

MINNESOTA • REVENUE

Sales and Use Tax E-Audit Process



MSATA Conference

August 19, 2008

Presented by Sue Chad



Why E-Audit?

- Business Plan Goal – reduce the amount of paper consumed and stored in the department
- New Audit Template – opportune time to incorporate a new audit process



Transition to E-Audit

- Prior to October 2004, all audits were completed with the old audit process – PAPER.
- Transitioned to the E-Audit process throughout 2005 and have been fine-tuning it since then.

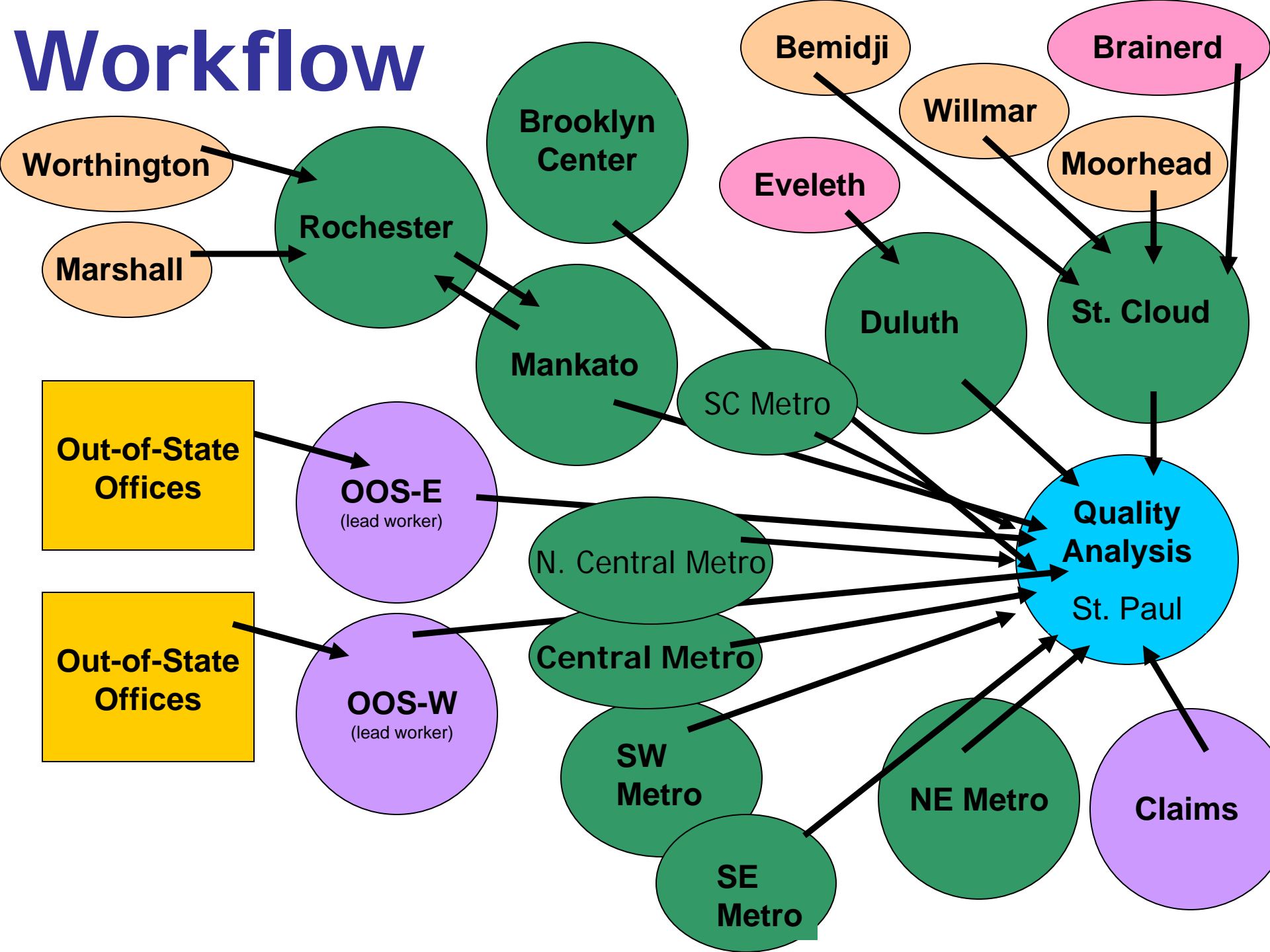


Locations of Sales and Use Tax Employees

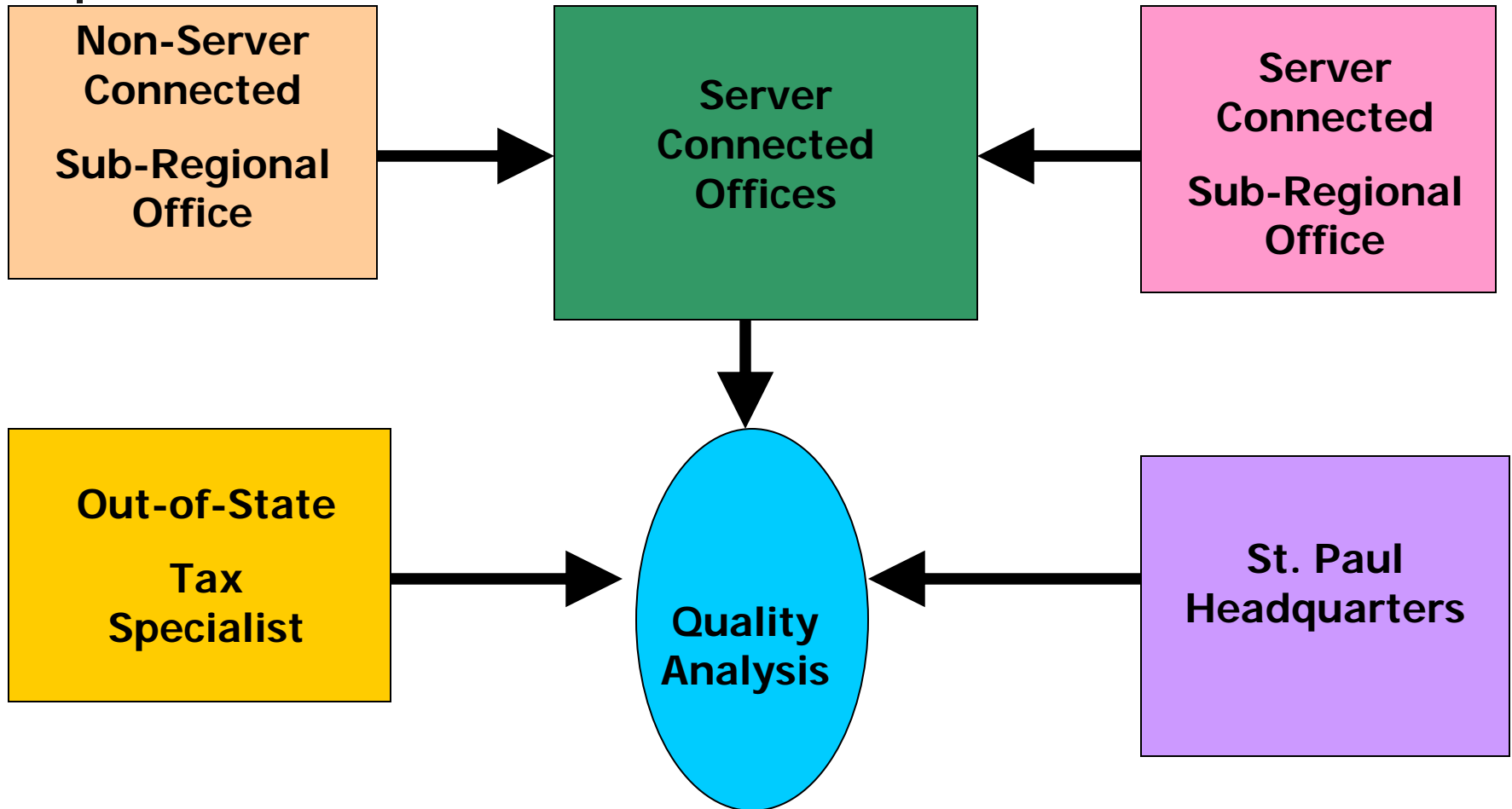
Regional and Sub-Regional field audit offices in MN

- Four units located in St. Paul (22 auditors in each)
- Three metro units outside of St. Paul headquarters (22 auditors in each)
- Out-State Units (39 auditors)
- Out-of-State field audit offices
 - OOS-East (17 tax specialists in 8 cities)
 - OOS-West (19 tax specialists in 10 non-MN cities and St. Paul)

Workflow



Where Completed Audits Come From





Drive Mapped

All employees have a network (L:\) drive mapped to an E-Audit directory.

Employees who log into the network had the L:\ drive mapped automatically via a login script. Others manually mapped to the drive.



Directory Structure

- We worked with our Information Systems Division (ISD) to set up our directory structure and assign the network rights.

Directory Structure

audits on 'stpfs03\pubdata\sales (L:)

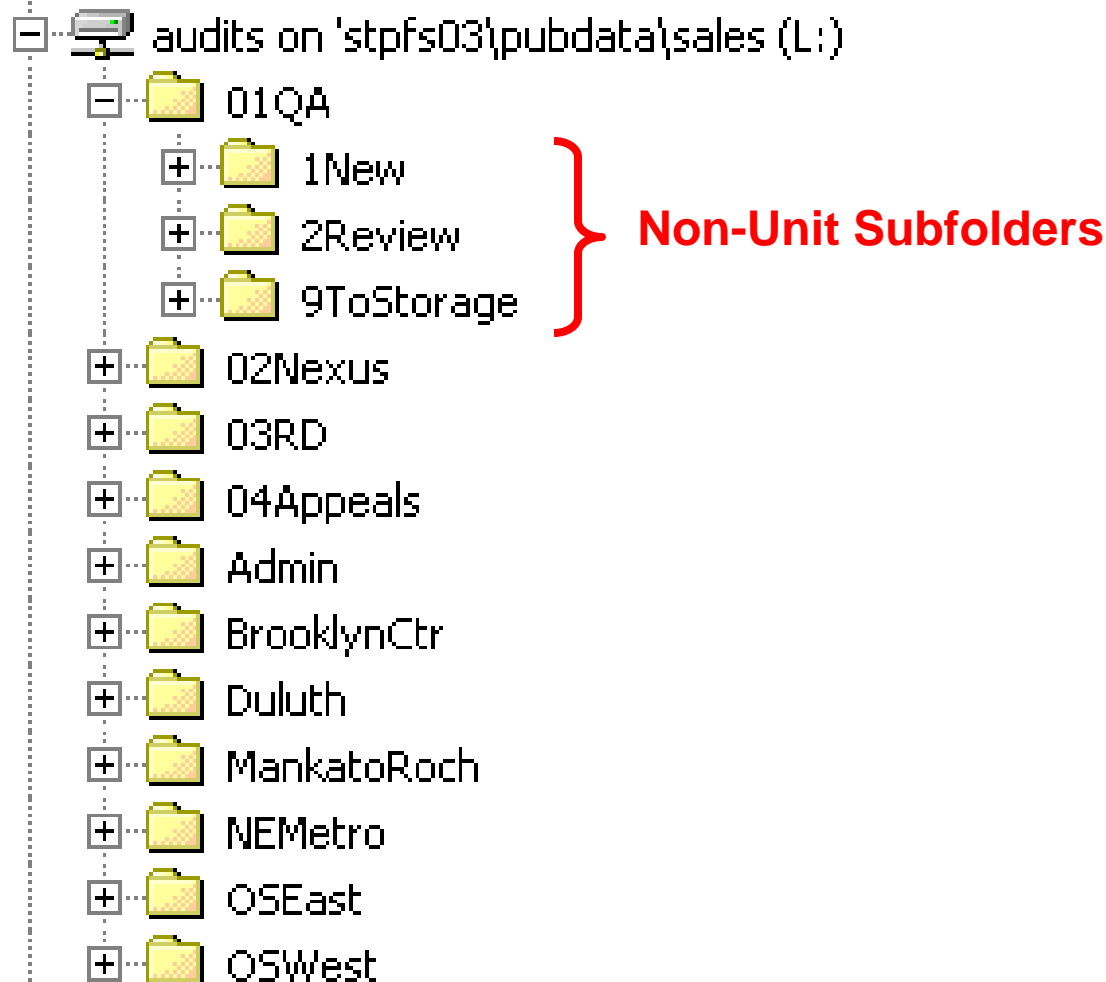
- + 01QA
- + 02Nexus
- + 03RD
- + 04Appeals

Standard "Other" Subfolders (4)

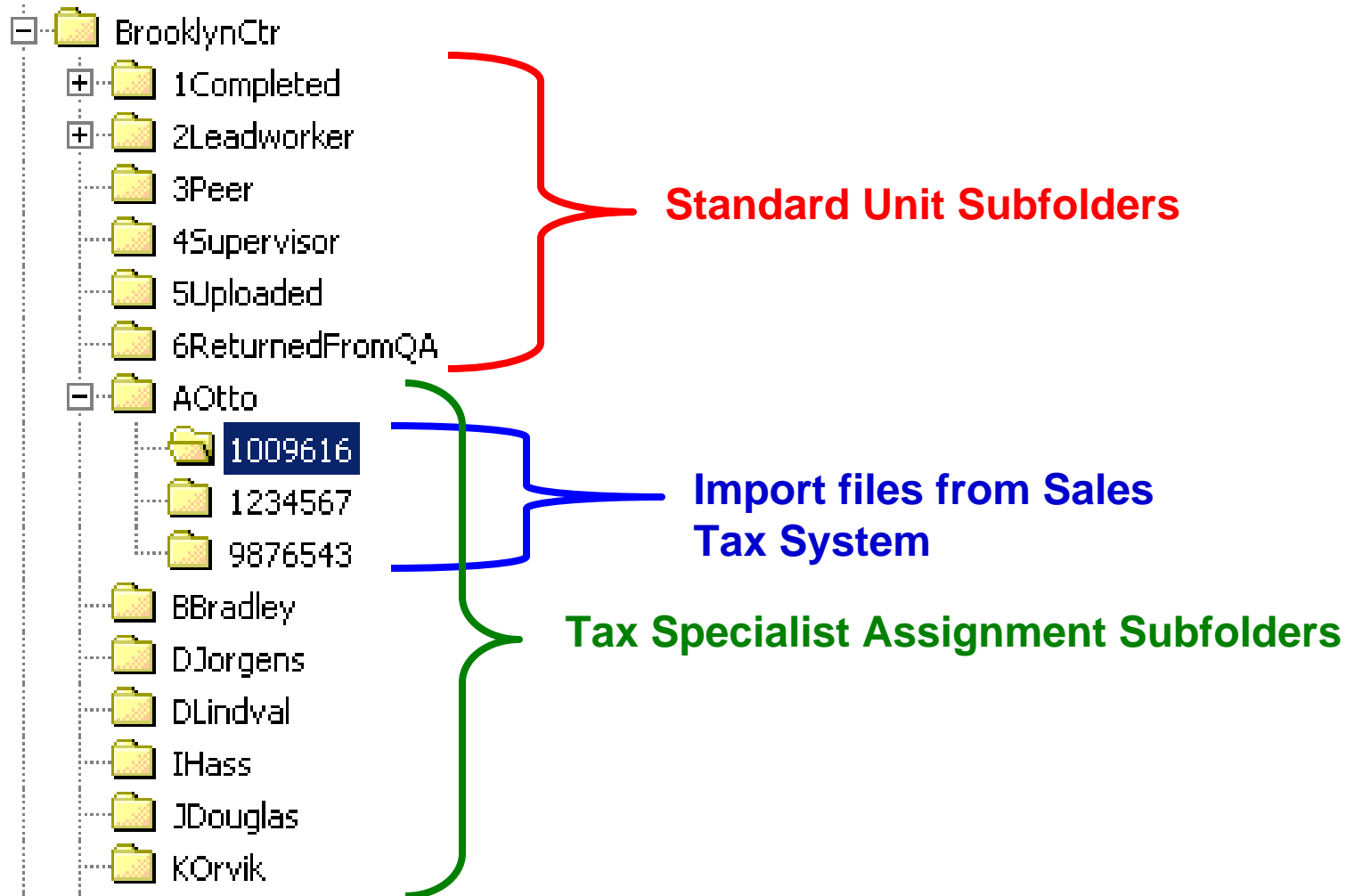
- + Admin
- + BrooklynCtr
- + Duluth
- + MankatoRoch
- + NEMetro
- + OSEast
- + OSWest
- + PSTP
- + SEMetro
- + StCloud
- + SWMetro
- + TIE

Unit Subfolders (12)

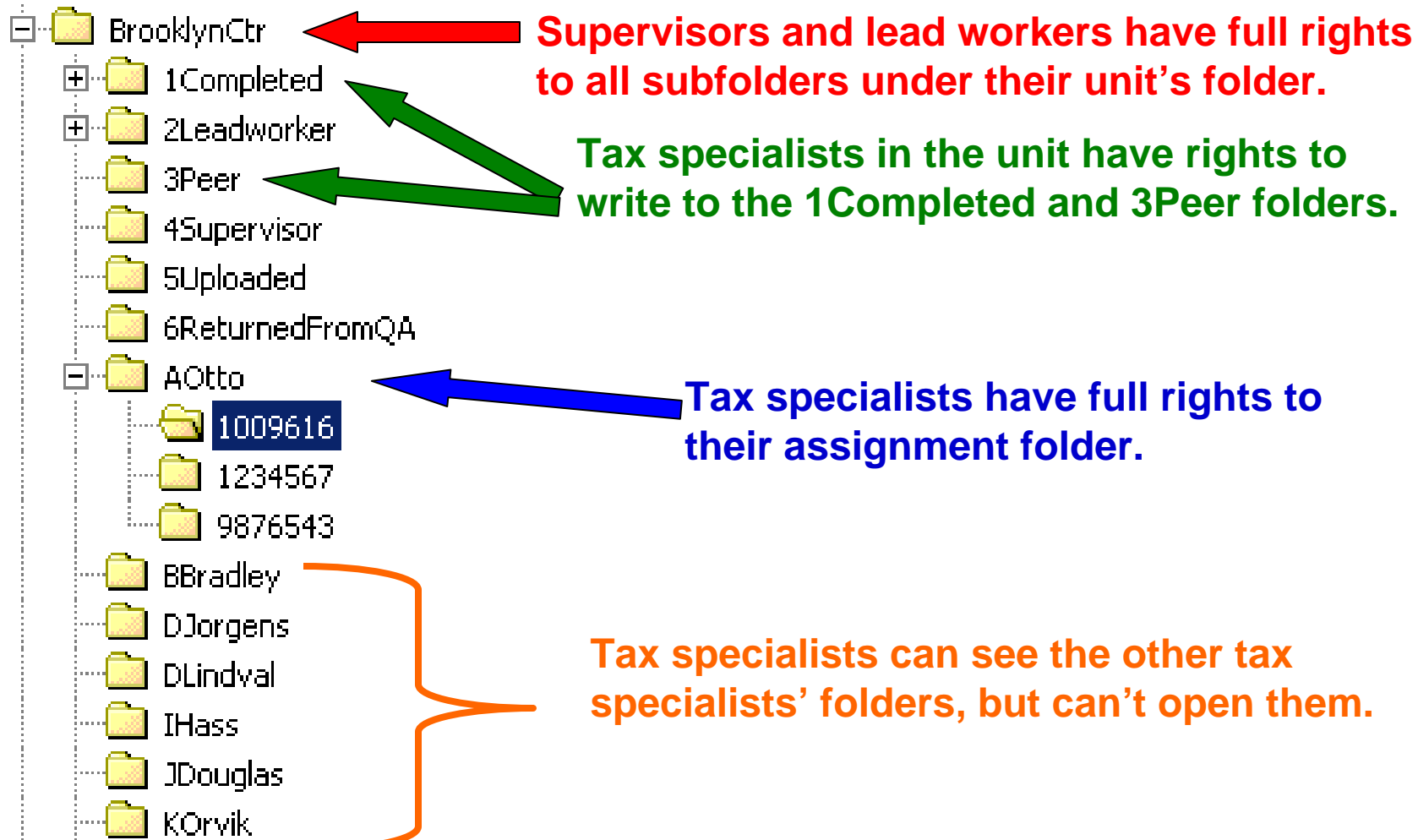
Non-Unit Subfolders



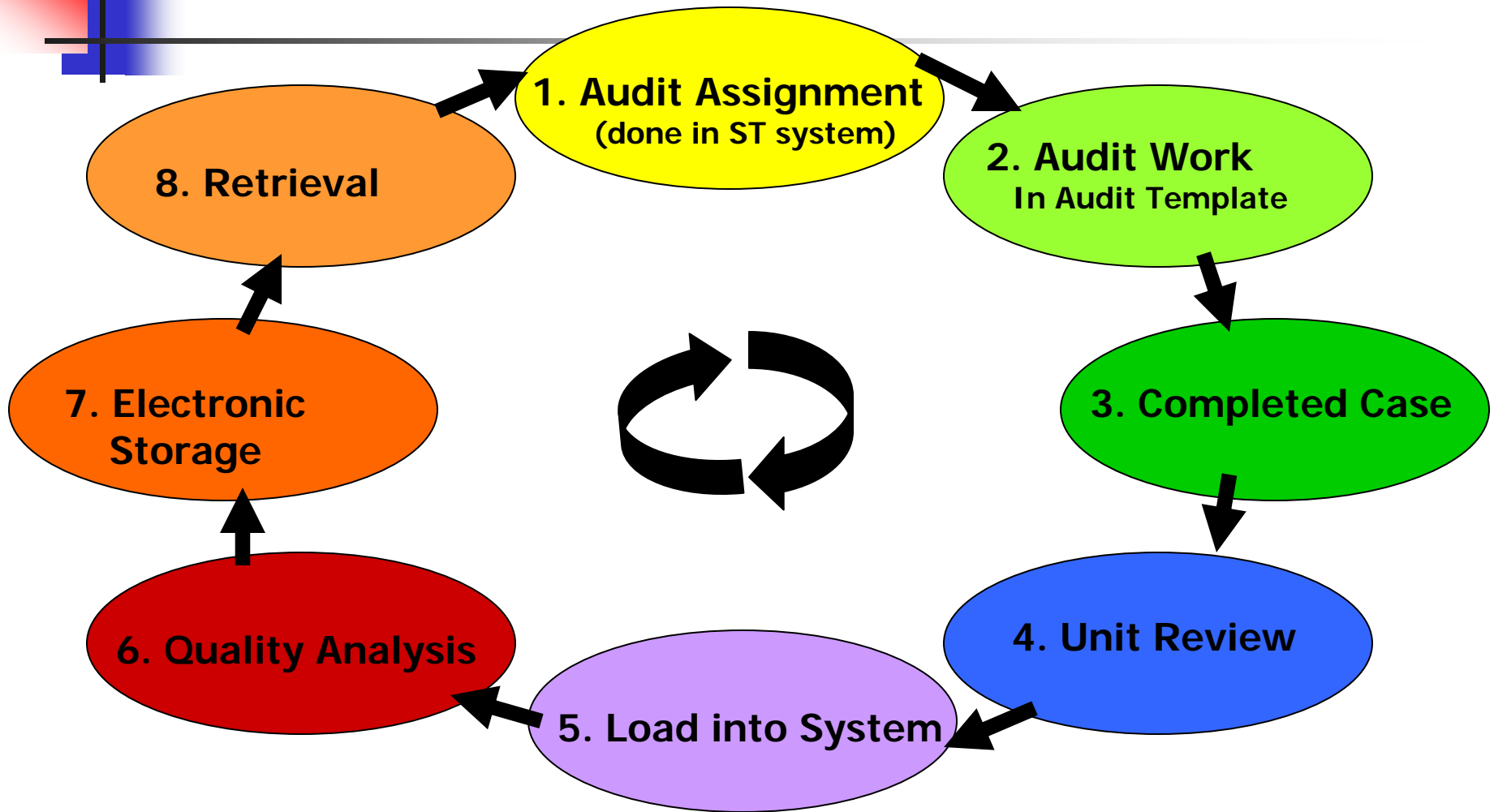
Unit Directory Rights



Unit Directory Rights



E-Audit Process



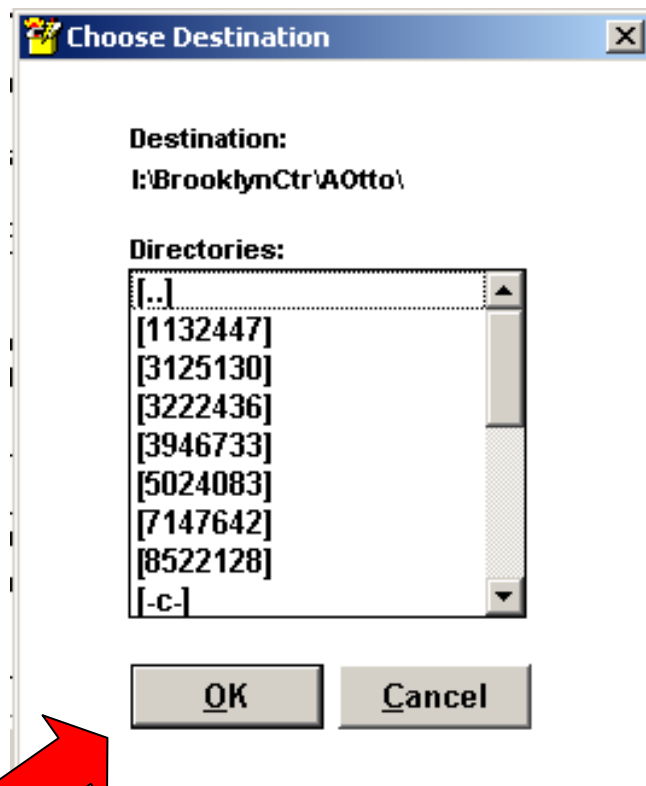


The Start of an E-Audit

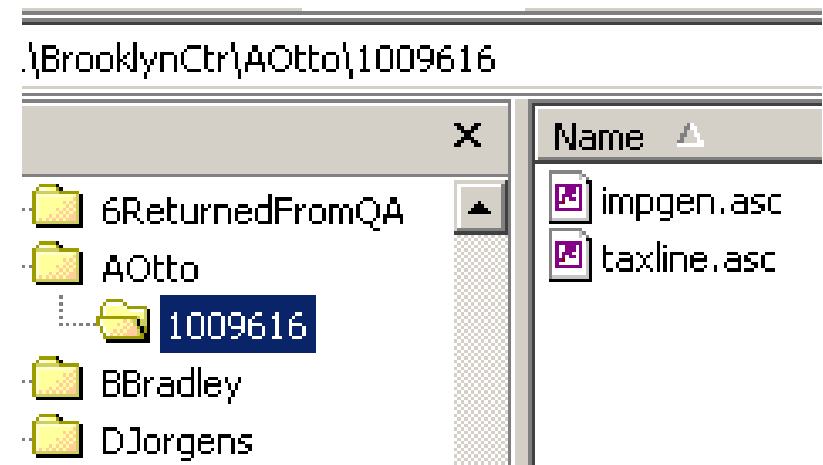
- An audit assignment is made in our sales tax system (ProFile).
- ProFile automatically creates a folder, which is named by the taxpayer's MN ID #, and is exported to the tax specialist's folder on the server.
- At this time, the only contents are the import ASCII files and this is the start of the E-Audit folder.

Audit Assignment

3



4





Audit Work

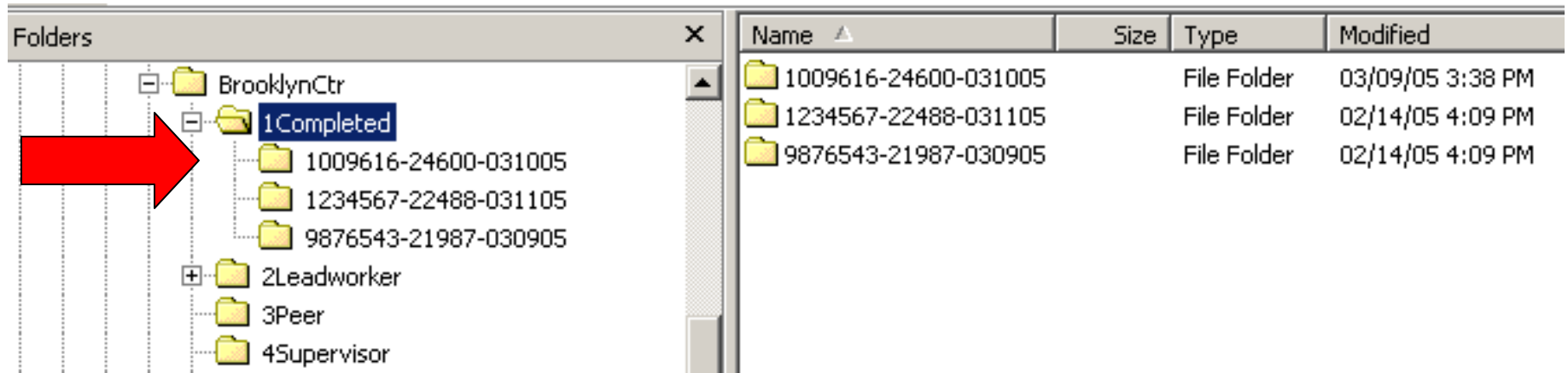
- The tax specialist imports the audit into the Access audit template – this automatically enters the taxpayer's demographic information, filing cycles, and a schedule for each tax type they are registered for.
- As the tax specialist is working on the audit, they save the documents that will remain electronic directly to the E-Audit folder.



Completed Case

- When the audit is completed, the tax specialist backs up the audit to their individual network folder on the L:\Drive
- The E-Audit folder is renamed to match our naming conventions.
- The tax specialist then copies the entire E-Audit folder to their unit's 1Completed folder on the L:\Drive for leadworker/supervisor review.
- The tax specialist provides their lead worker with a copy of the approved audit assignment sheet and a copy of the tax order given to the taxpayer that will eventually be imaged.

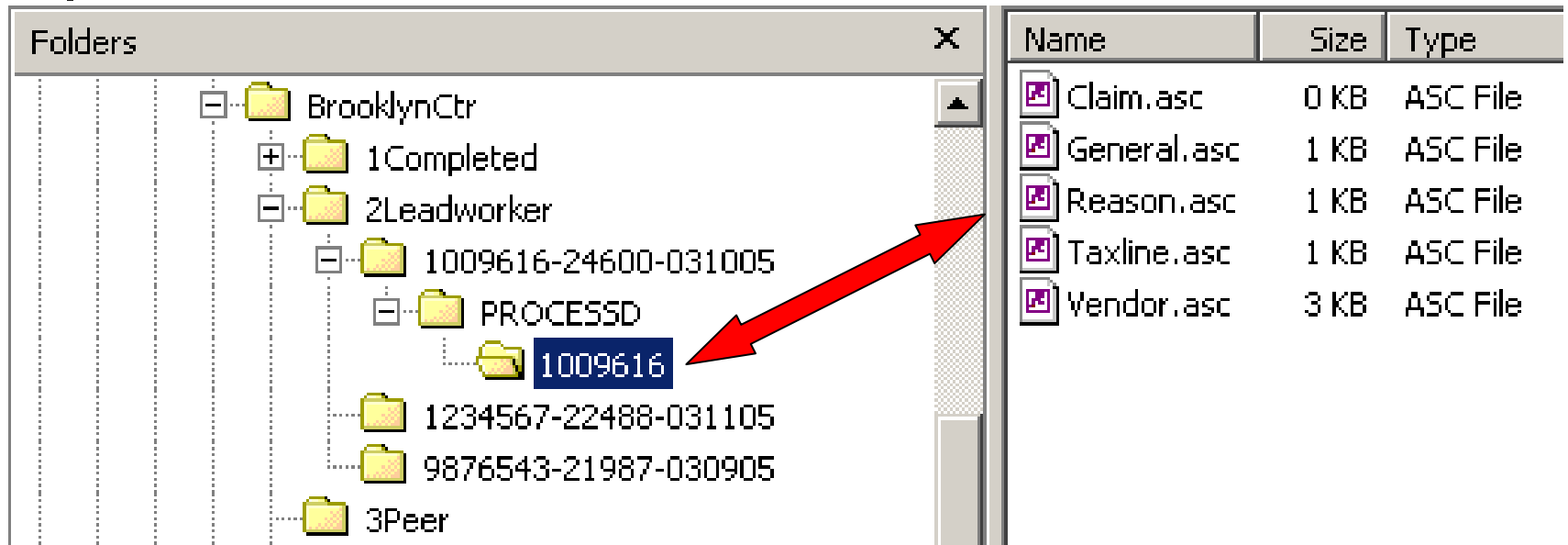
Completed Case



Name	Size	Type	Modified
1009616-24600-031005		File Folder	03/09/05 3:38 PM
1234567-22488-031105		File Folder	02/14/05 4:09 PM
9876543-21987-030905		File Folder	02/14/05 4:09 PM

The screenshot shows a Windows Explorer window with a folder tree on the left and a list of files on the right. The folder tree is expanded to show the '1Completed' folder, which is highlighted with a red arrow. The list of files on the right shows three folders with their names, sizes, types, and modification dates.

Unit Review



The screenshot shows a file explorer window with a folder tree on the left and a file list on the right. A red arrow points from the '1009616' folder in the tree to the 'Claim.asc' file in the list.

Folder Hierarchy:

- BrooklynCtr
 - 1Completed
 - 2Leadworker
 - 1009616-24600-031005
 - PROCESSD
 - 1009616**
 - 1234567-22488-031105
 - 9876543-21987-030905
 - 3Peer

File List:

Name	Size	Type
Claim.asc	0 KB	ASC File
General.asc	1 KB	ASC File
Reason.asc	1 KB	ASC File
Taxline.asc	1 KB	ASC File
Vendor.asc	3 KB	ASC File

Audit files are exported directly to the E-Audit folder on the server; these ASCII files are used to load the audit results into the Sales Tax System.

Unit Review

- Audits are loaded into the Sales Tax System directly from the E-Audit folder.



Load into System

1

The screenshot shows a software window titled "Active Audits/Visits". It features several filter sections: "Cmplnc Action Tool" with options "Appeal", "Audit", and "Visit"; "Projects" with options "Select All Projects", "Claim In/out Project", "Claim-Visit Project", and "Cycle4/98"; and "Regions" with options "Select All Regions", "Brooklyn Center", "Duluth-Duluth", and "Duluth-Eveleth". To the right, a "Region View" section contains two unchecked checkboxes: "Zip Code" and "Employee". Below these filters, a "Click to sort by:" section includes dropdown menus for "Taxpayer ID", "Auditor", "Project Number", and "Date Initiated". The main area of the window is currently empty. At the bottom, there are five buttons: "Select All", "OK", "Cancel", "Help", and "Print".

Load into System

1

The screenshot shows the 'Active Audits/Visits' window with the following configuration:

- Cmplnc Action Tool:** Appeal, Audit, Visit
- Projects:** Select All Projects, Claim In/out Project, Claim-Visit Project, Cycle498
- Regions:** Select All Regions, Brooklyn Center, Duluth-Duluth, Duluth-Eveleth
- Region View:** Zip Code, Employee
- Click to sort by:** Taxpayer ID, Auditor, Project Number, Date Initiated

The data table is currently empty.

Buttons at the bottom: Select All, OK, Cancel, Help, Print

2

The screenshot shows the 'Active Audits/Visits' window with the same configuration as in step 1, but with data loaded into the table:

Taxpayer ID	Auditor	Project Number	Date Initiated
1009046	Johanningsmeier,Robert A	28	7/26/2004
1009377	Allison,Wendy L	29	7/14/2004
1009420	Performance Meas. Analyst	33	7/8/2003
1009493	Blascyk,Edmund M	15	2/8/1994
1009616	Kelley, Sara	34	1/3/2005
1009769	Laplante,Susan J	25	7/1/2001
1009974	Johanningsmeier,Robert A	28	1/1/2003
1010007	Blascyk,Edmund M	25	1/1/1998

Buttons at the bottom: Select All, OK, Cancel, Help, Print

Load into System

3

Active Audits/Visits

Cmplnc Action Tool: Appeal, Audit, Visit

Projects: Select All Projects, Claim In/out Project, Claim-Visit Project, Cycle4/98

Regions: Select All Regions, Brooklyn Center, Duluth-Duluth, Duluth-Eveleth

Region View: Zip Code, Employee

Click to sort by:

Taxpayer ID	Auditor	Project Number	Date Initiated
1009046	Johanningsmeier,Robert A	28	7/26/2004
1009377	Allison,Wendy L	29	7/14/2004
1009420	Performance Meas. Analyst	33	7/8/2003
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1009616	Kelley, Sara	34	1/3/2005
1009769	Laplante,Susan J	25	7/1/2001
1009974	Johanningsmeier,Robert A	28	1/1/2003
1010007	Blascyk,Edmund M	25	1/1/1998

Select All OK Cancel Help Print

Load into System

3

4

Active Audits/Visits

Complnc Action Tool
 Appeal
 Audit
 Visit

Projects
 Select All Projects
 Claim In/out Project
 Claim-Visit Project
 Cycle4/98

Regions
 Select All Regions
 Brooklyn Center
 Duluth-Duluth
 Duluth-Eveleth

Region View
 Zip Code
 Employee

Click to sort by:

Taxpayer ID	Auditor	Project Number	Date Initiated
1009046	Johanningsmeier,Robert A	28	7/26/2004
1009377	Allison,Wendy L	29	7/14/2004
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1010007	Blascyk,Edmund M	25	1/1/1998

Select All OK Cancel Help Print

Audit Results

File Edit Help

Taxpayer: 1009616
 PAPER ELIMINATOR INC

Audit Period: 01/01/2002 - 12/31/2004

Audit Type:

Audit Source: 9520

Assessment

Tax:	\$3,075.65
Penalty:	\$0.00
Negligence:	\$0.00
Fraud:	\$0.00
Interest:	\$210.51
Total:	\$3,286.16

1100 ROBERT ST S
 SAINT PAUL, MN 55118-1458

Order Date: 03/10/2005

Auditor: Kelley, Sara

Hours: 15

Claims:

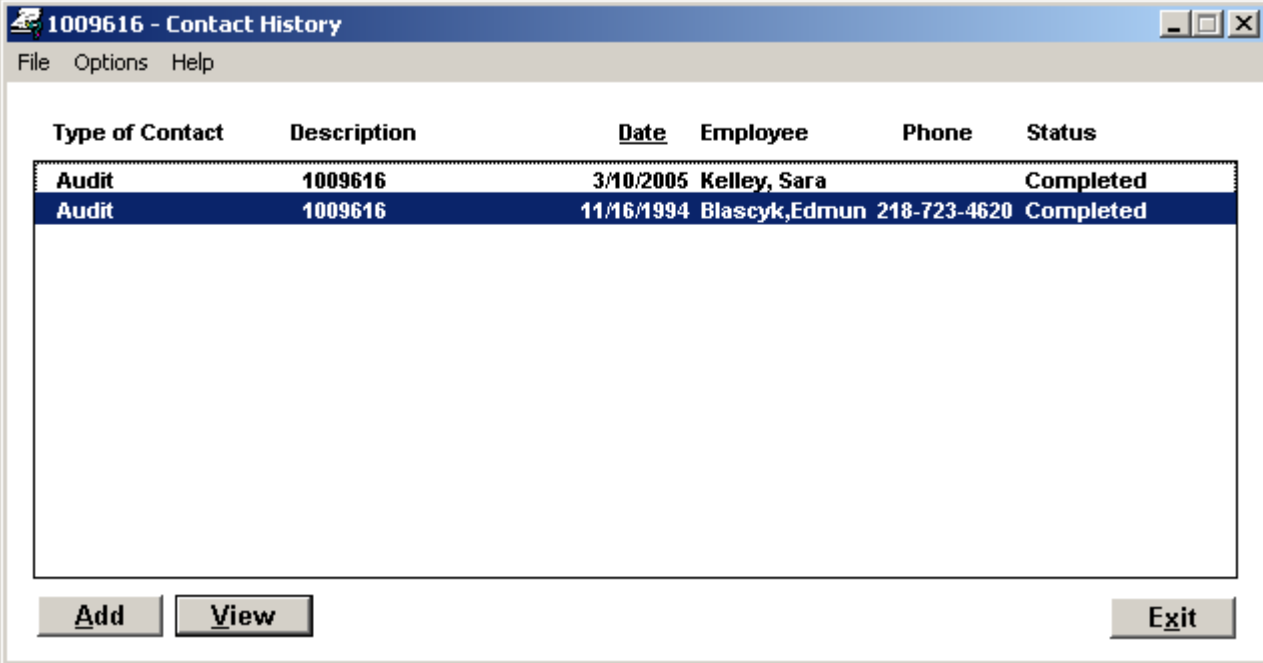
Tax Line	Claim Type	Request	Allowance
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Vendor Assessments:

Reason	Tax Type	Vendor Name	Invoices	Taxable Amount	Assessed Amount
101	002	DEF Company	1	\$10,700	\$696
101	002	JKL Company	1	\$12,500	\$813
101	002	MNO Company	1	\$18,456	\$1,200
104	002	GHI Company	1	\$87	\$6
104	002	STU Company	1	\$230	\$15
104	002	YZ Company	1	\$175	\$11
109	002	ABC Company	1	\$750	\$49

Load Cancel

Load into System



The screenshot shows a software window titled "1009616 - Contact History" with a menu bar containing "File", "Options", and "Help". The main area contains a table with the following columns: "Type of Contact", "Description", "Date", "Employee", "Phone", and "Status". Two rows of data are visible, with the second row highlighted in blue. Below the table are three buttons: "Add", "View", and "Exit".

Type of Contact	Description	Date	Employee	Phone	Status
Audit	1009616	3/10/2005	Kelley, Sara		Completed
Audit	1009616	11/16/1994	Blascyk,Edmun	218-723-4620	Completed



Quality Analysis

- The Quality Analyst receives all electronic audit files.
- The Unit Supervisor receives the few paper documents to be imaged after review.
- E-Audit folders are periodically moved from the L:\ server to the permanent electronic storage.



Electronic Storage

- The permanent electronic storage of the E-Audits is not a part of the directory structure shown earlier. They are permanently stored in an archive folder on a separate server.
- The Quality Analysts and a few other division staff control access to our electronic audit files.



Retrieval

- If an E-Audit is needed, the user will make a request in a Lotus Notes database.
- A *copy* of the E-Audit folder is placed in the requestor's assignment folder on the L:\.
- The master copy of an E-Audit will **ALWAYS** remain in the permanent storage folder.



E-Audit Folder Components

- The E-Audit folder contains:
 - the template file (includes the audit report, work papers, and log notes),
 - electronic Excel documents, and
 - electronic Word documents (letters to taxpayer, various forms).
 - .pdf files, etc.



Document List

- Each completed audit contains a list of all electronic documents within the electronic file.
- The tax specialist identifies all documents that are included electronically in the E-Audit folder AND all documents that are imaged.
- The tax specialist also indicates how the document will be permanently stored.



Imaged Documents

- In addition to the electronic files in the E-Audit folder, there are a few documents that are imaged.
- Imaging is done by the Tax Operations Division and the images are viewed through our system that processes our Income Tax returns (ITR).
- Imaged documents include those that are not electronic; or were electronic, but have a taxpayer signature.



Paper Documents ?

- There are a few documents that continue to be paper.
 - Interstate Questionnaire – as it is sent to other states.
 - Referral Feedback – used to provide feedback to the person who made the referral. (Currently working on a process for electronic referral feedback through an Access database.)

None of these documents are permanently stored as paper.



Managing Files Using Naming Conventions

- All E-Audit folders and files are named using standard, pre-determined names and formats.
- There are also guidelines for naming miscellaneous documents (files) that are not included in the list of naming conventions.
- This enables anyone reviewing the E-Audit file to easily identify what the various electronic documents are without having to open each one.



Evolution

- Internal control process has improved
- Flow of completed audits has been modified over time.
- 100% of completed audits are stored as imaged or electronic documents.

NO PAPER

Future of E-Audit

- Multiple legacy systems are being integrated into one system, so more changes are still to come.
- See you in two years??





The End

Questions?

You may contact me at:

Susan.chad@state.mn.us

(651) 556-6714