identify non-filing
corporations
Development completed-Projected Implementation Fall
06

Program 8 - IRS data to identify non-filing resident and
non-resident employers
Development in progress-Projected Implementation
Winter 06



Compliance Programs

Bonus Programs

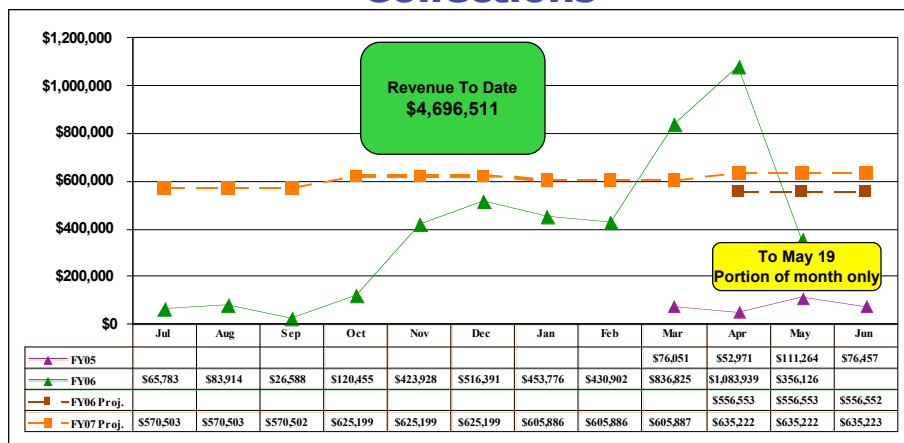
Program 9 - IRS data to identify non-filing, non-resident individuals
 Developing logic-Projected Implementation Fall 06

Program 10 - Customs data (declarations) to identify non-filing sales/use individuals and businesses
 Ready to begin development of logic - Projected Implementation Spring 07



Compliance Programs

Collections





Case Management System

Definition:

- System to manage discovery leads and field audits from beginning to end.

Assumptions:

- Automated workflow
- Easily changed and flexible to meet varying needs
- Ability to share and enhance information among compliance groups
- Reflect all known information for a lead and aid in prioritizing for collection
- Combine seven existing field audit systems into one.
- Must be IRS Compliant (Pub 1075).



Case Management System

Progress to Date

- Implemented with core functionality February 2005
- Enhancement (1) completed April 2006 - expanded workflow automation
- 4.0 release May 2006 - additional lead information, etc
- Enhancements for field audit scheduled for implementation in August 2006
- Additional enhancements scheduled include:
 - off-line capability for field compliance
 - combining multiple existing systems into CAMS
 - tax calculations



Enterprise Data Warehouse

Definition:

- One stop shop of taxpayer information across the enterprise; single view of the taxpayer

Assumptions:

- MDOR and external data will be used
- ETL; reporting and analysis; business intelligence components
- Communicate with Case Management System
- Reporting and Analysis will be utilized by Discovery groups, Field Compliance, Legislature, etc.
- Should decrease the cost of reporting in the legacy systems

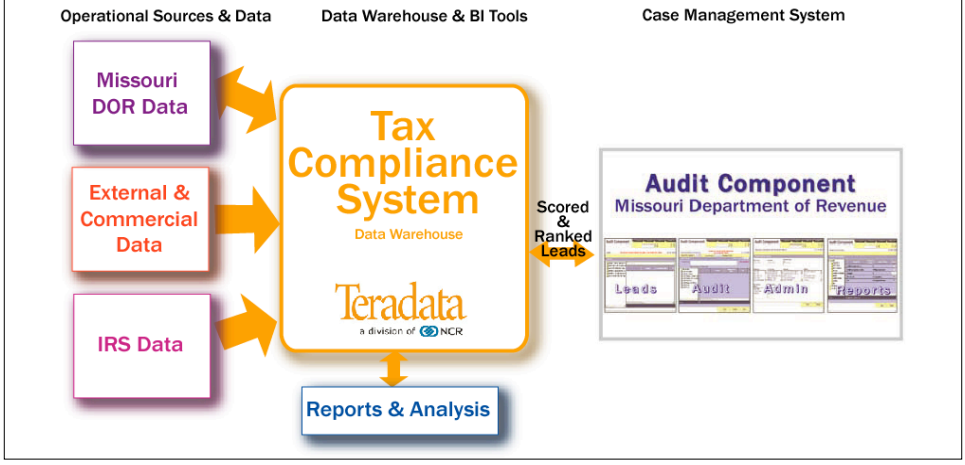


Enterprise Data Warehouse

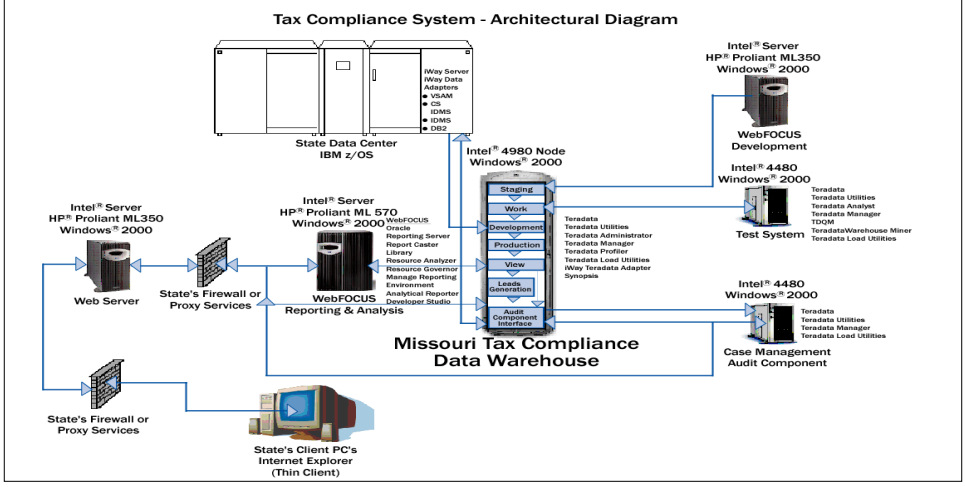
Primary Uses of Warehouse:

- Discovery Programs
- Audit Selection
- Legislative information
- Budget information
- Internal Analysis
 - System Edits
 - Taxpayer Behaviors
 - Educational Opportunities

Enterprise Data Warehouse



Enterprise Data Warehouse





Enterprise Data Warehouse

Progress to Date

- Loaded data on front end of platform initially for the Discovery Programs
- Met with each stakeholder groups to identify "What we want from data warehouse"
- Designed extracts to provide monthly information from legacy systems
- Built logical data model for flexibility and growth
- Loading MDOR and external data July 2006 – August 2006 as data is available



Reporting and Analysis/Business Intelligence

Definition:

- Facilitate end users, power users access and manipulation of information in data warehouse

Assumptions:

- Facilitate analysis of trends, patterns in targeted groups
- Provide dashboard, cluster, factor, scatter, regression, etc. reporting easily produced by users with scheduling capabilities
- Provide a report library to be shared by users
- Require minimal IT resources to maintain



Reporting and Analysis/Business Intelligence

WebFocus –

- Enables highly efficient reporting, query and analysis from any data source in the warehouse, in any file structure
- Allows customized portal and dashboard interfaces with user personalization
- Advanced functionality for analytical reporting

Expected to begin report development in September 2006



Lessons Learned/Opportunities

- Allow more than sufficient time for drafting the RFP and talk to all the experts, other states, etc.
- Allow for plenty of "start-up" time before realization of significant new revenue (revenue realized in 5th or 6th month with steady flow after 18 mos.)
- Avoid multiple large projects at the same time with the same resources if possible
- Clearly define benefits



Lessons Learned/Opportunities

- Be creative finding resources
- Technical and business resources are both critical to success
- Some things haven't been automated because they are really hard to automate
- Everyone's data is dirty and cleansing tools are critical but not magic



Lessons Learned/Opportunities

- Soft matching is an inexact science – it's all about level of risk you are willing to accept (92-93% confidence level for MDOR)
- Contractor and subcontractors need to spend majority of time on-site to be effective
- Positive/support of common goals relationship with vendor is invaluable – We have that with NCR!!
- Communicate, communicate, communicate