



Revenue Management and Compliance Management Specialists

Presentation for:

**Federation of Tax Administrators –
Solution Track Series**

August, 2007

FTA Technology Conference 2007

Introductions



- **Paul Panariello**
 - Co-founder of Revenue Solutions, Inc.
 - Leads Strategy, Sales & Marketing and Products
 - Twenty-two years as industry consultant
 - Both integrated tax system and compliance data warehouse experience



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Agenda



- RSI Overview
- Revenue Management
- Compliance Management
- Questions & Answers



Revenue Solutions, Inc.



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”

- Incorporated in May, 1996
- Headquartered in Pembroke, MA with a Solution Center in Roseville, CA
- Dedicated exclusively to providing products & services to tax agencies
- Approximately 200 consultants with over 700 combined years of revenue systems consulting
- Deep tax administration domain expertise



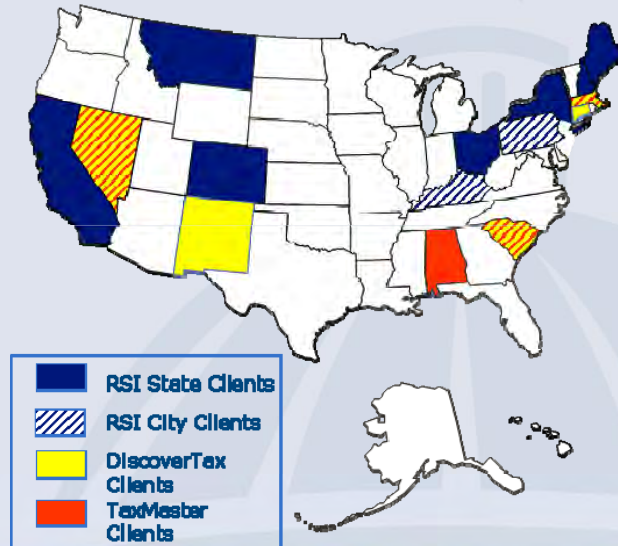
Proven Tax and Revenue Experience



Proven Experience

- Partnered with over twenty-five (25) revenue agencies since inception – Federal, State and Local
- Currently working with nine (9) revenue agencies
- Over twenty (20) Integrated Tax Systems Planning, BPR, Design, Implementation and Maintenance Projects for Tax & Labor
- DiscoverTax is licensed by five (5) state revenue agencies
- TaxMaster is licensed by 4 states and over 20 counties
- Dedicated Solution Center and support help desk

RSI brings a wealth of tax compliance systems experience to **our clients**



RSI Practice Lines



- Revenue Management
 - Legacy Systems Support
 - Revenue Administration - *Integrated Tax System*
 - Labor Administration - *UI Tax System*
- Compliance Management
 - Data Warehousing and Business Intelligence
 - Accounts Receivable Management
 - Decision Analytics
 - Audit Management



Revenue Management - *Mission*



***Provide solutions (products and services)
to improve Revenue Management.***

Revenue Management is defined as the general administration of tax revenue including taxpayer registration and licensing; receipt and recording of returns and payments; accounting and distribution; and, identification and correction of processing exceptions.



Revenue Management - *Services*



- Business and Technical Strategic Planning
- Technical Architecture Planning
- Business Process Re-engineering Studies
- Systems Requirements Analysis, Definition and RFP Development
- Systems Development and Customization
- Integrated Tax System Implementation
- Systems Integration and Project Management
- Data Conversion
- Change Management & User Training



Revenue Management – Sample Projects



- Design and development of new modernized integrated tax system –
South Carolina DOR SCITS Project
- Transformation of legacy COBOL integrated tax system to modern architecture –
Maine Revenue Services MERITS Project
- Maintenance and enhancements of legacy applications (e.g., additional / new taxes; or penalty and interest changes) –
CA FTB, MRS, MA DOR, NYC DOF, City of LA, etc.
- Customer, self-service portals for tax account maintenance, bill payment, e-processing, etc.–
IRS Filing and Payment Compliance Project

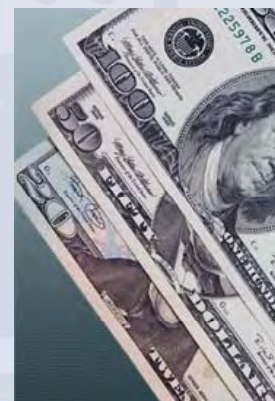


Compliance Management - Mission

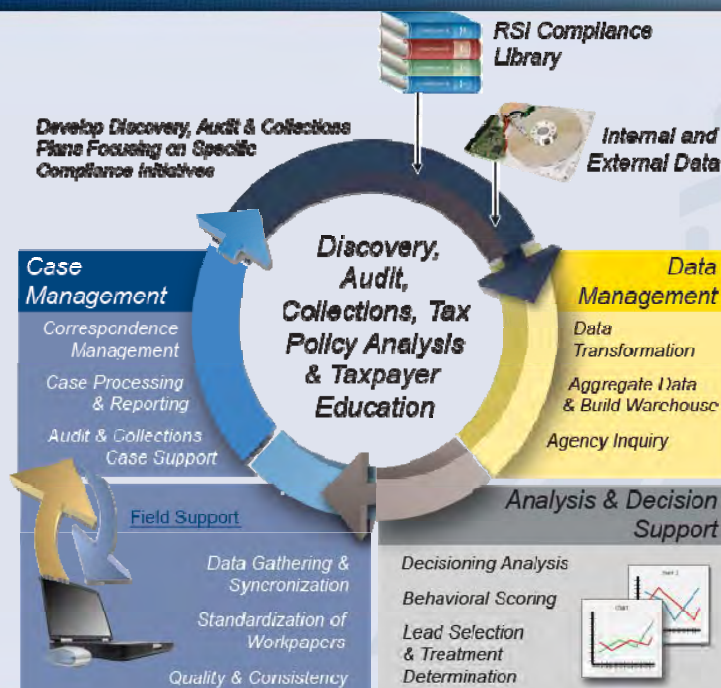


Provide consulting services and products for improving tax enforcement from the detection of non-registration and non-filing to collections, audit and taxpayer education with a focus on “decision analytics” to maximize compliance; extend agency’s reach; increase productivity; and, institute performance measures.

“To apply the right compliance action to the right taxpayer at the right time, through the intelligent use of information.”



Compliance Management – Full Life Cycle Support



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Compliance Management - Services



- Business Consulting Services
- Compliance Program Services
- Technical Integration Services
- Decision Analytics, Risk Scoring and Treatment Strategy Implementation
- Business Intelligence
 - Trend & Pattern Analysis
 - Executive Dashboards
 - Corporate “Top Fifty”
 - Revenue Analysis (Voluntary & Involuntary)
 - “Cradle to Grave”



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Compliance Management - Products



- **DiscoverTax®**
 - “Revenue Ready” Data Warehouse, Business Intelligence & Case Management Package
 - “Portfolio Based” Data Aggregation
 - Tax Calculation
 - Scoring Engine
 - Lead Selection
 - Case & Correspondence Manager
- **Audit Workbench and TaxMaster®**
 - Centralized Audit Case Management & Field Audit Toolkit
 - Central Repository for Audit Cases
 - Standardized Templates for Common Workpapers
 - Field Audit Laptop Synchronization
 - Taxpayer Data and Attachments in a Single Electronic Case File
 - Correspondence and Reports



Compliance Management - Products

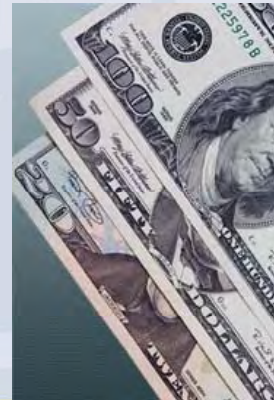


- **Decision Analytics**
 - Predictive Measures
 - Strategies / Treatments
 - Targeted Feedback on Performance
- **Collections Management**
 - Centralized Case Management for Collections
 - Automated Case Flows & Tracking
 - Enforcement Actions (e.g., Liens & Levies)
 - Integrated Data Warehouse for centralized data views, skip tracing, asset location
 - Web crawls for nearest banks, properties, ...
 - Debt Inventory Management
 - Financial Transaction Integration and Monitoring
 - Correspondence and Reports

Compliance Management – Project Highlights



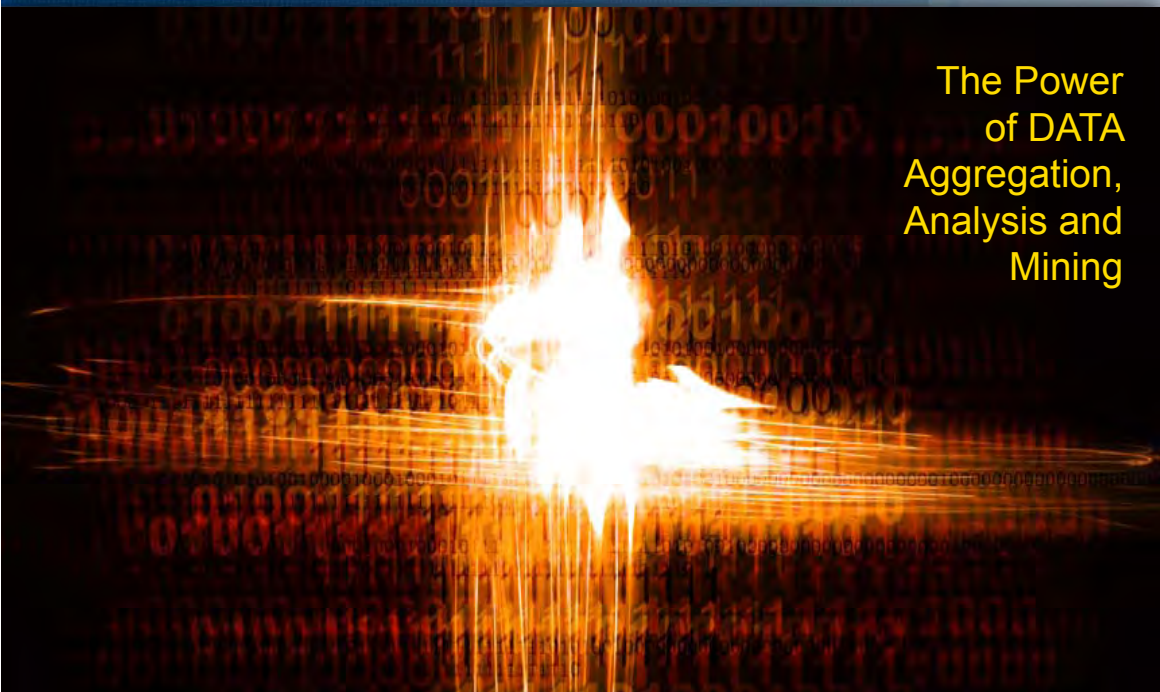
- Revenue agency-wide data warehouse implementation and revenue generating compliance programs –
CT DRS, MA DOR, NM Taxation, NV Taxation and SC DOR
- Collections Business Process Improvement studies to identify areas for improvements in process, systems, and organization –
South Carolina DOR and Massachusetts DOR
- Collections Risk-Based Scoring and Treatment Strategies –
South Carolina DOR and Massachusetts DOR



Decision Analytics & Business Intelligence



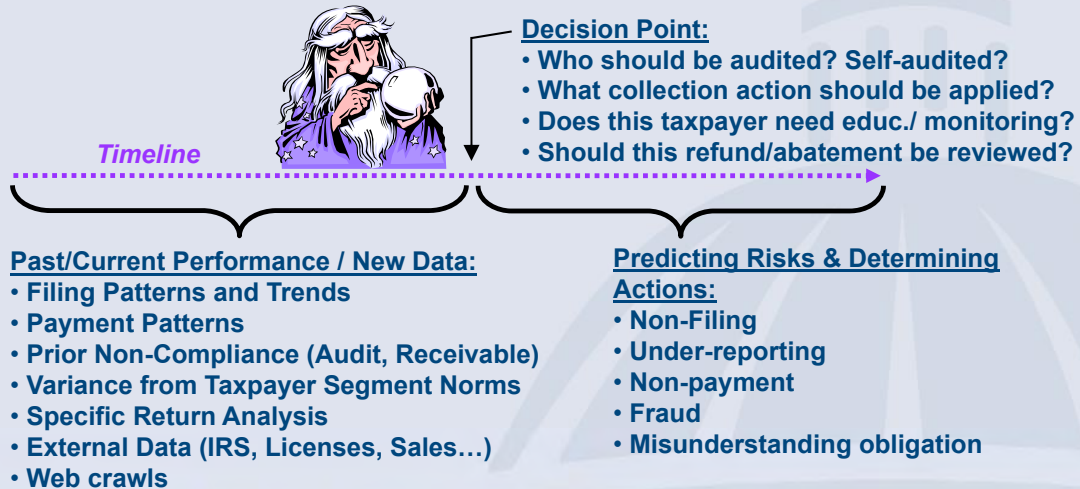
The Power
of DATA
Aggregation,
Analysis and
Mining



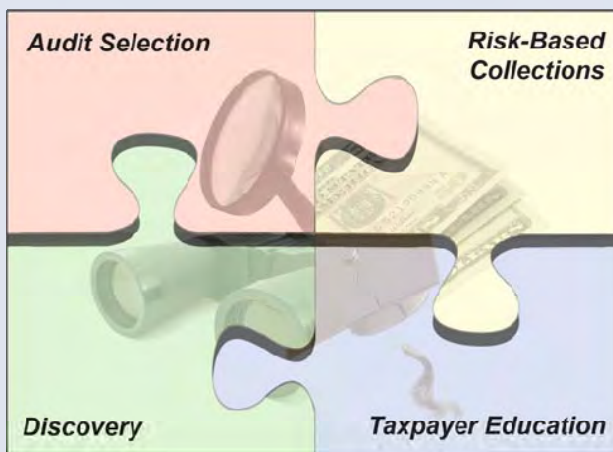
Decision Analytics – What is it?



→ **Goal:** Define the Probability of Specific Events Occurring in the Future, and Use that Information, with experience, to Make Better Decisions For Each Unique Taxpayer



Integrated Compliance Solution



- *Portfolio Management*
- *Portfolio Viewer and Navigation*
- *Case Management / Inventory Management*
- *Performance Measurement*
- *Scoring & Decision Engine*
- *Mining, Selection and Lead Review*

Apply the right compliance action to the right taxpayer at the right time, through the intelligent use of information while maximizing resource utilization.

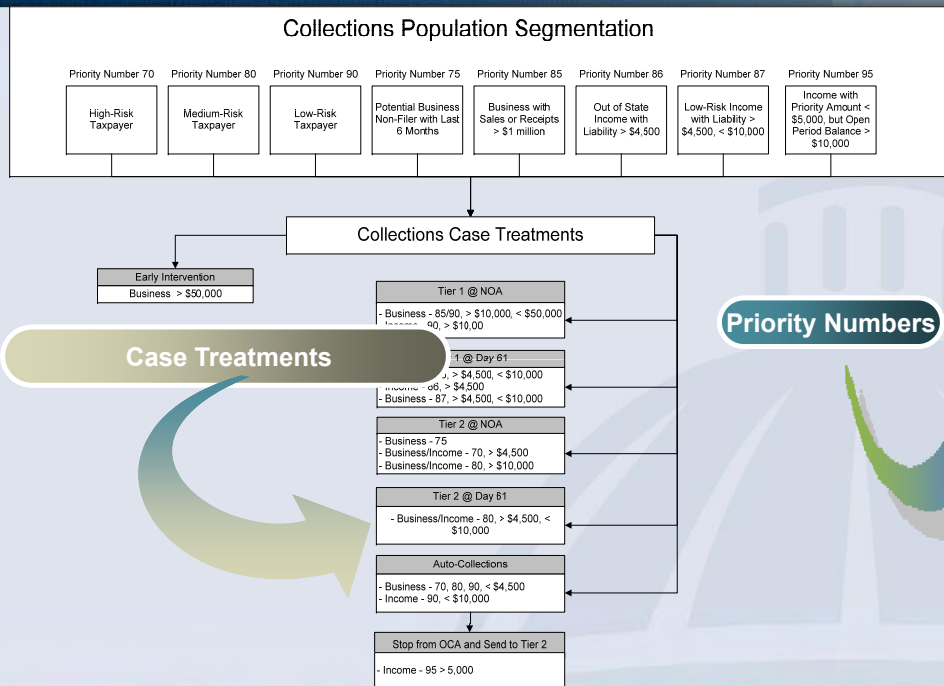
Collections



- Receivable Case Scoring and Treatment Strategies Based on Risk
- Support Collections Research
 - Skip Tracing & Web crawl
 - Assets (vehicles, banks, customs,..)
 - Licenses (professional, lottery, DMV, ...)
 - Derived Attributes
 - State & Federal Line Items Comparisons
- Relationships to Responsible Persons
 - Offsets
 - Liens



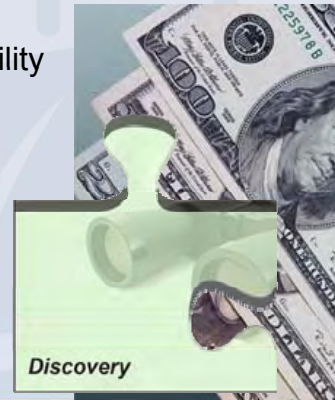
Collections – Scoring & Treatment Strategies



Discovery & Non-Filers



- **Business Non-Registration**
 - Multiple data points; evaluation of portfolio
- **Individual Non-Filing**
 - High volume, accurate targeting of taxpayers with calculated tax due of taxpayers non-filing for federal and state (both wage and life-style)
 - Sub-population management
 - Informative Bills & Self-service response capability
 - Analysis of “false positives”
- **Business Non-Filing**
 - Analysis of habitual non-filers and application of penalty, early intervention or other actions
 - Discern the problem: ignorance, ability, willful avoidance



Field Audit



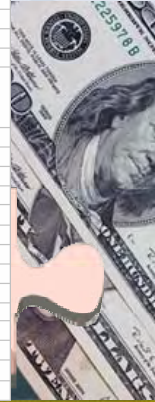
- **Selection**
 - Models for under-reporting and yield
 - Audit Query Team
- **Audit Workbench & Field Auditor Laptop**
 - Case Management connecting office with field auditors
 - Check-in/Check of cases
 - Download of Taxpayer portfolio and case data
 - Time & Expense tracking
 - Pre-filled Spreadsheets/Forms
 - Standardized audit documents and correspondence
 - Import, Analysis and Mark-up of Taxpayer invoice/expense data
 - Statistical sampling utilities
 - Upload of final audit assessment



Scorecard

Corporate Model:

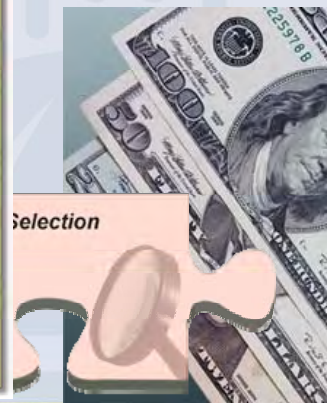
Attribute Name	Attribute Value	Points	Good %	Population %
Taxable Net Worth Gross From 3rd Prior Year				
	MISSING VALUE	50	80	61
	Under \$150,000	27	61	23
	\$150,000-<\$650,000	23	51	4
	\$650,000 +	43	74	12
Excise Due Plus Voluntary Contribution, From 2nd Prior Year				
	MISSING VALUE	46	83	33
	Under \$2,000	23	53	23
	\$2,000 +	51	77	44
Ratio of Exempt Sales to Gross Sales, From The 1st Prior Year				
	MISSING VALUE	26	69	50
	Under 0.5	36	78	16
	0.5-<0.9	52	86	8
	0.9-<1	22	72	15
	1 +	31	80	11
Maximum Difference Between Any Two of the Three 3-factor Apportionment Calculation Components (payroll factor, sales factor, property factor), From the 2nd Prior Year				
	MISSING VALUE	41	77	65
	Under 0.3	22	62	28
	0.3 +	59	85	7
Tax Types Paid During the Past 4 Years				
	OTHER	30	81	6
	OC00	22	65	17
	OC0W	26	67	17
	OCS0	23	68	7
	OCSW	28	78	53



Field Audit



County	City	T	S	Date	Invoice #	Sold To	Description	City
7004	9681	G		01/31/97	97-01-882	Darold Ratliff	Turbine shaft	MR
7004	9681	G		01/31/97	97-01-830	Bob Runner	oil pump	RE Ridgeland
7004	9681	G		01/31/97	97-01-212	James Harris	Cowling	MR
7004	9681	G		01/31/97	97-01-882	Debbie Kennedy	cowling repair	RE Edisto Bes
7004	9681	G		03/31/97	97-03-99	John Sullivan	collars 380R	RE Denmark
7004	9681	G		11/30/99	99-11-727	Joel Frampton	cowling repair	MR
7004	9681	G		09/30/99	99-9-44	Joel Frampton	turbine blades	MR
7004	9681	G		09/31/99	99-9-857	Joel Frampton	Tire	MR
7002	9623	G		02/28/98	98-2-82	Bill Seabrook III	huey rt door	RE Bonneau
7004	9681	G		10/31/99	99-10-964	Joel Frampton	oil gauge	MR
7004	9681	G		11/30/98	98-11-270	Joyce Simmons	cyl rings, set	RE Rockville
7004	9681	G		10/31/99	99-10-231	Phillip Snow	camshaft arms	RE Ware Sho
7004	9681	G		02/28/97	97-02-917	John Posey	brake calipers	RE Lake View
7002	9623	G		08/31/98	98-8-318	Judy H. Able	timing chain	RE York
7004	9681	G		03/31/97	97-03-846	Joel Frampton	turbine blades	MR
7004	9681	G		07/31/99	99-7-540	Joel Frampton	Cowling	MR
7004	9681	G		09/30/98	98-9-959	Charlie Frampton	drain plugs	MR
7004	9681	G		04/30/97	97-04-910	Chadler Frampton	oil gauge	MR
7001	9679	G		03/31/99	99-3-623	R. F. Smith	fire extinguisher	RE Beaufort
7004	9681	G		04/30/99	99-4-836	Joyce Simmons	drain plugs	RE Ridgeland
7004	9681	G		10/31/97	97-10-948	Charlie Frampton	elec gauge	MR
7004	9681	G		03/31/97	97-03-262	Charles Easonston	Cherokee/Polish	MR
7004	9681	G		06/30/99	99-6-906	Charlie Frampton	radio rack	MR
7004	9681	G		02/28/98	98-2-136	Charlie Frampton	engine rings	MR
7004	9681	G		04/30/97	97-04-541	Springfield Inc	prop gear	RE Dunby
7004	9681	G		09/30/97	97-09-618	Sammy Ray Brown	F4 tail hook	RE Noris
7004	9681	G		04/30/99	99-4-463	Charlie Frampton	cyl rings, set	MR
7004	9681	G		07/31/99	99-7-97	Bob Runner	drive shaft	RE Ridgeland
7002	9623	A		07/31/99	99-7-97	Bob Runner	drive shaft	RE Ridgeland



Desk Audit



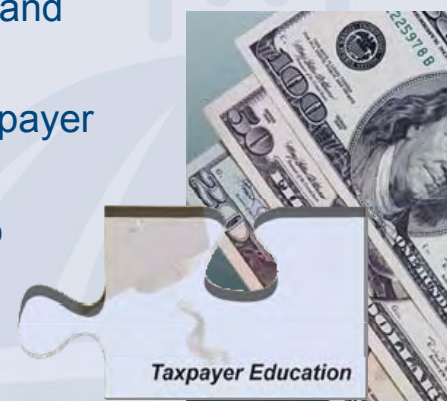
- Audit Query Team drives query development and lead selection
 - Dividends
 - Manufacturer Credit
- Automated of Return Reviews
 - CP-2000s
 - Fed-to-State Return Comparisons
 - Refund Fraud models
- Life-Style Audits
- Statistical Analysis (Peers) Programs
 - Taxpayer Preparer Model
- Supplier Analysis
 - Liquor Wholesales – Retailers
- Unpaid Excise/Use Taxes
 - Customs declarations
 - Internet cigarette purchases



Taxpayer Education



- Score taxpayer at time of registration for risk of non-compliance & monitor
- Review processing exceptions and audit results to identify education issues
- Evaluate taxpayers for self-audits and automate reviews
- Compliance Initiatives within a taxpayer segment
- Targeted field visits with access to taxpayer's compliance history



Results



- **Massachusetts**
 - \$400 million since inception; \$200m FY07
 - \$1.4 million / week from discovery alone
 - \$100 million in collections lift
- **South Carolina**
 - \$35 million since inception
 - \$3.7 million in additional collections lift in 4 months
- **Management reports and easy access to data**



Questions and Answers



Contact Information

