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☞ Details: Audit Letter Report (December 2005), Sales and Use Tax Distributions, Department of Revenue

(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Joint

(Assembly, Senate or Joint)

Committee on Audit...

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Sales and Use Tax Distributions

Department of Revenue

Legislative Audit Bureau
February 2006

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Sales and Use Tax Overview

- ◆ State imposes a 5.0 percent sales and use tax
- ◆ 58 counties impose a 0.5 percent tax
- ◆ Stadium districts
 - Southeast Wisconsin Professional Baseball Park District imposes a 0.1 percent tax in five counties
 - Green Bay/Brown County Professional Football Stadium District imposes a 0.5 percent tax in Brown County

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Integrated Tax System

- ◆ Processes sales and use tax
- ◆ Implemented in December 2002
- ◆ Has cost \$37.1 million

3

Calendar Year 2005 Distributions

| | |
|-------------------|-------------------|
| Counties | \$261,009,958 |
| Professional | |
| Football District | 20,862,877 |
| Professional | |
| Baseball District | <u>24,867,755</u> |
| Total | \$306,740,590 |

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Previously Identified Concerns

- ◆ Processing backlog
 - December 2002 to May 2003
 - Resulted in \$24.6 million overpayment
- ◆ Out-of-state vehicle purchases
 - December 2002 to March 2004
 - Resulted in \$3.1 million underpayment
- ◆ Registration and Titling System (RaTS)
 - Through November 2005
 - Resulted in \$6.0 million underpayment
- ◆ Secondary processing errors
 - Resulted in \$4.2 million overpayment

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New Concern

- ◆ Negative sales and use tax entries caused errors
- ◆ This affected 100,000 returns
- ◆ \$4.2 million in overpayments

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Resolution with Counties and Districts

- ◆ \$24.6 million recouped in 2003
- ◆ \$1.3 million distributed in July 2005
- ◆ Unresolved errors

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Net Over/(Underpayments) as of December 20, 2005

| | |
|---------------------------|--------------------|
| Net overpayments | |
| to counties and districts | \$2,794,844 |
| Net underpayments | |
| to counties | <u>(1,823,166)</u> |
| Net overpayments | \$ 971,678 |

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Net Overpayments to Counties/Districts

(As of December 20, 2005)

| County | Amount | |
|--|--------------------|----------|
| Milwaukee | \$1,006,544 | |
| Dane | 291,264 | |
| Portage | 158,379 | |
| Sauk | 140,061 | |
| Ozaukee | 101,297 | |
| 20 Other Counties that Were Overpaid | 326,387 | |
| Net Overpayments to Counties | 2,023,932 | |
| Southeast Wisconsin Professional Baseball Park District | 364,765 | |
| Green Bay/Brown County Professional Football Stadium District | 406,147 | |
| Net Overpayments | \$2,794,844 | 9 |

those over
100,000

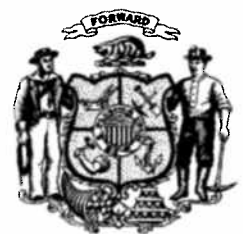
Next Steps for Department of Revenue

- ◆ Review and test ITS
- ◆ Provide monthly progress reports to Audit Committee
- ◆ Proceed cautiously

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WISCONSIN STATE LEGISLATURE



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DOR

Joint Legislative Audit Committee Integrated Tax System – Talking Points

- We are equally frustrated by the problems experienced with our system.
- State of Wisconsin's Department of Revenue has long history, 15 years, of providing reliable sales tax administration for Monroe County.
- County sales tax distribution errors were largely attributable to design flaws in the software delivered to the DOR by our vendor CGI-AMS. *the complexity of the system and*
- Errors are unacceptable - While the impact of these software errors represents only .6% of sales tax distributed to counties, the identified software defects are clearly *~ \$90 mill* unacceptable.
- Problems went undetected by vendor's contractual software testing and system assurance work.
- Problems date to December of 2002 when system was first implemented.
- This is a system we inherited, but we are working to address the challenges it presents responsibly.
- In December '05, DOR issued \$1.8 mill to 33 counties where the system under-distributed tax. (In addition, \$1.2 million was sent to 23 counties in July)
- In cases where the system over-distributed revenue, DOR has not yet asked counties to remit the overpayment. (\$2.8 million owed by 27 counties).
- Reconciled Totals:
- Statewide:
 - \$ - 8.8 million over-distributed over 36 months due to glitches
 - \$ 9.1 million owed for occasional motor vehicles glitches (ours & DOTs)
 - \$- 292,319 net impact
- Statewide Sales Tax Trends:

| <u>CYear</u> | <u>State</u> | <u>County</u> |
|--------------|--------------|---------------|
| 04-05 | 4.4 % | 3.02% |
| 03-04 | 3.76% | 9.49% |
| 02-03 | 7.1% | 2.86% |

- CGI Status:

Distribution Testing: CGI-AMS will conduct full functionality testing for all distribution accounting system functions. As part of this work, CGI-AMS will execute these tests to identify any error, and correct any error if found. To date, CGI-AMS staff have drafted

15 and outlined 17 of 20 planned scenarios. Test execution of these scenarios will begin the week of January 31, 2006.

System Assurance: CGI-AMS staff will also design and build any additional system logic that is needed to verify accurate system calculations. This additional work will supplement missing logic that was not developed when the system was delivered to the state. Two new areas of system assurance will be implemented: batcher/returns processing and taxpayer accounting/delinquency. Existing system assurance for revenue accounting/distribution will also be evaluated and augmented where necessary.

To date, the summary analysis of taxpayer accounting/delinquency has been drafted, and the overall analysis is four days ahead of schedule. The analysis of batcher/returns processing, originally scheduled to begin on January 23, has been delayed by CGI-AMS staffing changes and will begin in February. Revenue accounting/distribution analysis is scheduled to begin in February.

System Performance: CGI-AMS staff will also evaluate system performance issues. The objective of this work is to address and resolve issues such as the periodic slow response time experienced by users of the system as well as other performance issues. To date, CGI-AMS has identified three issues affecting system performance and is working to implement the necessary system corrections.

- The Wisconsin Legislative Audit Bureau worked with us in December to analyze these issues. A report was issued to the Joint Legislative Audit Committee. We will continue to report to the committee on a monthly basis.
- We reached an agreement with CGI-AMS to return to the department, at no cost to taxpayers, to conduct additional testing and analysis, as well as address system performance issues.
- Staff of CGI-AMS have been on site since the second week of January 2006. Most of their diagnostic and system performance work will be completed by the end of March.
- In cases where the system over-distributed revenue, DOR will wait until the LAB has completed their work before proceeding (\$2.8 million owed by 27 counties).

-
- CGI-AMS Sales & Use Tax software product is part of DOR's larger Integrated Tax System (ITS) began in 1998 and continues today. Project costs, through FY 05, total approximately \$ 37.1 million. And, through FY 05, the system has enabled the state to collect an additional \$ 66.1 million in tax revenue for the state. (Total project costs are expected to reach \$63.3 million by FY10.)

county outreach

The Integrated Tax System Project was authorized in 1997 Wisconsin Act 27 (1997-99 biennial budget bill). The initial project plan and ensuing request for proposal (RFP) outlined an ongoing evaluation of contractors and technology, since there is a continuous evolution in products and priorities. The program has had some significant successes. In fact, the proposal received at the end of the requirements definition for individual income tax component at a cost of \$35 million was rebid and the prospective vendor has proposed a cost of \$15 million. This new proposal also includes three other tax types and five-years of full production support.

Project Highlights:

Master Plan 1998 – The master plan produced under contract by IBM was a satisfactory product for setting an overall direction for the Integrated Tax System project.

Process Model and Requirements Definition 1999 – The process model, use cases and data model produced by IBM were satisfactory, but the analysis object model was marginal due to the lack of detail. As allowed in the original RFP, DOR decided to bid future work on the program.

Sales Internet Filing 1999 – This implementation bid was awarded to Fuse Technology, and has been a very good investment. The cost of development was low, the cost of maintenance and reliability has been reasonable, and the support for Revenue business customers has been good. The error rate on all electronically filed returns has been in the range of 1 to 2.5% as opposed to 25 to 40% on scanned paper returns.

Returns Scanning Expansion 1999 – The scanning upgrade bid was awarded to IBM and Kodak. The system has worked well while scaling up for Sales, Income and Real Estate Transfer applications.

Business Data Warehouse 1999 – The business data warehouse, developed under contract with Deloitte, has been a solid application. The system has identified a large number of audit candidates that resulted in tax collection that otherwise would have been missed.

Electronic Funds Transfer and Credit Card Acceptance 2000 – The acceptance and processing of electronic financial transactions was implemented by DOR staff using ITS funds and it has been constantly growing in volume and expanding in transaction types supported since the initial implementation.

Sales Tax Telefile 2000 – This telephony-based system developed by Centurion has been well received by businesses and allows electronic filing for a group of customers who do not use computers for this purpose. This is similar to the service that is available for individual income tax filers. The volume of use has exceeded expectations and the development cost was low.

Income Internet Freefile 2001 – This web-based system, developed by DOR staff using ITS funds, allows some individuals to file their income tax return via the Internet. The system has been very successful and popular with the public. Use of the system has grown with each year and system stability has been excellent.

Sales and Use Tax Release 2002 (also referred to as ITS Release 1) – The main processing system developed by CGIAMS has been processing \$4 billion in sales and use taxes successfully for 160,000 business customers since late 2002. The internal business operation has been hampered by a higher than expected level of software defects, but throughput has been maintained. There have only been a small number of defects that have affected external customers, but they are sensitive since they impact revenue distribution to counties and stadium districts. The levels of effort required to maintain the system has been much higher than projected by the vendor.

Sales Tax XML File Transfer 2004 – This computer-to-computer method of submitting sales tax returns was developed by DOR staff using ITS funds and is catching on quickly. DOR is hopeful that most larger businesses will use this fully automated method of return submission.

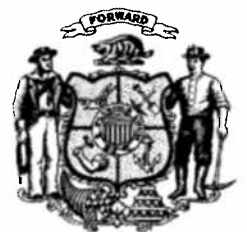
Business Internet Registration 2004 – This new process developed by DOR staff using ITS funds allows businesses to register with DOR on the Internet. From the first day of implementation, over a third of new registrants have used this self-service feature. The application has been very stable.

Channel Manager 2005 (Batcher) – This new set of software consists of components developed by CGIAMS and DOR staff. The purpose of the software is to capture, acknowledge, and standardize all channels of data coming into DOR into common streams for processing. At the current stage of implementation, the process is evolving very well.

Individual Tax Compliance Data Warehouse 2005 – This project is in an early stage of development by DOR staff using ITS funds, but we expect the first individual income audit candidates to be identified by the system in late spring 2005. Our 'new revenue' expectations are high for this tool.



WISCONSIN STATE LEGISLATURE



Sales Tax Reconciliation - Distribution Period Summary

| Distribution Period | Amounts Distributed Dec '02-Nov '05 | Motor Vehicles Sales Errors | Discount Rounding Errors | Accounting Entry Errors | Abatements Errors | Distribution Calculation Errors | Refund Checks | Reconciliation Balance | Reconciled Distribution Dec 02-Nov 05 |
|---------------------|--|--------------------------------|--------------------------------|----------------------------|-----------------------|---------------------------------------|-----------------------|---------------------------|---|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| December '02 | 23,807,100.00 | 441,991.91 | 9.86 | 59,977.91 | | -12,401.99 | | 489,577.69 | 24,296,677.69 |
| January '03 | 21,423,800.00 | 166,019.68 | -300.75 | -117,088.39 | 0.81 | -83,250.94 | | -34,619.59 | 21,389,180.41 |
| February '03 | 26,405,900.00 | 149,807.23 | 286.43 | -22,253.47 | -20.04 | -126,808.19 | | 1,011.96 | 26,406,911.96 |
| March '03 | 19,654,900.00 | 173,259.23 | -3,640.72 | -55,985.63 | 564.49 | -67,040.45 | | 47,156.92 | 19,702,056.92 |
| April '03 | 19,608,700.00 | 197,312.42 | 2,015.00 | -71,466.53 | | -126,668.19 | | 1,192.70 | 19,609,892.70 |
| May '03 | 18,325,600.00 | 220,263.07 | 4.41 | -58,405.63 | 449.95 | -50,796.48 | | 111,515.32 | 18,437,115.32 |
| June '03 | 17,886,524.54 | 195,478.45 | -0.29 | -294,500.19 | -285.49 | -207,556.01 | | -306,863.53 | 17,579,661.01 |
| July '03 | 29,642,421.23 | 192,051.09 | 0.04 | -120,540.16 | -43.29 | -199,539.74 | | -128,072.06 | 29,514,349.17 |
| August '03 | 25,098,379.79 | 222,209.10 | 1,143.17 | -80,618.32 | -124,269.86 | -342,269.75 | | -323,805.66 | 24,774,574.13 |
| September '03 | 25,166,884.44 | 202,326.40 | -99.97 | -196,983.87 | -99.03 | -278,020.45 | | -272,876.92 | 24,894,007.52 |
| October '03 | 29,154,587.80 | 210,113.10 | -0.09 | -123,767.52 | | -97,482.73 | | -11,137.24 | 29,143,450.56 |
| November '03 | 27,427,411.66 | 167,097.81 | 113.65 | -115,479.32 | -120.71 | -138,044.34 | | -86,432.91 | 27,340,978.75 |
| December '03 | 20,951,048.58 | 153,561.79 | -0.30 | -238,286.83 | -151.44 | -70,226.38 | | -155,103.16 | 20,795,945.42 |
| January '04 | 24,049,951.45 | 175,017.14 | -17.58 | -90,189.41 | 0.02 | -119,739.03 | | -34,928.86 | 24,015,022.59 |
| February '04 | 28,019,914.80 | 135,467.47 | 77.08 | -92,992.10 | -92.31 | -144,527.66 | | -102,067.52 | 27,917,847.28 |
| March '04 | 22,032,611.63 | 107,636.53 | -113,894.33 | -61,205.12 | 36.30 | -128,702.57 | | -196,129.19 | 21,836,482.44 |
| April '04 | 20,542,201.54 | 1,083.28 | -143,167.69 | -131,238.68 | -2,226.24 | -68,410.71 | | -343,960.04 | 20,198,241.50 |
| May '04 | 23,678,224.50 | 2,480.79 | -151,763.12 | -161,939.98 | -95.21 | -42,085.67 | | -353,403.19 | 23,324,821.31 |
| June '04 | 25,418,491.87 | 15,821.63 | -133,873.22 | -502,645.47 | -274.85 | -117,581.61 | | -738,553.52 | 24,679,938.35 |
| July '04 | 25,613,426.28 | 42,251.60 | -160,026.40 | -41,935.36 | -2,343.07 | -71,367.19 | | -233,420.42 | 25,380,005.86 |
| August '04 | 27,928,077.24 | 32,015.89 | -175,572.58 | -54,294.76 | 460.41 | -131,017.11 | | -328,408.15 | 27,599,669.09 |
| September '04 | 27,327,825.98 | 17,997.97 | -172,539.66 | 22,031.36 | | -58,267.10 | | -190,777.43 | 27,137,048.55 |
| October '04 | 29,555,631.09 | 11,339.32 | -137,114.64 | 103,141.15 | -735.60 | -78,067.93 | | -101,437.70 | 29,454,193.39 |
| November '04 | 25,521,981.37 | 9,234.52 | -390,969.29 | -72,756.13 | 45.54 | -156,382.51 | | -610,827.87 | 24,911,153.50 |
| December '04 | 25,598,526.90 | 172,918.94 | -151,462.01 | -26,033.31 | -127.80 | -146,473.86 | | -151,178.04 | 25,447,348.86 |
| January '05 | 25,767,612.27 | 296,894.15 | -183,063.20 | -32,202.23 | -404.86 | -109,231.34 | | -28,007.48 | 25,739,604.79 |
| February '05 | 27,710,990.53 | 382,790.15 | -21,562.20 | -19,229.70 | | -108,180.88 | | 233,817.37 | 27,944,807.90 |
| March '05 | 19,973,373.95 | 512,188.26 | 49.08 | 3,713.68 | -1,486.07 | -234,837.37 | | 279,627.58 | 20,253,001.53 |
| April '05 | 22,655,269.09 | 598,084.71 | 70.65 | 16.00 | -90.33 | -63,984.15 | | 534,096.88 | 23,189,365.97 |
| May '05 | 22,067,702.37 | 528,382.49 | -38.43 | -172.19 | -1,710.75 | -83,224.82 | | 443,236.30 | 22,510,938.67 |
| June '05 | 28,578,691.18 | 566,602.69 | -151.31 | 338.20 | -1,661.65 | -126,311.31 | | 438,816.62 | 29,017,507.80 |
| July '05 | 24,001,797.81 | 538,640.84 | -324.25 | -3,841.36 | -136.79 | -67,121.36 | | 467,217.08 | 24,469,014.89 |
| August '05 | 28,715,529.19 | 651,715.25 | 28.92 | -2,665.36 | | -106,316.10 | | 542,762.71 | 29,258,291.90 |
| September '05 | 26,229,826.81 | 616,572.02 | 5.55 | -3,326.80 | | -110,320.86 | | 502,929.91 | 26,732,756.72 |
| October '05 | 27,139,342.47 | 585,386.72 | | -1,610.72 | | -50,430.62 | | 533,345.38 | 27,672,687.85 |
| November '05 | 27,880,997.81 | 428,817.71 | 1,498.01 | -574.91 | | -31,715.55 | | 398,025.26 | 28,279,023.07 |
| July Refund | | | | | | | 1,263,570.37 | -1,263,570.37 | |
| Grand Total | \$890,561,256.17 | \$9,120,831.35 | (\$1,934,280.18) | (\$2,605,011.15) | (\$134,817.87) | (\$4,154,402.95) | \$1,263,570.37 | (\$971,251.17) | \$889,590,005.00 |

Grand Total: \$890,561,256.17 \$9,120,831.35 (\$1,934,280.18) (\$2,605,011.15) (\$134,817.87) (\$4,154,402.95) \$1,263,570.37 (\$971,251.17) \$889,590,005.00

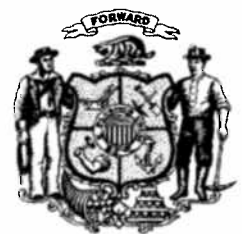
Sales Tax Reconciliation - County Summary

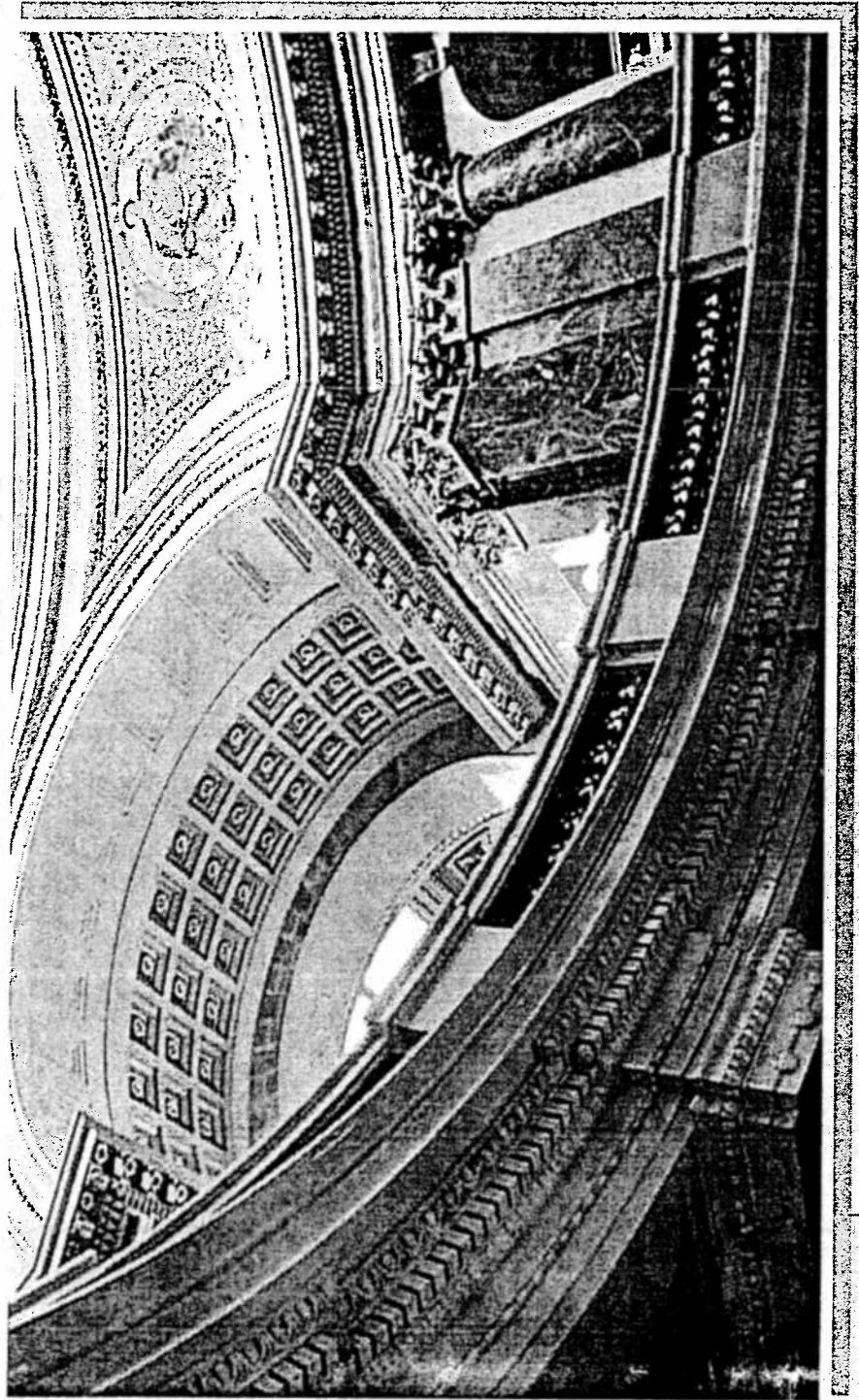
| Taxing Jurisdictions | Amounts Distributed Dec '02-Nov '05 | Motor Vehicles Sales Errors | Discount Rounding Errors | Accounting Entry Errors | Abatements Errors | Distribution Calculation Errors | Refund Checks | Reconciliation Balance | Reconciled Distribution Dec 02-Nov 05 |
|----------------------|--|--------------------------------|-----------------------------|-------------------------|-------------------|------------------------------------|---------------|------------------------|---|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 01ADAMS9 | 2,904,369.10 | 33,478.85 | -5,720.51 | -2,401.97 | | -20,668.97 | 81.91 | 4,605.49 | 2,908,974.59 |
| 02ASHLAN | 2,980,444.60 | 70,212.70 | -4,593.02 | -5,761.99 | | -18,581.76 | 24,815.67 | 16,460.26 | 2,996,904.86 |
| 03BARRON | 10,112,352.70 | 119,245.82 | -61,235.45 | -30,908.88 | -124.33 | -38,744.28 | | -11,767.12 | 10,100,585.58 |
| 04BAYFIE | 2,392,582.65 | 87,112.17 | -5,431.71 | -769.18 | | -13,427.77 | 37,052.88 | 30,430.63 | 2,423,013.28 |
| 05BROWN9 | | 0.00 | | -20.85 | | | | -20.85 | -20.85 |
| 06BUFFAL | 1,624,340.18 | 86,752.48 | -3,353.72 | -5,514.24 | | -11,413.75 | 31,488.04 | 34,982.73 | 1,659,322.91 |
| 07BURNET | 2,415,824.78 | 112,081.33 | -4,589.21 | -5,823.39 | -3.98 | -9,263.36 | 39,485.08 | 52,916.31 | 2,468,741.09 |
| 08CALLUME | | 0.00 | | | | | | 0.00 | 0.00 |
| 09CHIPPE | 10,140,666.87 | 107,757.78 | -20,193.49 | -30,116.11 | -82.84 | -63,514.82 | | -6,149.48 | 10,134,517.39 |
| 10CLARK9 | | 0.00 | | -14.63 | | | | -14.63 | -14.63 |
| 11COLUMB | 10,011,376.54 | 83,575.36 | -17,683.79 | -17,780.18 | 60.00 | -76,359.26 | | -28,187.87 | 9,983,188.67 |
| 12CRAWFO | 3,746,622.19 | 67,193.55 | -6,336.25 | -11,414.41 | | -30,900.57 | 10,310.40 | 8,231.92 | 3,754,854.11 |
| 13DANE99 | 120,405,748.48 | 755,841.66 | -235,676.03 | -446,635.31 | -116.63 | -364,678.07 | | -291,264.38 | 120,114,484.10 |
| 14DODGE9 | 13,395,576.22 | 102,522.67 | -26,097.52 | -26,430.44 | -374.42 | -60,491.20 | | -10,870.91 | 13,384,705.31 |
| 15DOOR99 | 8,689,570.92 | 60,437.42 | -22,320.14 | -3,884.70 | -448.66 | -14,866.95 | | 18,916.97 | 8,708,487.89 |
| 16DOUGLA | 8,261,310.25 | 342,423.76 | -16,386.19 | -24,958.39 | -49.51 | -20,661.91 | 116,647.45 | 163,720.31 | 8,425,030.56 |
| 17DUNN99 | 6,466,093.56 | 83,653.72 | -11,585.04 | -18,945.31 | | -49,741.42 | | 3,381.95 | 6,469,475.51 |
| 18EAUCLA | 22,874,314.57 | 194,171.90 | -49,193.07 | -79,565.15 | -48.99 | -84,523.90 | | -19,159.21 | 22,855,155.36 |
| 19FLOREN | | 0.00 | | -85.00 | | | | -85.00 | -85.00 |
| 20FONDDU | | 0.00 | | | | | | 0.00 | 0.00 |
| 21FOREST | 1,467,021.95 | 19,611.99 | -2,240.64 | -2,440.85 | | -29,566.30 | 716.37 | -15,352.17 | 1,451,669.78 |
| 22GRANT9 | 6,249,575.30 | 286,795.85 | -13,713.11 | -16,680.20 | 0.81 | -18,280.85 | 91,774.25 | 146,348.25 | 6,395,923.55 |
| 23GREEN9 | 4,829,085.14 | 71,149.78 | -10,802.13 | -17,049.73 | 4.16 | -20,472.69 | | 22,829.39 | 4,851,914.53 |
| 24GREENL | 3,183,921.70 | 28,166.01 | -6,697.78 | -2,291.51 | | -25,074.97 | | -5,898.25 | 3,178,023.45 |
| 25IOWA99 | 4,610,261.22 | 58,750.09 | -8,013.01 | -6,726.09 | -43.29 | -19,176.81 | 5,175.39 | 19,615.50 | 4,629,876.72 |
| 26IRON99 | 1,121,077.98 | 45,281.00 | -2,706.91 | -4,393.04 | -30.88 | -6,793.20 | 15,676.68 | 15,680.29 | 1,136,758.27 |
| 27JACKSO | 2,903,713.21 | 37,419.20 | -5,467.56 | -3,508.23 | | -33,441.39 | | -4,997.98 | 2,898,715.23 |
| 28JEFFER | 14,190,491.32 | 115,736.34 | -27,829.73 | -30,508.72 | -8.35 | -76,646.09 | | -19,256.55 | 14,171,234.77 |
| 29JUNEAU | 3,641,237.78 | 41,066.47 | -7,663.61 | -6,094.97 | -1.78 | -47,225.87 | | -19,919.76 | 3,621,318.02 |
| 30KENOSH | 27,396,936.83 | 691,103.17 | -49,252.14 | -101,110.03 | -78.14 | -98,350.57 | 156,964.93 | 285,347.36 | 27,682,284.19 |
| 31KEWAUN | | 0.00 | | -1.64 | | | | -1.64 | -1.64 |
| 32LACROS | 26,913,478.52 | 261,460.33 | -56,686.32 | -97,595.79 | -92.48 | -118,819.97 | | -11,734.23 | 26,901,744.29 |
| 33LAFAYE | 1,626,236.20 | 67,889.84 | -3,709.28 | -3,911.12 | -978.64 | -6,291.71 | 20,855.89 | 32,143.20 | 1,658,379.40 |
| 34LANGLA | 3,746,649.94 | 28,264.32 | -6,438.53 | -2,212.72 | | -10,324.99 | | 9,288.08 | 3,755,938.02 |
| 35LINCOL | 4,582,435.93 | 42,346.82 | -7,477.99 | -5,711.82 | -215.40 | -28,591.96 | | 349.65 | 4,582,785.58 |
| 36MANITO | | 0.00 | | | | | | 0.00 | 0.00 |
| 37MARATH | 31,394,638.90 | 215,516.88 | -53,752.94 | -83,413.50 | -549.18 | -140,625.60 | | -62,824.34 | 31,331,814.56 |
| 38MARINE | 8,263,340.46 | 86,040.18 | -13,833.62 | -13,802.99 | | -58,481.83 | | -78.26 | 8,263,262.20 |
| 39MARQUE | 2,050,134.21 | 27,150.89 | -4,440.88 | -3,185.20 | -0.19 | -21,579.39 | | -2,054.77 | 2,048,079.44 |
| 40MILWAU | 181,740,009.81 | 776,805.59 | -325,174.50 | -648,601.90 | -1,637.96 | -807,935.40 | | -1,006,544.17 | 180,733,465.64 |
| 41MONROE | 7,191,838.52 | 68,105.91 | -13,359.05 | -12,770.09 | | -87,429.24 | | -45,452.47 | 7,146,386.05 |

| Taxing Jurisdictions | Amounts Distributed Dec '02-Nov '05 | Motor Vehicles Sales Errors | Discount Rounding Errors | Accounting Entry Errors | Abatements Errors | Distribution Calculation Errors | Refund Checks | Reconciliation Balance | Reconciled Distribution Dec 02-Nov 05 |
|----------------------|--|--------------------------------|--------------------------------|----------------------------|-----------------------|---------------------------------------|-----------------------|---------------------------|---|
| 20CONTO | 4,583,442.76 | 54,877.13 | -9,722.13 | -6,570.86 | -1,393.35 | -35,842.79 | | 1,348.00 | 4,584,790.76 |
| 30NEIDA | 10,996,683.58 | 88,148.44 | -19,037.72 | -16,369.44 | -400.22 | -20,302.78 | | 32,038.28 | 11,028,721.86 |
| 40UTAGA | | 0.00 | | 0.00 | | | | 0.00 | 0.00 |
| 50ZAUKE | 17,837,385.20 | 105,304.56 | -35,450.48 | -24,953.69 | -111.08 | -146,086.00 | 7,918.55 | -101,296.69 | 17,736,088.51 |
| 60PEPIN9 | 1,024,416.06 | 32,018.64 | -2,083.87 | -4,202.89 | 49.50 | -4,088.48 | 128,084.95 | 13,724.85 | 1,038,140.91 |
| 70PIERCE | 4,147,452.71 | 315,572.04 | -8,448.41 | -12,004.62 | | -15,490.16 | 100,209.57 | 151,613.40 | 4,299,066.11 |
| 80POLK99 | 6,452,834.07 | 298,435.28 | -12,075.07 | -15,341.68 | -70.43 | -54,233.77 | 112,383.15 | 116,575.19 | 6,569,409.26 |
| 90PORTAG | 13,514,101.05 | 84,443.65 | -28,488.98 | -34,251.42 | | -67,628.85 | | -158,379.18 | 13,355,721.87 |
| 00PRICE9 | 2,435,098.50 | 27,951.94 | -5,334.50 | -5,436.61 | 315.54 | -19,104.72 | | -1,923.89 | 2,433,174.61 |
| 51RACINE | | 31.85 | | -5.95 | | | | 341.44 | 341.44 |
| 52RICHLA | 2,746,681.74 | 27,822.07 | -4,758.75 | -2,688.47 | | -13,004.30 | | 7,370.55 | 2,754,052.29 |
| 33ROCK99 | | 0.00 | | -19.55 | | | | -19.55 | -19.55 |
| 34RUSK99 | 2,079,970.03 | 26,600.26 | -4,492.86 | -12,149.62 | -34.19 | -3,900.65 | | 6,022.94 | 2,085,992.97 |
| 55STCROI | 14,793,581.85 | 781,350.41 | -29,099.79 | -32,433.25 | -0.61 | -33,632.42 | 324,541.30 | 361,643.04 | 15,155,224.89 |
| 56SAUK99 | 18,833,146.04 | 110,792.07 | -37,957.84 | -28,812.82 | -124,325.30 | -59,757.13 | | -140,061.02 | 18,693,085.02 |
| 57SAWYER | 4,203,850.04 | 65,264.59 | -8,872.33 | -19,296.88 | -1,689.86 | -12,484.72 | 728.35 | 22,192.45 | 4,226,042.49 |
| 58SHAWAN | 5,885,277.64 | 48,476.63 | -10,406.22 | -8,258.41 | | -15,595.66 | | 14,216.34 | 5,899,493.98 |
| 59SHEBOY | | 0.00 | | -48.05 | | | | -48.05 | -48.05 |
| 50TAYLOR | 2,737,279.09 | 28,043.76 | -5,166.03 | -14,499.78 | | -10,379.51 | | -2,001.56 | 2,735,277.53 |
| 51TREMPE | 3,692,290.66 | 102,296.20 | -8,271.41 | -8,620.77 | | -22,745.94 | 20,902.34 | 41,755.74 | 3,734,046.40 |
| 62VERNON | 3,417,689.92 | 53,053.19 | -6,746.49 | -6,781.23 | -126.81 | -20,109.02 | 1,304.70 | 17,984.94 | 3,435,674.86 |
| 63VILAS9 | 5,900,850.48 | 67,478.53 | -12,131.96 | -15,774.05 | -80.55 | -17,833.17 | | 21,658.80 | 5,922,509.28 |
| 64WALWOR | 20,885,098.87 | 418,432.28 | -230,945.58 | -55,314.94 | -585.32 | -68,217.89 | 10,176.30 | 63,368.55 | 20,948,467.42 |
| 65WASHBU | 2,899,259.92 | 68,872.08 | -5,729.91 | -9,497.76 | -147.25 | -7,388.23 | | 35,932.63 | 2,935,192.55 |
| 66WASHIN | 23,770,331.93 | 151,167.75 | -47,954.40 | -43,111.93 | -17.85 | -108,945.07 | | -48,861.50 | 23,721,470.43 |
| 67WAUKES | | 56.42 | | -30.61 | 249.95 | | | 275.76 | 275.76 |
| 68WAUPAC | 8,716,425.96 | 63,298.61 | -16,465.07 | -6,202.54 | -132.76 | -42,768.50 | | -2,270.26 | 8,714,155.70 |
| 69WAUSAH | 2,990,156.55 | 34,624.01 | -6,342.00 | -9,263.21 | -0.11 | -26,646.06 | | -7,627.37 | 2,982,529.18 |
| 70WINNEB | | 0.00 | | | | | | 0.00 | 0.00 |
| 71WOOD99 | 7,865,789.58 | 78,847.31 | -29,328.60 | 29,426.94 | -0.47 | -22,176.05 | 6,296.22 | 50,472.91 | 7,916,262.49 |
| BASEBALL | 73,053,667.98 | 398,404.03 | -132,455.47 | -239,303.20 | -1,328.73 | -390,081.57 | | -364,764.94 | 72,688,903.04 |
| FOOTBALL | 61,575,215.43 | 314,045.79 | -106,859.44 | -230,153.59 | -167.29 | -383,012.69 | | -406,147.22 | 61,169,068.21 |
| Grand Total | \$890,561,256.17 | \$9,120,831.35 | (\$1,934,280.18) | (\$2,605,011.15) | (\$134,817.87) | (\$4,154,402.95) | \$1,263,570.37 | (\$971,251.17) | \$889,590,005.00 |



WISCONSIN STATE LEGISLATURE





Sales & Use Tax Presentation

Monroe County

January 26, 2006

Our Mission

Department of Revenue Mission

To administer state and local taxes in a fair, equitable and efficient manner while advocating for property tax relief.

95% of Monthly Distributions Reflect Taxes Filed in 3 Most Recent Periods

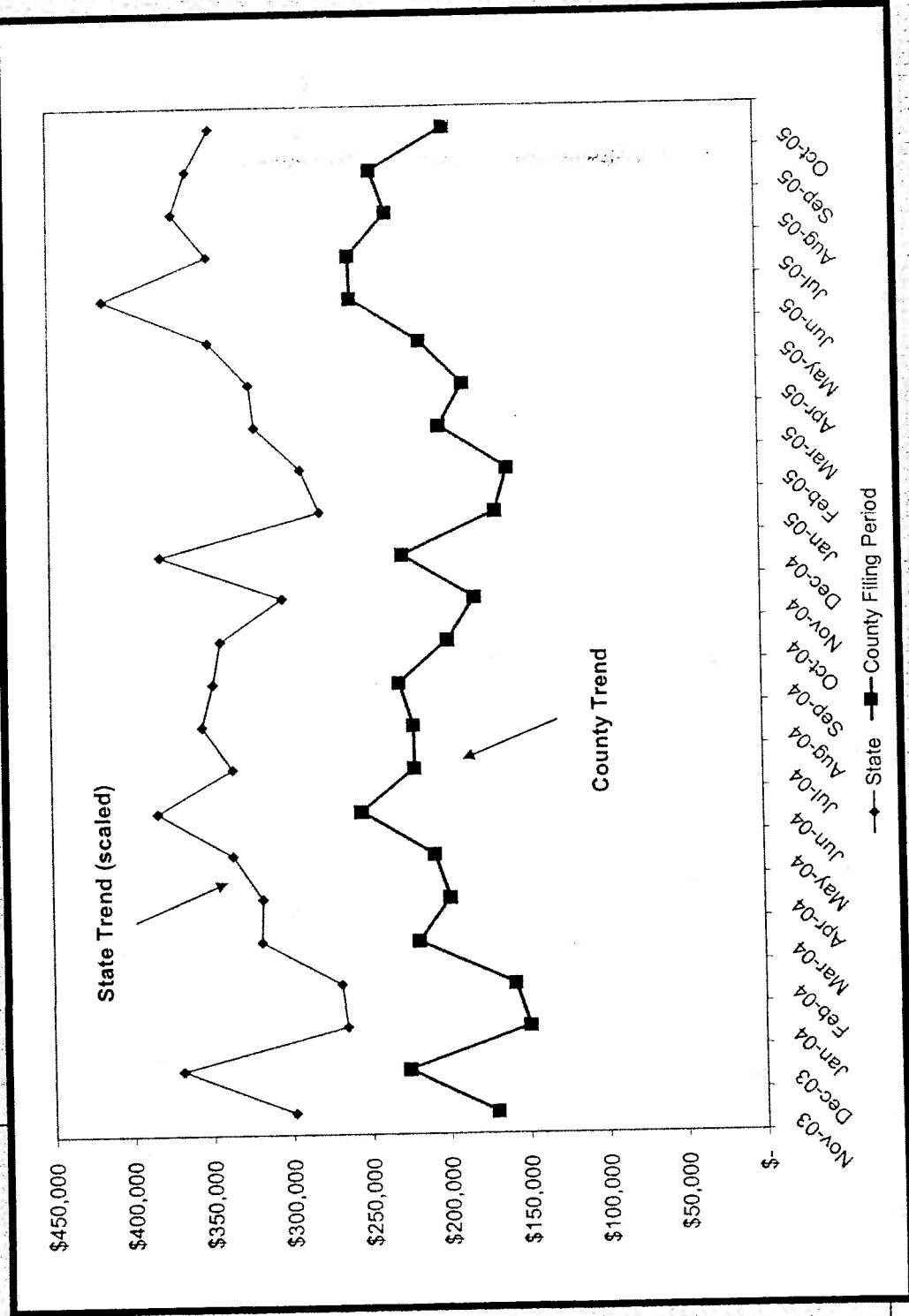
MONROE COUNTY: TAXES REPORTED ALLOCATED TO FILING PERIODS

| MONTH OF DIST'N | Jan-05 | Feb-05 | Mar-05 | Apr-05 | May-05 | Jun-05 | Jul-05 | Aug-05 | Sep-05 | Oct-05 | Nov-05 | Dec-05 |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| FILING PERIOD | | | | | | | | | | | | |
| Sep-04 | 2% | 2% | | | | | | | | 2% | | |
| Oct-04 | 1% | 0% | | | | | | | | | | |
| Nov-04 | 70% | 1% | 1% | | | | | | | | | |
| Dec-04 | 27% | 76% | 3% | 2% | | 1% | | | | | | |
| Jan-05 | | 15% | 68% | 2% | 2% | 8% | | | | | | |
| Feb-05 | | | 20% | 66% | 2% | 1% | 1% | | | | | |
| Mar-05 | | | | 27% | 72% | 3% | 1% | | | | 2% | |
| Apr-05 | | | | | 19% | 64% | 2% | 1% | | | 1% | |
| May-05 | | | | | | 27% | 65% | 2% | 0% | | 2% | |
| Jun-05 | | | | | | | 29% | 70% | 4% | 1% | 2% | |
| Jul-05 | | | | | | | | 23% | 73% | 5% | 2% | |
| Aug-05 | | | | | | | | | 19% | 75% | 4% | |
| Sep-05 | | | | | | | | | | 17% | 70% | 4% |
| Oct-05 | | | | | | | | | | | 14% | 69% |
| Nov-05 | | | | | | | | | | | | 22% |
| Dec-05 | | | | | | | | | | | | |

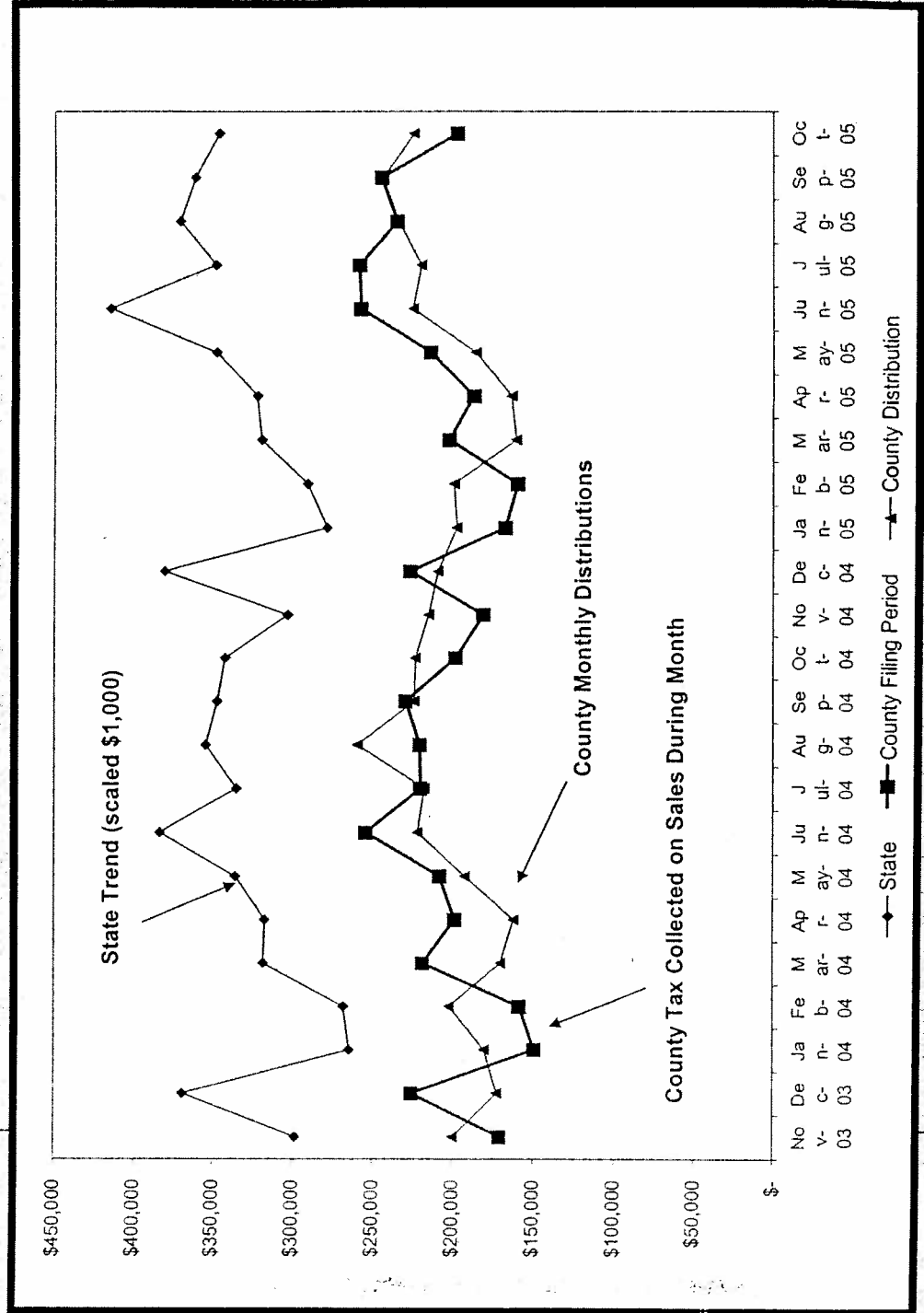
Average:
 1 Month = 19%
 2 Month = 72%
 3 Month = 4%

Approximately 95% of monthly distributions reflects taxes from three most recent filing periods.

Comparison of Wisconsin & Monroe County Sales & Use Tax Patterns



Comparison of Wisconsin & Monroe County Sales & Use Tax Patterns



Sales Tax Reconciliation Report Monroe County Detail

| Distribution Period | Amounts Distributed Dec-02-Nov-05 | Motor Vehicles Sales Errors | Discount Rounding Errors | Accounting Entry Errors | Abatements Errors | Distribution Calculation Errors | Refund Checks | Reconciliation Balance | Reconciled Distribution Dec 02- Nov 05 |
|---------------------|--------------------------------------|--------------------------------|-----------------------------|-------------------------|-------------------|------------------------------------|---------------|------------------------|---|
| December '02 | 194,800.00 | 1,890.04 | 50.00 | 2,987.38 | | 17.20 | | 1,818.32 | 196,618.32 |
| January '03 | 156,600.00 | 7,137.3 | 0.08 | 2,987.38 | | 272.86 | | 2,286.39 | 154,313.61 |
| February '03 | 203,100.00 | 795.12 | 0.00 | 79.25 | | 238.60 | | 5,477.84 | 197,622.16 |
| March '03 | 126,000.00 | 1,896.08 | 2.98 | 234.08 | | 915.17 | | 1,575.26 | 127,575.26 |
| April '03 | 145,200.00 | 1725.46 | 0.48 | 40.91 | | 107.92 | | 1,575.73 | 146,775.73 |
| May '03 | 115,600.00 | 1,820.83 | | 87.54 | | 1.46 | | 1,46 | 115,905.72 |
| June '03 | 117,948.98 | 831.07 | | 12.81 | | 6.37 | | 1,46 | 117,904.33 |
| July '03 | 325,573.59 | 1,350.61 | | 12.81 | | 117.31 | | 6,239.19 | 319,264.40 |
| August '03 | 217,833.29 | 1,024.69 | | 163.47 | | 3.21 | | 16,561.6 | 201,477.11 |
| September '03 | 202,438.26 | 1,371.75 | | 163.47 | | 4.16 | | 3,318.48 | 199,120.78 |
| October '03 | 237,316.37 | 1,294.52 | | 85.96 | | 53.71 | | 93.00 | 237,223.37 |
| November '03 | 199,926.07 | 507.21 | 0.01 | 220.78 | | 132.73 | | 132.73 | 200,058.80 |
| December '03 | 172,534.57 | 1,304.00 | 0.00 | 163.47 | | 473.96 | | 785.67 | 171,748.90 |
| January '04 | 180,430.14 | 1,052.63 | 0.5 | 378.95 | | 137.50 | | 1,264.17 | 179,165.97 |
| February '04 | 202,229.92 | 79.88 | 8.41 | 933.07 | | 1.38 | | 11,308.17 | 200,921.75 |
| March '04 | 170,410.27 | 2,116.7 | 8.41 | 99.14 | | 84.04 | | 1,637.52 | 168,772.75 |
| April '04 | 162,315.18 | 24.50 | 117.13 | 488.32 | | 84.05 | | 1,924.00 | 160,391.18 |
| May '04 | 192,445.21 | 1,100.00 | 12.30 | 480.32 | | 118.92 | | 1,903.83 | 190,541.38 |
| June '04 | 222,130.23 | 1,23.92 | 131.15 | 1110.09 | | 117.70 | | 2,499.42 | 219,630.81 |
| July '04 | 217,909.47 | 2,06.93 | 16.74 | 98.98 | | 4.96 | | 1,636.34 | 216,273.13 |
| August '04 | 259,617.24 | 1,042.3 | 135.52 | 93.4 | | 70.40 | | 2.063 | 257,628.61 |
| September '04 | 224,219.95 | 36.77 | 1.08 | 2,990.0 | | 297.45 | | 4,588.67 | 219,651.28 |
| October '04 | 223,571.53 | 17.55 | 104.02 | 512.52 | | 1,541.9 | | 2,557.30 | 226,128.83 |
| November '04 | 215,282.77 | 290.01 | 0.67 | 4.44 | | 834.02 | | 9,798.52 | 205,494.25 |
| December '04 | 209,403.87 | 1,181.02 | 1,180.00 | 560.19 | | 399.12 | | 786.92 | 208,623.05 |
| January '05 | 197,783.27 | 1,20.01 | 2.88 | 104.72 | | 41.18 | | 2,101.67 | 195,681.60 |
| February '05 | 199,476.51 | 14,47.95 | 2.88 | 124.32 | | 74.92 | | 3,725.85 | 203,202.36 |
| March '05 | 161,122.30 | 4,129.42 | | 75.51 | | 8.06 | | 1,905.84 | 163,028.14 |
| April '05 | 164,232.71 | 4,445.97 | | 25.00 | | 10.58 | | 3,860.39 | 167,893.10 |
| May '05 | 186,380.51 | 4,362.63 | | | | 526.94 | | 3,835.69 | 190,216.20 |
| June '05 | 225,585.00 | 4,812.80 | | | | 7,819.62 | | 13,006.82 | 212,558.18 |
| July '05 | 220,224.34 | 3,741.10 | | 22.48 | | 822.00 | | 1,058.02 | 219,166.32 |
| August '05 | 234,718.77 | 5,641.51 | | 5 | | 446.96 | | 5,181.96 | 239,910.73 |
| September '05 | 243,969.70 | 5,342.86 | | 69.20 | | 037.08 | | 4,305.78 | 248,275.48 |
| October '05 | 224,626.00 | 4,349.74 | | | | 81.82 | | 3,960.92 | 227,986.92 |
| November '05 | 238,895.50 | 3,316.48 | | | | 36.44 | | 930.04 | 239,825.54 |
| 'July Refund | | 68,105.91 | | 12,770.09 | | 87,429.24 | | | |
| | 7,191,838.52 | | | | | | | (\$45,452.47) | \$7,146,386.05 |

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Sales tax drop shocks counties

Shortfall in revenue has officials calling for audit of state figures

By DAN BENSON
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Posted: Nov. 2, 2005

Several Wisconsin counties are demanding an audit of how the state Department of Revenue has been distributing sales tax collections, saying their revenues from the tax have been so far behind projections that they can't possibly be right.

The concerns are echoed by officials at the Miller Park stadium district, who have become so alarmed by the district's shortfall that the executive director says the sales tax used to pay for the stadium might have to be extended past a 2014 sunset.

In Washington County, the amount of sales tax revenue received in October was down 11% from the same month last year. In Ozaukee County, the amount for October was down almost 4% and in September it was down almost 10% compared with a year ago.

"It defies explanation," Milwaukee County Budget Director Stephen Agostini said. Milwaukee County sales tax revenue this year is almost \$1 million behind budget projections, Agostini said.

"The trend shows minimal if any growth" in sales tax revenue. "It just doesn't make sense with what's been happening in our economy," he said.

Other counties also suspect the numbers don't add up.

"It's a perplexing problem for us with low unemployment, strong housing growth and a growing commercial sector. We question the accuracy of the information when many other signs point the other direction," Ozaukee County Administrator Tom Meaux said.

Collections of Ozaukee County's half-cent sales tax through the first seven months this year are about \$80,000 behind last year's pace.

"That's hard to accept when I just finished mailing out 300 new property tax credit notices" to owners of newly built homes, Ozaukee County Treasurer Karen Makoutz said.

In Washington County, officials were taken aback when August sales tax revenue fell \$90,000 below August 2004, to \$734,000.

"I expected August to be higher (than August 2004) because of car sales" when many dealers were aggressively promoting themselves, said Washington County Finance Director Susan Haag. "I was surprised to see it go down."

Walworth County supervisors last month passed a resolution calling on Gov. Jim Doyle to authorize an audit.

"The county's issue is whether we can rely on the figures that the state has put forth," said Nicole Andersen, Walworth County's deputy county administrator and finance director.

Milwaukee, Walworth and other counties have either passed resolutions or asked for more information to satisfy their concerns.

"Can you trust the numbers to begin with?" said Craig Thompson, legislative director for the Wisconsin Counties Association. "We're not sure. That's why an audit may be necessary."

Issue isn't new

The issue dates to 2003, when a computer glitch in newly installed software forced 57 counties to repay the state \$24.5 million because they had been overpaid. A computer error discovered this summer showed that 23 counties were shorted \$1.3 million while another 35 counties were overpaid about \$2 million.

Laura Engan, deputy secretary of the Department of Revenue, said any problems will be fixed by December.

"The Department of Revenue will resolve all sorts of issues and make any additional payments necessary or will work with the counties if we have over-distributed," Engan said. "Obviously, we were not pleased when we detected these errors, and we want to help them wrap this up for their fiscal year's books.

"My guess is that no county will be in a position of owing the state any money by end of the year. At the end of the day, people will be satisfied that we've done everything we can to make sure the system is working correctly."

"That's all well and good," Agostini said. "But we haven't agreed that we need to pay them back anything. They are going to have to demonstrate that their numbers are accurate and that there are no failures in their system. I don't believe we're just going to sit down and agree to a payment plan."

Counties use their sales tax revenue for various purposes. Ozaukee and Walworth counties use it to keep property taxes down; Washington County uses it for capital improvements; Milwaukee County uses it to supplement the general fund.

The stadium district is another matter.

As recently as June, Miller Park stadium district officials said they were on target to retire the one-tenth of a cent sales tax in the five-county metro area in 2014.

But that could change, said Mike Duckett, the district's executive director.

In 2002, the district collected \$25.3 million in sales taxes. That fell to \$23.4 million in 2003, and then rose to \$24.8 million last year.

In 2005, earnings are \$2 million behind projections. At the present rate, Duckett said the district will likely collect \$24 million to \$24.5 million.

"In 2005 we are falling short of 2002?" Duckett said. "This just isn't making sense to us."

Failing to meet this year's projected sales tax revenue goal would make 2005 the third straight year where projections fall short, Duckett said.

"These last few years have really alarmed us," Duckett said. "Every step we take really pales in comparison to the sales tax situation. If they don't come in as projected, that will affect our sunset date more than anything."

Staying on course for the 2014 sunset date requires a 5.5% annual increase in sales tax revenue, which was considered a conservative projection in the mid-1990s, Duckett said. From 1997, the first full year the district collected the sales tax, through 2002, the district averaged a 5.4% increase each year.

Pat Webb, the executive director of the Green Bay/Brown County Professional Football Stadium District, said he also thinks sales tax collection numbers for this year are too low.

The district receives the proceeds of a 0.5% Brown County-only sales tax. Those tax collections are used to help pay for \$160 million bonding in connection with the renovation of Lambeau Field.

Webb said that since the tax began, the average annual growth has been 5%. This year, Webb said, collections have been flat.

Don Walker and Dave Umhoefer of the Journal Sentinel staff contributed to this story.

From the Nov. 3, 2005, editions of the Milwaukee Journal Sentinel
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State software costs double

JOnline

November 17, 2005

- In 2000 the Department of Revenue agreed to pay contractor American Management Systems Inc. (AMS) \$12.2 million to track the state's sales tax receipts, but the cost rose to \$27.6 million early this year.
- The state may have been able to have spent as little as \$5 million by buying off-the-shelf software instead of building a database from scratch.
- AMS built for the state a system that has been riddled with problems and has resulted in counties not receiving their proper monthly sales tax payments.
- The deal was signed before Doyle took office.
- Another glitch was discovered that resulted in 23 counties being shorted \$1.3 million and 35 others being overpaid \$2 million, this summer.
- In June 2004, the state canceled the \$16.2 million contract for an individual income tax system to pursue off-the-shelf software.
- Last year, AMA merged with CGI Group Inc.
- Earlier this year the state agreed to buy software for \$15 million for Fast Enterprises for four other tax systems. This is about \$24 million less than what it paid for the sales tax system.
- Wisconsin considered buying software from Fast for the sales tax system, but that Fast could not commit the time to customizing the software for the state.

Original URL: <http://www.jsonline.com/news/state/nov05/371483.asp>

State software cost doubles

\$27.6 million computer system to track sales tax has never functioned properly

By **PATRICK MARLEY**

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Posted: Nov. 17, 2005

Madison - The computer system that tracks the state's sales tax receipts - which has yet to work properly - cost more than twice as much as originally budgeted, a newly released review of the project shows.

The state Department of Revenue in 2000 agreed to pay contractor American Management Systems Inc. \$12.2 million, but the cost swelled to \$27.6 million by early this year, the report says.

The state may have been able to do the work for a fraction of the cost - perhaps as little as \$5 million - by buying off-the-shelf software instead of building a database from scratch, though doing so would have been a risky move because it would have meant hiring an unproven company that wasn't immediately available, officials said.

The system that AMS built for the state Department of Revenue has been riddled with problems and has resulted in counties not receiving their proper monthly sales tax payments. Legislative auditors are now reviewing the project.

Department officials say they expect to fix the flaws by the end of the year.

Sen. Robert Cowles (R-Green Bay) called the findings unacceptable, particularly because other computer projects have gone over their budgets in recent years.

"We've got to find a way to get these things done cheaper," he said. "It's just not acceptable to have these overruns. . . . I really feel the governor needs to come up with a high-level task force to zero in on this."

Gov. Jim Doyle was traveling Thursday and unavailable for comment, but aide Dan Leistikow noted the deal was signed before Doyle took office. Doyle has taken appropriate steps to curb computer contracting costs, he said.

"The governor's already taken action and, in fact, IT expenses have gone down dramatically since the governor took office," Leistikow said.

The state Department of Administration audited the contract in April 2005 as part of an agreement with a labor union to review two contracts. The Wisconsin Professional Employees Council sought the provision in its labor contract over concerns that the state was outsourcing work that could be done more cheaply with state workers.

The union released a copy of the review this week.

The AMS contract "is another example that there is a shadow government," union spokeswoman Cathy Rought said. "There's a work force of contractors that nobody seems to have a handle on."

The department is in the process of upgrading its computer systems because it is saddled now with dozens of databases that

<http://www.jsonline.com/news/state/nov05/371483.asp?format=print>

11/18/2005

A History of Problems

Problems with the state's sales tax computer system:

- ☞ In 2003, software problems forced **57 counties to repay the state \$24.5 million** after the department overpaid them.
- ☞ This summer, 23 counties were **shorted \$1.3 million** and 35 others were **overpaid about \$2 million**.
- ☞ The state is sorting through problems with sales tax collections on vehicles.

cannot communicate with one another.

Plagued by problems

Counties have complained about the new sales tax system because their payments from the state have been flat or falling at a time when they expected them to rise. Retailers send their sales tax collections to the state, which keeps its share and redistributes the remainder to counties and other taxing districts, such as those that support Miller Park and Lambeau Field.

Problems with the system emerged in 2003, shortly after it went online. Software problems that year forced 57 counties to repay the state \$24.5 million after the department overpaid them.

This summer, another glitch was discovered that resulted in 23 counties being shorted \$1.3 million and 35 others being overpaid about \$2 million. Meanwhile, the department is sorting through problems with sales tax collections on vehicles.

The Legislative Audit Bureau is looking into the matter and is expected to release a preliminary report by the end of this year.

Despite the rising costs of the sales tax system, the state agreed in March 2003 to have AMS build a separate database for income tax collections for \$16.2 million. A year later, that figure had tripled, to nearly \$50 million.

Around that time, the state sent AMS a letter detailing the problems with the sales tax system.

"Throughout 2003 the system operation was very unstable," the letter says. "Software defect levels have been very high, general operational support levels have been very high and performance has been an ongoing issue."

In June 2004, the state canceled the \$16.2 million contract for an individual income tax system to pursue off-the-shelf software.

"The marketplace has changed significantly so that it has reduced the cost of implementing and purchasing these types of systems, and we saw the window of opportunity to take advantage of that change in the marketplace and took advantage of it to serve our taxpayers," said Laura Engan, the deputy revenue secretary.

Last year, AMS merged with CGI Group Inc.

The sales tax contract was altered dozens of times, but it was not until June 2004 - after 20 contract amendments had been signed - that the state set a maximum number of hours the contractor could work on specific tasks. The number of programming defects dropped significantly as a result, according to the review.

Diane Fusco, a spokeswoman for CGI-AMS, said the company acted appropriately.

"We were awarded a contract through a competitive bidding process because our solution met the state's business requirements at that time," she said.

The state earlier this year agreed to buy software for \$15 million from Denver-based Fast Enterprises for four other tax systems, such as those that track corporate and individual income tax filings. At that rate, the state is paying \$3.75 million per system - or about \$24 million less than what it paid for the sales tax system.

Fast Enterprises started selling its software in 1998, two years before the state hired AMS to build its system from scratch.

James Harrison, one of the owners of Fast, said Wisconsin officials considered buying his firm's software for the sales tax system, but that Fast could not commit the time to customizing the software for the state because it had just landed a contract with Idaho, its first U.S. client, that was taking up most of its resources.

"The timing wasn't quite right," he said. "We just weren't in a state where we could take on a second state."

He said he told state officials at the time his firm might be in a position to bid on the work in six to 12 months. He said

Thursday his firm's ability to do so would have depended on what other work had become available around then.

His firm would have billed the state about \$5 million, he said.

With Fast out of the picture at the time, the state's only option was to hire a contractor to build a system from the ground up, Harrison said.

"The state made an understandable choice," he said.

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Report: DOR had many problems with sales tax computer system

MILWAUKEE (AP) -- The Wisconsin Department of Revenue has had 665 "critical" problems and 2,034 other "serious" problems with the computer system designed to track the state's sales tax receipts over nearly three years, a newspaper said Monday.

The Milwaukee Journal Sentinel said it obtained the information under the state open records law from a database created to monitor the system.

The figures came from the period from Jan. 30, 2003, through Nov. 29 of this year.

In order to be considered critical, a problem had to have met any one of a number of criteria, including cost to the agency, time spent on the problem and the relative size of the problem. One of the criteria was that the problem cost the department more than \$5,000.

In order to be deemed serious, one of the possible criteria was that the problem cost the agency more than \$1,000 to address.

"We know it's a significant problem," Laura Engan, the

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deputy revenue secretary, told the newspaper. "The errors were substantial, and they are unacceptable. The ultimate test will be whether the taxpayer is receiving the appropriate amount of money. That is the problem we are grappling with."

Nearly 60 counties in the state impose a sales tax, as do the Miller Park stadium district and the Green Bay-Brown County football district. The counties depend on the sales tax proceeds for property tax relief and the sports districts use them to pay off bonds used to finance Miller Park and Lambeau Field construction.

Engan said the number of incidents reported on the database did not suggest all were software errors or defects. She said in an e-mail message that many of the incidents involve "issues raised by employees that merit follow-up as well as triggers built into the system that need the 'human eye' to review."

It would be unfair to say all of the documented problems or issues had a fiscal impact, she said, but she did not specify a number.

Some errors or problems were cleared up immediately, even though they were classified as critical, she said.

State officials paid American Management Systems \$12.2 million for the system, but the cost has since increased to at least \$27.6 million. But Engan said the increased cost was also due to changes in the contract and changes in the scope of the computer system that the state purchased.

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Wisconsin State Journal December 18, 2005

Capture unpaid sales taxes

Nineteen states will find a little something extra in their holiday season sales tax collections this year.

But Wisconsin will not be among them.

The 19 states have joined the Streamlined Sales Tax Project, through which they are collecting a portion of the sales taxes that formerly went uncollected for online and catalog purchases from out-of-state retailers.

The tax collections are not only improving the fairness of the tax system in the participating states but also relieving pressure on those states' budgets.

But Wisconsin is not enjoying the benefits.

The Streamlined Sales Tax Project is a multi-state effort to adopt standards that would encourage and perhaps eventually require online and catalog retailers to collect sales taxes just as brick-and-mortar stores do. Currently, much of the money that state and local governments ought to collect in sales taxes on Internet and mail-order purchases goes unpaid. The tax is owed; there is just no good way to collect it.

Federal law declares that states have no authority to require sellers to collect sales taxes if the sellers lack a physical presence (a store, for example) in the state. With no requirement to collect the tax, most Internet and mail-order retailers don't bother because it is too complicated to figure out the tax rate for each purchaser and which items are exempt in which states.

The Legislature's failure to act is costing Wisconsin a chance to collect sales taxes owed on Internet and mail-order purchases.

The burden then falls on customers to pay, but few do.

Wisconsin loses an estimated \$150 million a year this way, and the loss is growing as online purchases become more common.

Wisconsin participated in the creation of the Streamlined Sales Tax Project. In fact, a Wisconsin Revenue Department administrator, Diane Hardt, is credited with leading the project's initial success. Gov. Jim Doyle supports it.

However, state lawmakers have so far failed to pass legislation to join the streamlined tax system. They should correct that mistake.

The streamlined system establishes standard definitions and procedures to simplify sales taxes across state lines. With a simplified system, more than 200 Internet and mail-order retailers are voluntarily collecting sales taxes for the participating states, and more retailers are joining.

The next step is to ask Congress to require all retailers to collect sales taxes.

Considering Wisconsin's tight budget, the failure of state lawmakers to adopt the standardized sales tax system is a fiscal scandal. It means Wisconsin continues to allow tax revenue to escape through a loophole unabated, even when the state has the means to reduce the hole.





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Another glitch hits sales tax system 33 counties underpaid and 25 counties overpaid

By Anita Weier
December 22, 2005

Another expensive computer system glitch has hit Wisconsin state government, which has encountered huge problems recently at the Department of Transportation, the University of Wisconsin System and the Elections Board.

The Department of Revenue's Integrated Tax System, now used to process sales and use taxes, has cost \$37.1 million and still is not working properly, said Rep. Suzanne Jeskewitz, R-Menomonee Falls, co-chair of the Joint Legislative Audit Committee.

The Department of Revenue program has underpaid 33 counties a total of \$1.8 million while overpaying 25 counties and the state's two professional sports districts - Miller Park and Lambeau Field - by \$2.8 million, according to an audit released today by the nonpartisan Legislative Audit Bureau.

Those counties and districts levy taxes on the same goods and services subject to the state's 5 percent sales and use tax.

"DOR has faced many challenges in implementing the Integrated Tax System," State Auditor Janice Mueller wrote in a letter accompanying the report to the Legislative Audit Committee.

The computer system used to process sales and use taxes and to calculate the counties' and districts' shares of taxes was implemented in December 2002. Since then, problems have included an initial processing backlog, programming errors and incorrect calculations, Mueller wrote.

In 2003 and 2005, two major adjustments were made to recoup funds from counties that had been overpaid and to distribute additional funds to those that were underpaid.

"In this review, we identified a new concern related to processing certain audit adjustments and other transactions that resulted in additional overpayments," Mueller wrote.

"To correct for the new error we identified and for other errors that have

not yet been corrected, DOR calculates that 33 counties are owed a total of \$1.8 million, which it plans to pay along with sales and use tax distributions for December 2005," she stated.

The Department of Revenue also calculates that 25 counties and the two professional sports districts were overpaid a total of \$2.8 million, Mueller said.

Dane County was overpaid almost \$300,000, but county Controller Charles Hicklin said today that the impact on the county's finances will be minor, because that is less than 1 percent of total annual sales and use tax collections of more than \$40 million, and DOR will allow the county to repay it over a three-year period.

However, Mueller warned that "It would be prudent (for DOR) to proceed cautiously on any overpayment collections until ITS testing is completed and confidence in the system can be assured."

Laura Engan, deputy secretary of the Department of Revenue, said, "We are frustrated with the performance of the system. The outcomes have been unacceptable. Our goal is to assure accuracy for taxpayers and we will work diligently with the Legislative Audit Bureau to attain that goal."

At least part of the problem was caused by the Department of Transportation's Registration and Titling System, which caused omissions and errors in vehicle sales and use tax data provided to the Department of Revenue, Mueller said. Another issue was that the DOR computer system initially excluded purchases of vehicles from out-of-state car dealers that were registered in a Wisconsin county.

The Department of Revenue's contract with ITS developer American Management Systems, now a subsidiary of CGI Group Inc., has expired, but Fairfax, Va.-based AMS has agreed to do additional testing. Another contractor, Boise, Idaho-based FAST Enterprises LLC, will be adding individual income, corporate income, partnership and estate information to the ITS system.

"They have agreed to do more work at no charge," Mueller said. "This is system testing we believe should have been done sooner."

Mueller recommended that the Legislative Audit Committee monitor efforts in this area and direct DOR to provide monthly status reports.

"Once again a state computer system that was supposed to minimize error and provide accurate data has failed," Jeskewitz said in a written statement. "Our counties depend on DOR to accurately remit their share of sales and use tax revenue and it is unconscionable that after spending \$37.1 million tax dollars implementing a new software program DOR is still unable to do so."

"This dramatic, inconsistent accounting wreaks havoc on counties and their budgeting," added committee co-chair Sen. Carol Roessler, R-

Oshkosh.

The committee plans to follow up on a report it expects to receive from the Department of Revenue on Feb. 1, detailing actions taken to address errors and improve system review and testing.

"We are pleased the Department of Revenue and the Audit Bureau have spent so much energy on this, because it is important to us to be confident in the numbers, so we can move forward with confidence in 2006," Hicklin said.

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Audit identifies problems with state's sales tax program

The Associated Press December 22, 2005

MADISON — The state's three-year-old computer system designed to distribute sales taxes to county governments remains plagued by programming errors and incorrect calculations, legislative auditors said Thursday.

The Department of Revenue program has underpaid 33 counties a total of \$1.8 million while overpaying 25 counties and the state's two professional sports districts by \$2.8 million, according to the audit by the nonpartisan Legislative Audit Bureau. The department told auditors it would correct the payment errors this month.

Fifty-eight counties in the state impose a tax on top of the state's 5.0 percent sales and use tax on goods and services to help finance local government. The Miller Park stadium district and the Green Bay-Brown County football district also impose taxes to pay for stadium improvements.

The Integrated Tax System was meant to process tax collections and distribute the correct amount to the counties and districts, but it has been plagued since the beginning by programming errors that have resulted in inaccurate payments.

Rep. Suzanne Jeskewitz, R-Menomonee Falls, said it is "unconscionable" that a \$37.1 million program still cannot accurately remit sales tax revenues three years after its launch.

"Once again a state computer system that was supposed to minimize error and provide accurate data has failed," said Jeskewitz, co-chair of the Legislative Audit Committee.

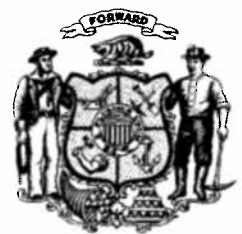
"This dramatic, inconsistent accounting wreaks havoc on counties and their budgeting," her partner, Sen. Carol Roessler, R-Oshkosh said.

Deputy Revenue Secretary Laura J. Engan said they are frustrated with the system.

"The outcomes have been unacceptable," she said. "Our goal is to ensure accuracy for taxpayers and we will work diligently with the Legislative Audit Bureau to attain that goal."



WISCONSIN STATE LEGISLATURE



StarTribune.com

Audit identifies more problems with state's sales tax program

By RYAN J. FOLEY, Associated Press Writer

December 22, 2005

MADISON, Wis. (AP) - Eight months ago, the Department of Revenue paid Portage County \$118,000 to make up for a computer glitch that shortchanged the county its share of sales taxes.

On Thursday, the same department told the central Wisconsin county that new errors by its computer system mean it has been overpaid by \$158,000 and could be forced to pay the money back.

"Merry Christmas," laughed the county's finance director, Bo Dedeker, who said he was baffled by the latest news.

Counties all over Wisconsin and the state's two professional sports districts continue to receive inaccurate payments from the state's three-year-old, \$37.1 million computer system designed to calculate and distribute sales taxes, according to an audit released Thursday that drew outrage from lawmakers.

The Department of Revenue program has underpaid 33 counties a total \$1.8 million while overpaying 25 counties and the state's two professional sports districts by \$2.8 million, according to a report by the nonpartisan Legislative Audit Bureau. "I have no faith in this computer system," said Sen. Robert Cowles, R-Green Bay.

Department officials acknowledged the program's results are unacceptable and said they would correct the payment errors, which frustrated and confused county officials writing their budgets. Assembly Speaker John Gard said the flaws "undermine the people's confidence in their government's competence when it comes to the use of their tax dollars."

Fifty-eight of the state's 72 counties impose a 0.5 percent tax on top of the state's 5.0 percent sales and use tax on goods and services to provide local property tax relief. The Miller Park stadium district and the Green Bay-Brown County football district also impose taxes to pay for stadium improvements.

The Integrated Tax System was meant to process tax collections and distribute the correct amount to the counties and districts, estimated at \$306 million this year, but glitches have resulted in inaccurate and untimely payments while the program's cost has doubled.

Within the first few months of its inception and again in April the department corrected millions of dollars in inaccurate payments it had identified. Auditors, in the report on Thursday, found a new error that resulted in overpayments and that previous errors had not been fixed. The result is a net overpayment of about \$1 million since the program's December 2002 start.

On Wednesday, the department began notifying the counties and districts of the latest errors. The department plans to pay the \$1.8 million it owes to counties as part of their December monthly payments and is considering its options to recoup the \$2.5 million in overpayments, according to the report.

State Auditor Janice Mueller urged the department not to collect overpayments, including \$1 million from Milwaukee County, until "confidence in the system can be assured."

Across the state, "this dramatic, inconsistent accounting wreaks havoc on counties and their budgeting," said Sen. Carol Roessler, R-Oshkosh, co-chair of the Legislative Audit Committee, which pledged additional oversight of the program.

Rep. Suzanne Jeskewitz, R-Menomonee Falls, said it is "unconscionable" that the \$37.1 million program still cannot accurately remit sales tax revenues. "Once again a state computer system that was supposed to minimize error and provide accurate data has failed," she said.

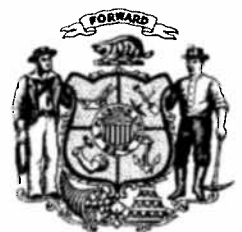
Deputy Revenue Secretary Laura J. Engan said the department is "frustrated with the performance of the system" but would work with the program's contractor, CGI-AMS, to make changes.

"The outcomes have been unacceptable," she said. "Our goal is to ensure accuracy for taxpayers and we will work diligently ... to attain that goal."

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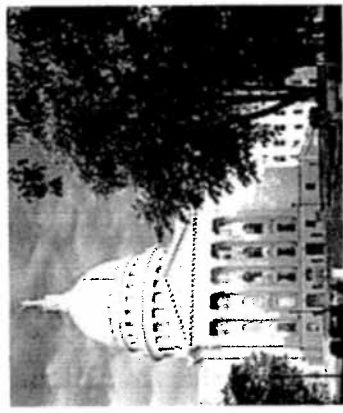
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Buggy App Causes Tax Problems in Wisconsin CGI-AMS agrees to fix \$37M system it built in 2002

News Story by Marc L. Songini and Marc L. Songini

JANUARY 09, 2006 (COMPUTERWORLD) - The

state of Wisconsin this month started to fix a troubled \$37 million tax system that has caused mistakes in collecting and distributing millions of dollars.



Legislators at Wisconsin's statehouse will receive monthly reports detailing the progress of repairs being done to the state's \$37 million tax system.
 Image Credit: Newscom

to mend the flaws in the DOR's Integrated Tax System (ITS), said Laura Engan, deputy secretary at the DOR. CGI-AMS built the ITS more than three years ago.

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CGI-AMS, which is a subsidiary of Montreal-based CGI Group Inc., this month started testing the system and fixing its performance problems, according to state officials.

A separate review of the system by CGI and state engineers is slated to be completed in April. CGI has agreed to fix any further problems found during the review.

"We're working with the vendor to fix the problem now," Engan said. "We'd like that to have happened earlier. We're just incredibly frustrated with the performance of the system and the outcomes we've seen."

She attributed the bulk of the problems to "design flaws" in the system as delivered by CGI-AMS in December 2002.

In an e-mail, a CGI-AMS spokeswoman said that "the system was designed according to the original specifications. We are committed to working with the DOR to resolve outstanding issues" without charge.

The ITS was designed to automatically process sales and use taxes and to determine how much revenue is distributed to Wisconsin's 58 counties and two professional sports districts.

Since the installation, the system has been plagued by software defects that caused calculation and programming errors along with processing backlogs.

According to a report issued last month by the state

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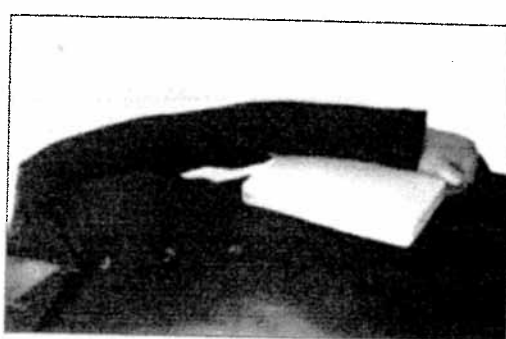
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legislature's audit bureau, the system has underpaid several counties by \$9.1 million combined and overpaid others by \$8.8 million. Most of those discrepancies have been settled.

The legislature's report pointed to a lack of familiarity with the ITS processes and forms by the state's retailers and the DOR's own staff for some of the problems. In addition, the report said that incomplete information was entered into the system, causing it to misread tax obligations and miscalculate-retailer discounting computations.

The report said that errors occurred in some 380,000 of the roughly 8 million transactions processed since the ITS was implemented.

The ITS replaced a mainframe application with Java-based software that runs on IBM's WebSphere middleware platform and DB2 database.

CGI and DOR engineers in recent weeks have been analyzing data and testing to make sure that all defects are addressed, Engan said.

The DOR has calculated that it still owes 33 counties \$1.8 million, while it has overpaid \$2.8 million to counties and the two sports districts, according to a report by State Auditor Janice Mueller.

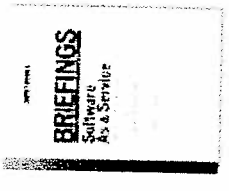
In an interview, Mueller urged caution, asking that counties wait before collecting the remaining overpayments until the testing is complete and the ITS system proves reliable.

Mueller also said that the DOR has agreed to provide monthly reports, starting in February, to the state legislature on the progress of the ITS repair effort.

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