Audit Case Management
A Tale of Two States

Midwestern States Association of Tax Administrators

August 27, 2012

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Agenda

• Missouri Department of Revenue
  - Where We Started
  - Where We Are Now
  - CAMS Overview

• Demonstration

• Missouri Department of Revenue
  - Process Comparison
  - Overall Efficiencies
  - Missouri’s Audits in the Future

• Iowa Department of Revenue
  - Audit Component & Data Warehouse
  - Collections Over the Years
  - Auto Bill Overview
  - How Auto Bill Works
  - Auto Bill Efficiencies
Where We Started

*Missouri’s Audits Prior to CAMS*

- **Processes**
  - Leads
  - Correspondence
  - Tracking Audit Status
  - Work Papers
  - Computation of Audits
  - Audit Retention
Where We Started

Missouri’s Audits Prior to CAMS

• Challenges
  - Manual Processes / No Automated Workflow
  - Old Technology
  - Labor Intensive
  - High Potential for Errors
  - Auditor Created Worksheets
  - Lack of Consistency Internally and Externally
  - Data Not Maintained in a Centralized System
  - Lack of Data Retention
Where We Are Now

Missouri’s Audits Using CAMS Provides

• **Consistency**
  - Correspondence Templates
  - Audit Tracking
  - Work Paper Format
  - Time Entry
  - Payment Application
  - Historical Data
Where We Are Now

Missouri’s Audits Using CAMS Provides

• **Automated Work Papers By**
  - Downloading Transcript Data
  - Transferring Data From One Work Paper to Another
  - Transferring Final Results to Tax Returns
  - Submitting Returns Electronically
Where We Are Now

Missouri’s Audits Using CAMS Provides

• **Increased Reporting And Accountability**
  - Supervisor Oversight
  - Time And Expense Reporting
  - Waivers And Open Inventory Reports
CAMS Overview

• **Web-based Application**
  - Accessed Anywhere
  - User-Friendly Interface

• **Robust System For Tracking And Managing Audit Caseloads**
  - Contains Many Features and Functions to Improve Efficiencies

• **Multi-level User Functions**
  - Permission and Privilege Driven
  - Managers, Supervisors, Auditors/Examiners, Analysts

• **Interfaces Directly With the Warehouse**
Demonstration

Demonstration Provided by Pam Sartell, Teradata Government Systems
# Process Comparison

<table>
<thead>
<tr>
<th>Process</th>
<th>Before CAMS</th>
<th>With CAMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leads</td>
<td>• Decentralized</td>
<td>• Centralized</td>
</tr>
<tr>
<td></td>
<td>• Manual Process</td>
<td>• Automated</td>
</tr>
<tr>
<td></td>
<td>• Time consuming</td>
<td>• Comprehensive</td>
</tr>
<tr>
<td></td>
<td>• Paper intensive</td>
<td>• Paperless</td>
</tr>
<tr>
<td>Correspondence</td>
<td>• Inconsistent</td>
<td>• Consistent</td>
</tr>
<tr>
<td></td>
<td>• Letterhead</td>
<td>• Archived &amp; Easily accessed</td>
</tr>
<tr>
<td>Work papers</td>
<td>• Non-standardized</td>
<td>• Automated flow of balances during entire process</td>
</tr>
<tr>
<td></td>
<td>• Increased user error</td>
<td>• Reduced user error by transferring and importing data</td>
</tr>
<tr>
<td></td>
<td>• No flow of balances to other workpapers or computations</td>
<td>• Archived</td>
</tr>
<tr>
<td>Tax Returns &amp; Computations</td>
<td>• Time intensive &amp; increased errors</td>
<td>• Accurate tax rates</td>
</tr>
<tr>
<td></td>
<td>• Extensive data entry</td>
<td>• Automated interest and amended returns</td>
</tr>
<tr>
<td></td>
<td>- enter each location by tax type</td>
<td>• Minimal data entry</td>
</tr>
<tr>
<td></td>
<td>- enter balances by return period</td>
<td></td>
</tr>
<tr>
<td>Time &amp; Expense</td>
<td>• Decentralized</td>
<td>• Associated to an audit</td>
</tr>
<tr>
<td></td>
<td>• Lack of validation</td>
<td>• Increased reporting and accountability</td>
</tr>
<tr>
<td>Historical Data Access</td>
<td>• Limited access</td>
<td>• Archived &amp; Easily accessed</td>
</tr>
<tr>
<td></td>
<td>• Paper</td>
<td>• Consistent</td>
</tr>
<tr>
<td></td>
<td>• Inconsistent recordkeeping</td>
<td>• Increased reporting and accountability</td>
</tr>
</tbody>
</table>
Biggest Efficiencies Gained

• **Saves Time**
  - Less Data Entry “Workpapers/Tax Calcs”
  - More Time Spent Auditing

• **Lower Costs**
  - Reduced Costs to Generate Correspondence

• **User-friendly**
  - Large Audits With Multiple Locations Are Easier To Compute
  - Auditor Buy-In
Biggest Efficiencies Gained

• **Additional Benefits:**
  - Increased Productivity
  - Increased Accuracy
  - Consistent Information
  - Additional Reporting Capabilities
  - Current Software and Technology
  - Consistent Training and Workpapers
  - Professional Product for Taxpayers
Missouri’s Audits in the Future

• Mobile Version
  - Same System – No Wires!

• Scoring Audits Through Analytics

• Ranking, Prioritizing, and Tracing

• Automated Loading of Cases for Assignment

• Audit Tracking and Refunds
Missouri’s Audits in the Future

• Central Communication
  - Emails to Taxpayer

• Auditor’s Monthly Audit Schedule

• Document Management

• Data Sharing via Central Web Portal for Taxpayers
Agenda

- **Iowa Department of Revenue**
  - Audit Component & Data Warehouse
  - Collections Over the Years
  - Auto Bill Overview
  - How Auto Bill Works
  - Auto Bill Efficiencies
Audit Component & Data Warehouse

• **First Load of Leads to the Audit Component:**
  - December 21, 2001

• **In Fiscal Year 2003 (1st Full Year)**
  - 6 Programs Used the Data Warehouse to Generate Leads
  - Also Used the Audit Component to Work 13 Manual Programs

• **In Fiscal Year 2012**
  - 31 Programs Used the Data Warehouse to Generate Leads
  - Also Used the Audit Component to Work 35 Manual Programs
Collections Over the Years

• Fiscal Year 2003 Collections:
  - Total = $55,653,844
  - Tax Gap = $8,745,427

• Fiscal Year 2012 Collections:
  - Total = $105,384,743
  - Tax Gap = $36,202,840

• Tax Gap Collections Only:
  - FY03 = $8,745,427
  - FY06 = $14,971,472
  - FY09 = $21,826,529
  - FY12 = $36,202,840
Auto Bill Overview

Auto Bill Program Started in March 2011

• Fiscal Year 2011:
  - Federal Refund Underreporters & IRMF Non-Filer
  - Auto Billed 11,061 leads
  - Established $53.1 million
  - Collected $7.6 million

• Fiscal Year 2012:
  - Added: State-Fed Match; Property Transfer & IRMF Nonresident
  - Auto Billed 20,335 leads
  - Established $53.2 million
  - Collected $4.7 million
How Auto Bill Works

• Currently Only Individual Income is Auto Billed

• Letter Tells the Taxpayer:
  - What they are being billed for
  - The tax, penalty & interest amounts

• Types of Auto Bills:
  - Under reporter
  - Nonfiler
  - Prebillings for under reported and/or nonfiler
How Auto Bill Works

- Program Managers Control the Process
- Bills Are Created Through Scheduling of correspondence

When Correspondence is Created:
- Automatic calculation of tax, penalty & interest merged into letter
- Program manager decides when letters are issued
Auto Bill Efficiencies

• Assigning of Leads
  - Assign leads based on current caseloads of examiners
  - Take into account vacations, holidays, special projects, etc.

• Scheduling of Letters
  - Hundreds of letters scheduled in minutes
  - Letters can be immediate or at a future date

• Correspondence is Scheduled by Subsets
  - Allows program manager to determine the order leads are worked
  - Ability to sort leads by multiple criteria
Auto Bill Efficiencies

• Programs Worked Faster Overall
  - Eliminates individual tax calculations on the leads
  - Eliminates printing correspondence manually

• Cost Savings
  - More “audit time” for examiners
  - FY12: 20,335 leads; approximately 7,000 hours saved
  - ROI of $18/hour = $126,000 savings
Closing

Any Questions?

Thank You!