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2010 Innovations Awards Application

Deadline: March 1, 2010

ID # (assigned by CSG): **10-MW-28SD**

Please provide the following information, adding space as necessary:

State: South Dakota

Assign Program Category (applicant): Revenue

1. Program Name
CEDAR (Capitalizing on Efficiency and Data, Accelerating Revenue) an integrated tax system
2. Administering Agency
South Dakota Department of Revenue and Regulation
3. Contact Person (Name and Title)
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9. Please provide a two-sentence description of the program.

The Cedar system is an integrated tax system that provides on-the-fly access to all system functionality, data, and image files to users both at their desktop and remote work stations. This functionality includes modules for the following areas: on-line licensing, correspondence, tax compliance, collections, account audit selection, audit processing and approval (paperless), inventory and case management, return and payment processing, reporting, imaging, accounting, and revenue distribution.

10. How long has this program been operational (month and year)? Note: the program must be between 9 months and 5 years old on March 1, 2010 to be considered.

The system was implemented in January 2009.

11. Why was the program created? What problem[s] or issue[s] was it designed to address?

Previously, multiple systems in multiple locations were used to support the work done by the various divisions in the department. Often, several different systems at multiple locations contained information about the same individual or company conducting business in the state of South Dakota. These systems were antiquated and provided minimal functionality. Taxpayer data had to be manually re-keyed into several different systems. Additionally, due to processing bottlenecks and lags, taxpayer data was not available to the staff that needed access to this data on a timely basis. Images of documents and correspondence received from the taxpayers were stored on microfilm in the central office and not readily available to users in the field offices.

Goals of the system were and are:

- Provide an integrated view of the taxpayer
- Improve timeliness and accuracy of tax collection
- Increase tax revenue receipts
- Decrease tax burden on compliant taxpayers
- Better utilize scarce audit resources through multiple audit selection criteria

12. Describe the specific activities and operations of the program in chronological order.

- October 2003 the Department employed consulting services to gain a structured understanding of the business practices and rules, processes and technology. The goals/objectives of the portion of this project were:
 1. Identify the key business elements and work flow
 2. Recommend and evaluate approaches for reengineering business practices
 3. Assist with identifying solutions and develop criteria for systems
- November 2004 the Department entered into a contract with a consultant for:
 1. Collection of requirements
 2. Evaluation of information obtained during the requirement collection process
 3. Perform a final analysis and design based on the requirements
- October 2005 the development phase of the project began with five (5) program developers

- January 2009 the program was fully implemented

13. Why is the program a new and creative approach or method?

This system provides us with a centralized location for a majority of the information regarding an individual or company's business activity in the state. This allows us to do a more effective job of monitoring accounts to ensure that all of the revenue that is due to the state of South Dakota is reported and remitted by the individual or company. Reporting outliers are more easily recognized. It also allows for the automated processes that need to take place when this revenue is not being correctly remitted by these outliers. This automation replaced many processes that were manually performed by staff in the past.

14. What were the program's start-up costs? (Provide details about specific purchases for this program, staffing needs and other financial expenditures, as well as existing materials, technology and staff already in place.)

Consultant overview of department	\$ 61,152
Consultant costs for requirement phase	\$ 220,715
Programmer development costs	\$1,894,221
Opex AS36901 scanner	\$ 60,000
Desktop scanners	\$ 23,445
Various development software	\$ 15,500
	\$2,275,033

15. What are the program's annual operational costs?

Current annual costs are \$187,200. Enhancement costs are included with this operational cost.

16. How is the program funded?

Development costs and on-going maintenance and modifications are funded with other state funds.

17. Did this program require the passage of legislation, executive order or regulations? If YES, please indicate the citation number.

No.

18. What equipment, technology and software are used to operate and administer this program?

CEDAR was developed in Microsoft VB.Net with a back end MS SQL Server 2005 Database and is hosted on several Citrix Presentation 4.0 Servers. Other software utilized by the application includes Crystal Reports VI, Infragistics, FileDirector, TXText Controls, and Pegasus Imaging. The majority of image capturing is done with the Opex AS3690i. However, it is also done by desktop scanners in field offices and portable scanners by staff working offsite.

19. To the best of your knowledge, did this program originate in your state? If YES, please indicate the innovator's name, present address, telephone number and e-mail address.

The concept of an integrated tax system is not new. However, a custom built system tailored to our tax structure, that provides on-the-fly access to all areas of functionality, data, data entry and images to users regardless of whether they are working at their desk or in the field and connecting remotely is quite new.

20. Are you aware of similar programs in other states? If YES, which ones and how does this program differ?

Yes, several state revenue departments have custom built tax systems or have purchased a COTS (commercial off-the-shelf system) in recent years. Presumably, all state revenue departments have some type of tax system to support the processing and analysis of tax return information data and payments. However, it has been our experience that these systems do not provide the functionality and immediate access to data and image files regardless of where the user is working, as the Cedar system does. Remote access is provided to the system through the use of laptop computers and wireless internet air cards.

21. Has the program been fully implemented? If NO, what actions remain to be taken?

All of the Phase 1 requirements have been implemented.

Additional functionality to be developed as time and budget allow include the following; electronic reporting and capture of Motor Fuel tax return and schedule information, taxpayer access to their account information and electronic bank processing of paper payment documents.

22. Briefly evaluate (pro and con) the program's effectiveness in addressing the defined problem[s] or issue[s]. Provide tangible examples.

Audit System

The implementation of CEDAR resulted in a number of improvements in the Audit Division from developing performance measures, audit selection, managing audit inventory, modernizing the audit process, paperless audits and wireless connection to the system for auditors.

Performance Measures:

- The Audit Division developed performance measures dealing with audit selection criteria and managing audits. The development of these performance measures has led to many improvements that can be monitored in the CEDAR system. These improvements have made the Audit Division more effective in selecting audits and completing audits in a timely manner.

Audit Selection:

- CEDAR creates data warehouse for research of audit candidates.
- Provides easily managed research tools to search by numerous criteria.
- System designed to allow users to utilize research tools thereby utilizing the expertise of entire staff.

Audit Inventory:

- Improves shared knowledge of audit candidates by tracking activity and documenting the reasons for addition or removal from inventory.

- Provides a means to track, monitor and follow up on valued audit candidates, insuring that no audits or audit periods are lost.
- Provides the ability to tag new licensees and monitor tax compliance.
- Enables audit staff to manage inventory for up to 3 years into the future thereby increasing auditor efficiency.
- Allows department staff to channel potential audit candidates to the Audit Division in a very efficient and effective manner.

Audit Module:

- Establishes a user friendly and easy to learn audit process that assures uniformity and accuracy.
- Creates an electronic audit package that is continually available to audit management both during and after the audit process. Management reviews and approves audits in the system thereby eliminating paper reports completely.
- Integrates time management system directly into the audit system allowing for up to date management of auditor time and productivity.
- Streamlines the data entry portion of the audit process, allowing for importation of outside data and the ability for multiple points of wireless input simultaneously(allows multiple auditors to work on same audit at same time).
- Audit staff has wireless access to audit module and entire CEDAR system data.
- Creates up to the moment management and productivity reports allowing for management to be proactive with auditor productivity and division goals.

Audit Assessment Management:

- Creates an online management system to manage completed audits for payment, legal requests and A/R collection activity.

Collection Component:

- Better identification and prioritization of delinquent accounts through an advanced sort. The sort allows searches based on several different criteria and then prioritizes them using a combination of the actual balance due and estimated amount due from outstanding returns.
- Easier identification of related licenses (including other divisions) which allows collectors to handle delinquency issues for all related licenses during the same contact.
- More efficient preparation of collection documents. Many of the documents are easily prepared in Cedar with just a few clicks of the mouse. By streamlining this process the employee who previously prepared these documents is now doing collections and the collectors are more in control of when the documents are prepared and sent out.
- The ability to process returns and payments locally has made the system more "real time" and also allows revenue to be realized earlier.
- Scanned images on the system are more convenient than microfilm and make evidence gathering for criminal cases more efficient.
- Postage costs are reduced by having the ability to email PDF returns and reports. In addition, the system allows us to store certified mail numbers eliminated the Post Office charges for receipt verification.
- Automated comments are generated for many of the collection processes which saves personnel time and provide a clear account of what has transpired.

Taxpayer Account Benefits for Agents

- Offer on-line application for licenses for various tax types
- Automates the printing of tax returns
- Allows for imaging and direct access to filed returns, payment and other documentation
- Allows for remote encoding of return information
- Consolidates unlicensed taxpayer information during tax discover processes
- Provides overview of consolidated taxpayer information regardless of license types to promote compliance in all tax areas
- Identifies unlicensed and underreporting taxpayers
- Provides a mechanism to trigger taxpayer account review when reporting parameters are not met
- Allows on-line taxpayer seminar registration, updates taxpayer accounts to reflect training attended and provides a pre-seminar and post-seminar taxpayer reporting

23. How has the program grown and/or changed since its inception?

User feedback continues to provide the basis for modifications, enhancements and additional system functionality. Since implementation additional tax types have also been added to the system.

24. What limitations or obstacles might other states expect to encounter if they attempt to adopt this program?

States with income taxes would likely encounter obstacles that were not issues for South Dakota. South Dakota, compared to most states, has a relatively small number of staff which does help in getting buy-in and consensus. Regardless of states' tax types; everyone must be able to accept process changes and changes to business practices in order for any system to be successful.

CSG reserves the right to use or publish in other CSG products the information provided in this application. If your agency objects to this policy, please advise us in a separate attachment.



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2010 Innovations Awards Application Program Categories and Subcategories

Use these as guidelines to determine the appropriate Program Category for your state's submission and list that program category on page one of this application. Choose only one.

Infrastructure and Economic Development

- Business/Commerce
- Economic Development
- Transportation

Government Operations and Technology

- Administration
- Elections
- Information Systems
- Public Information
- Revenue
- Telecommunications

Health & Human Services

- Aging
- Children & Families
- Health Services
- Housing
- Human Services

Human Resources/Education

- Education
- Labor
- Management
- Personnel
- Training and Development
- Workforce Development

Natural Resources

- Agriculture
- Energy
- Environment
- Environmental Protection
- Natural Resources
- Parks & Recreation
- Water Resources

Public Safety/Corrections

- Corrections
- Courts
- Criminal Justice
- Drugs
- Emergency Management
- Public Safety

Save in .doc or rtf. Return completed application electronically to innovations@csg.org or mail to:

CSG Innovations Awards 2010
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This application is also available at www.csg.org.