



Today's Technology in Field Auditing

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Introduction



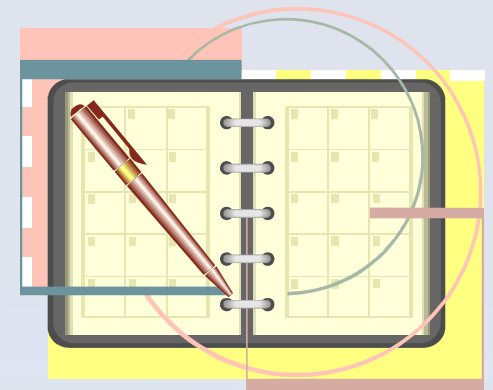
- **John Cox**
 - Software engineer with 25 years in software design and development
 - 22 years in field audit software engineering
 - Joined Revenue Solutions March 2006



Agenda



- Technology in General
- Field Auditing – Yesterday and Today
- Audit Selection – Use of Data Warehousing and Decision Analytics
- Pre-audit Analysis – Use of Internet
- Laptops in Field Auditing
 - Data Gathering
 - Work Papers
 - Sampling
- The Dark Side – Zappers
- Field Auditing of the Future - Now
 - Computer Assist Auditors
 - Scanning & Optical Character Recognition
 - Radio Frequency Identification (RFID)Tags
- Q & A

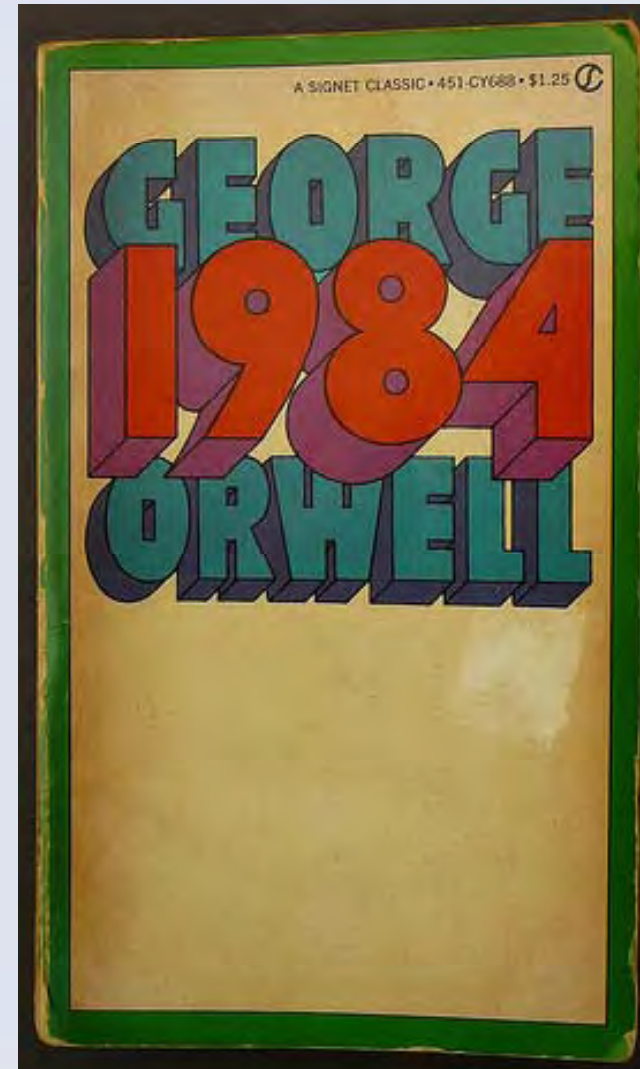
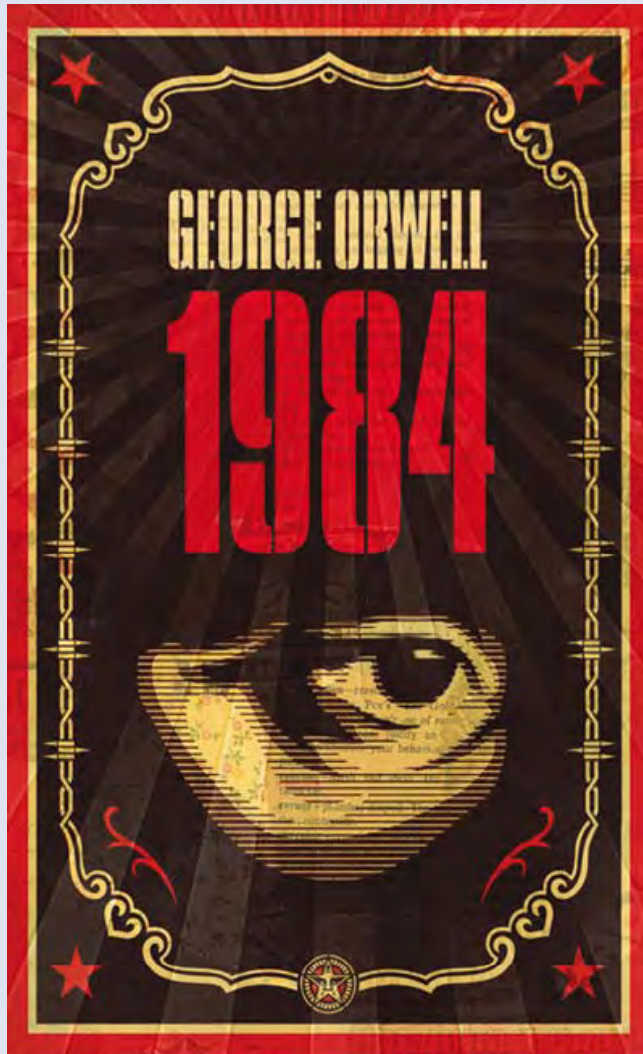


The First Law of Technology



“We always over-estimate the short-term impact of new technology and underestimate the long-term changes”

George Orwell's 1984



Auditor of Yesterday



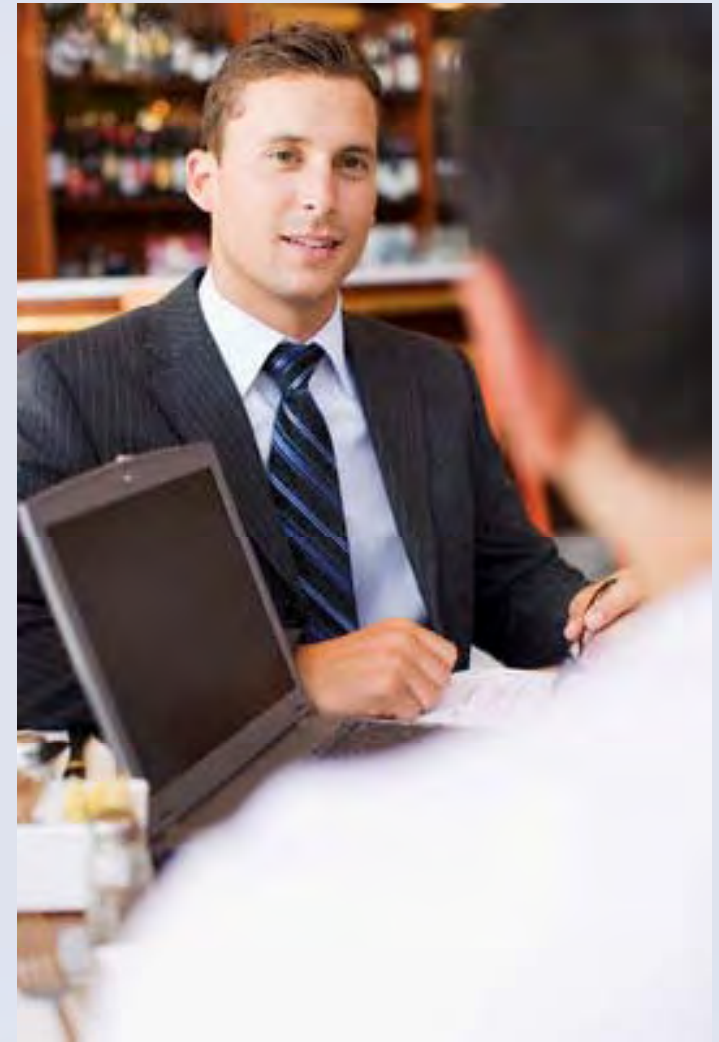
- 13-column paper
- #2 pencils
- Portable adding machine
- Endless paper forms
- Cases were selected manually



How Far We've Come



- Laptops in the Field
- Electronic Taxpayer Data
- Specialized Software
- Electronic Case Folder
- Better Audit Selection
- Near Constant Connectivity



Constants vs. The Ever-Changing



- The objectives of field audits remain the same
 - Gathering and reviewing taxpayer data
 - Recording exceptions
 - Calculating additional tax liabilities
 - Sharing the results with supervisor and taxpayer
 - Make changes
 - Present the findings
- What has changed is the manner in which we meet these objectives

Audit Perspectives



- Supervisor
- Auditor
- Taxpayer



- **Data Warehouse**
 - Combine external data sources
 - Holistic view of a taxpayer
 - Data mining through queries

- **Decision Analytics**
 - Predictive models
 - Scorecards
 - Calculated probability of behavior or outcome



Case Management



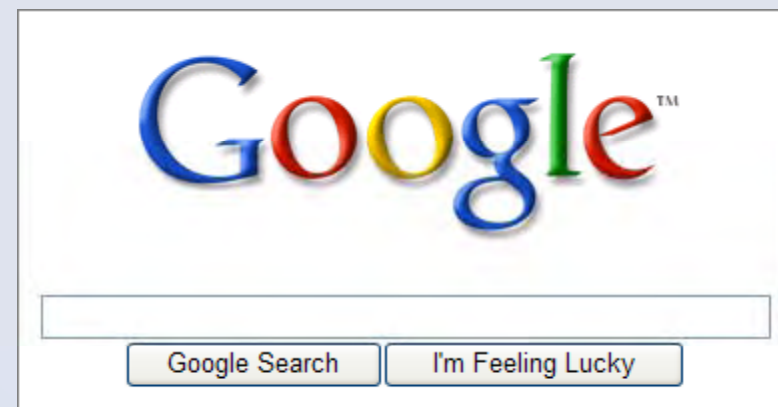
- Workflow
- Approvals
- Central Storage
- Time and Expense Capture
- Messaging
- File Attachments
- History
- Reporting



Pre-Audit Analysis



- Data Warehouse, one-stop shop
- Internet
 - Taxpayer's website
 - Search engine
- Clearinghouse



Laptops in the Field



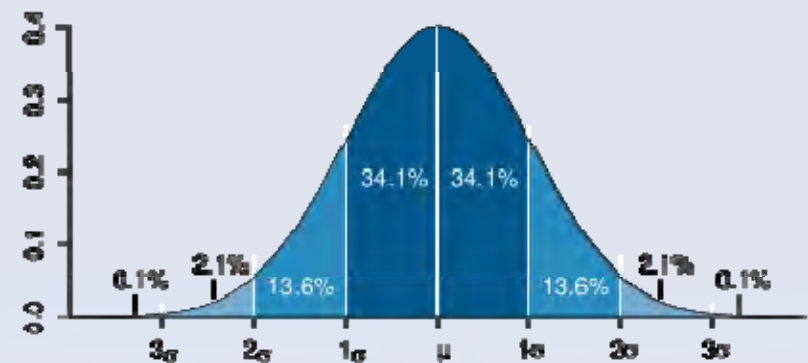
- Data Gathering
- Workpaper generation
- Calculation of Tax, Interest, Penalties
- Audit Correspondence
- Supporting Multiple Jurisdictions



Statistical Sampling



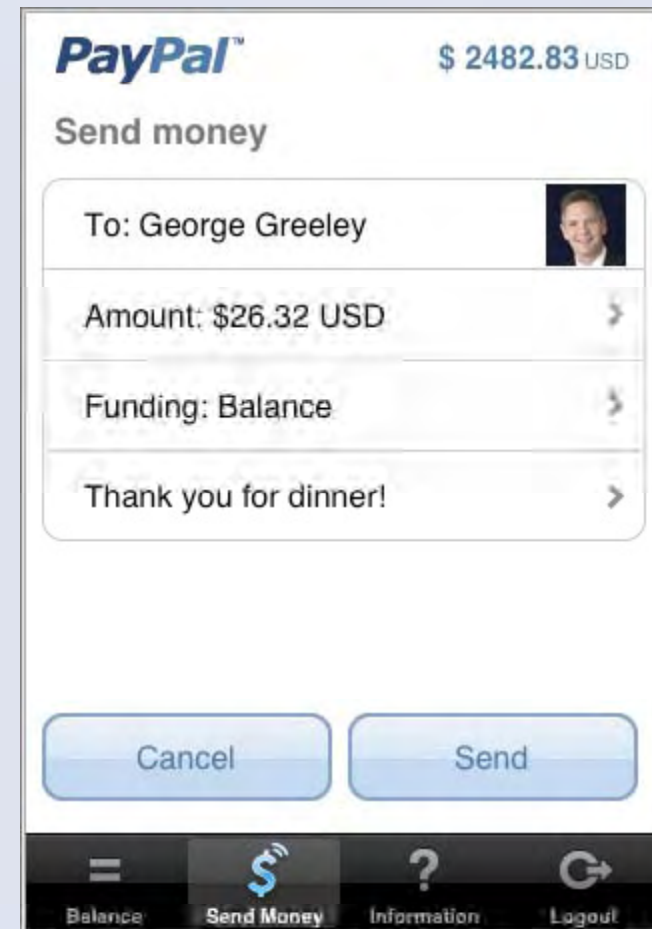
- Lowers audit cost by estimating
- Provides a measurable precision of the estimate
- Software has become less complex
- Taxpayer's have ability to provide data more easily
- Technical challenges are fading



Future and Not-so-Future Technologies



- Zappers
- Optical Character Recognition (OCR)
- Radio Frequency IDs
- iPhone & PayPal



The Auditor of Tomorrow



- More enabled through technology
- “Do more with less”
- Confronted with new business technologies

- 2084?



- ***“Everything that can be invented has already been invented.”***
- Charles Duell, Commissioner, USPO 1899
- ***"Inventions have long since reached their limit, and I see no hope for further developments."***
- Julius Sextus Frontinus, 10 A.D. Roman Engineer
- ***“That’s an amazing invention, but who would ever want to use one of them?”***
- President Rutherford B. Hayes, 1876 to Alexander G. Bell
- ***"Who the hell wants to watch movies with sound?"***
- Harry Warner, 1918, President Warner Brothers Studio

Summary



- Technology is an ever-changing medium
- Goals and purpose of auditing remains the same
- Adapt and embrace new technology to succeed
- If you remain static, you will fall behind

“Resistance is Futile”

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 and offices in Roseville, CA (Solution Center) and Raleigh, NC
- Dedicated exclusively to providing products & services to tax and revenue agencies
- Deep tax administration domain expertise



Questions and Contact Information



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