

Automating Return Selection (Desk Audit, Field Audit, and IRS Data)



Utah's Discovery Program

- ◉ GenTax State
- ◉ Member Streamlined Sales Tax
- ◉ Start with “Federal Adjusted Gross Income”
- ◉ 50 Total Income/Corporate Credits
- ◉ 74 Sales/Use Tax Exemptions

Income Tax Discovery

- Discovery consists of three Managers, the data Warehouse Manager, the Discovery Manager and the Leads Manager



Warehouse Manager

- The Warehouse Manager is the location where all of your data stores are housed



Discovery Manager

- Discoveries are created based on user defined rules which are applied against data that can come from an array of possible sources, including GenTax[®] and external state and governmental agencies.

State Only Line Items

- ◉ Identify Residency Issues
- ◉ Compliance audits – Coverage
- ◉ Compliance issues – Tax Protestors
- ◉ Non Filing Audits

Leads Manager

- Leads are accounts that have been selected for audit or other action
- Possible Actions
 - Assign for audit
 - Send correspondence

Leads Manager - Scoring Rules

- Scoring rules are used to prioritize audit leads
- High scores can be given for multiple hits in data stores
- High scores can be given due to the likelihood that an error exists

Auto CP2000 Audits

Fiscal Year ended June 2013 – Auto CP2000 audits	assessed	Number of audits
results	1,503,957	3,725

How Utah Began the Process

Formed a team of auditors who were charged with:

- Reviewing Legacy Edits
- Writing new Discoveries
- Reviewing, editing, maintaining of scoring rules
- Writing system job aides, training manuals
- Providing desk side support
- Writing service requests
- Testing of system corrections and fixes

Preparation

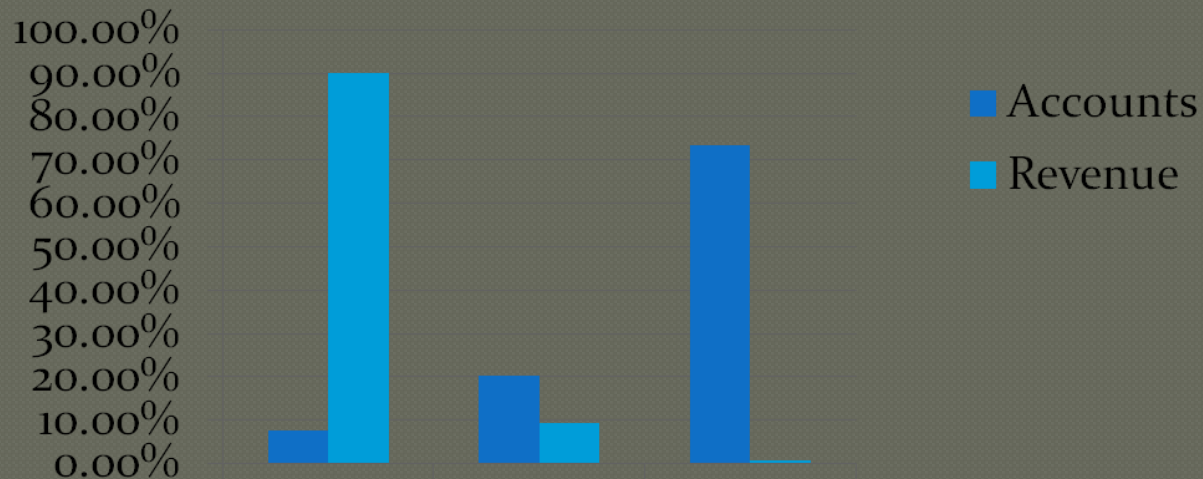
- Auditors were trained in Discovery processes and scoring rules
- Auditors worked with managers to provide base scores and to set priority of audits to be worked
- They tested the system in all areas and became system experts

Utah Sales and Use Tax

- Discovery Principles
 - Protect revenue base
 - Equitably administer audit selection function
 - Make tax evasion harder
 - Quantify results

Sales Tax Discovery

Start with general data pull



Filters

- ◉ Each population is filtered to remove
 - Closed accounts
 - Accounts recently audited
 - Accounts currently under audit



Some Criteria for Scoring Accounts

- New accounts/late filers/years licensed
- Gross sales
- Employee count/withholding amount
- Industry type
- Tax decrease
- Exempt sales fluctuations
- Goods consumed
- Line 6 adjustments
- Refunds

Lead Rules

- ◉ Query data against scoring criteria
- ◉ Assign points to accounts
- ◉ Pool accounts by work area
- ◉ Action accounts with highest points to leads manager

Make Tax Evasion Harder

- ◉ Leads manager allows manual leads from traditional sources to be added
 - Informants
 - Auditors
 - Media

Reports

