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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**

\* Contents organized for archiving by: Stefanie Rose (LRB) (October 2012)



# State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK ROAD • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX 608-266-5718 • <http://www.dor.state.wi.us>

*Jim Doyle*  
Governor

*Michael L. Morgan*  
Secretary of Revenue

June 30, 2006

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

The Department of Revenue is pleased to provide a brief update of issues affecting sales tax processing and administration.

### **County/Stadium District Distributions**

June sales and use tax distributions will total \$23.38 million to Wisconsin's 58 counties that impose a county sales and use tax and \$4.16 million to the Professional Football Stadium and Baseball Park districts. Sales tax distributions for the twelve month processing period ending June, 2006 increased slightly (.06 percent) compared to the 12 month distribution period ending June, 2005.

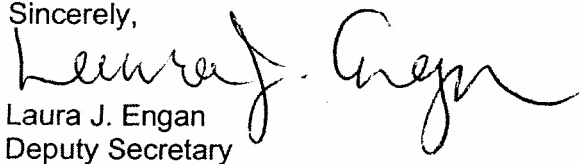
### **CGI-AMS Project Status/Progress**

The Department of Revenue along with CGI-AMS are proceeding with the construction and testing of enhanced system assurance software that will automate the monitoring of system operation and use tax processing. This important work will help DOR address the potential problems and risks associated with relying on verification efforts that require manual intervention. The project remains on target for completion of system testing in mid-August and testing with production data through mid-September. Implementation of system programming will follow production testing.

CGI-AMS will also validate the process that Revenue used to calculate the distribution account balances for counties and stadium districts at the end of 2005. This effort will happen in parallel with the system assurance work.

We will continue to update you on a monthly basis as progress continues. Please feel free to contact us if additional information or clarification is needed.

Sincerely,

  
Laura J. Engan  
Deputy Secretary

Cc: Joint Legislative Audit committee members

State Auditor Jan Mueller





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*Jim Doyle*  
Governor

*Michael L. Morgan*  
Secretary of Revenue

August 1, 2006

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

At the request of your committee, DOR has prepared the following report to assist your efforts in monitoring our progress to correct software defects detected in the sales and use tax information system.

### **July 2006 County/Stadium District Distributions**

July sales and use tax distributions will total \$22.43 million to Wisconsin's 58 counties that impose a county sales and use tax and \$3.88 million to the Professional Football Stadium and Baseball Park districts.

### **CGI-AMS Project Status/Progress**

CGI-AMS and Revenue have completed construction and have begun testing the new system assurance software that will monitor the operation of sales and use tax processing. The project remains on target to complete system testing by early fall and production testing through late fall. CGI-AMS has also agreed to validate the process that Revenue used to calculate the distribution account balances for counties and stadium districts at the end of 2005, and this effort is underway. This effort will happen in parallel with the system assurance work.

### **Continued Interaction with the Legislative Audit Bureau**

DOR continues to work cooperatively with the Legislative Audit Bureau in their effort to review the ITS system. Together we have been working to correct a recently identified inconsistency in how ITS applies a DOR business rule affecting taxpayer calculated errors under \$20. According to the established business rule, if a merchant makes an arithmetic error in reporting taxes, and the error is under \$20, ITS is suppose to distribute the corrected amount as calculated by the system. However, we recently found that the system has been inconsistent in the application of this rule: in some cases ITS used the corrected system calculation, and in other cases, ITS used the taxpayer reported amount. The dollar impact of this error is very small, less than \$40,000 in total for all counties, baseball and football districts, or less than .0037% of all distributions. The Department will make correcting adjustments to the affected taxing jurisdictions in July and August.

### **Interactions with Counties & Districts**

In early July we provided an update to each county & district describing our progress and informing them that overpayment collection would not begin until calendar year 2008. In addition, DOR recently presented an update to the Wisconsin Counties Association. We continue to make ourselves available to counties at their request.

We will continue to update you on a monthly basis as progress continues. Please feel free to contact us if additional information or clarification is needed.

Sincerely,

Laura J. Engan  
Deputy Secretary

Cc: Joint Legislative Audit committee members  
State Auditor Jan Mueller





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*Jim Doyle*  
Governor

*Michael L. Morgan*  
Secretary of Revenue

September 1, 2006

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

At the request of your committee, DOR has prepared the following report to assist your efforts in monitoring our progress to correct software defects detected in the sales and use tax information system.

### **August 2006 County/Stadium District Distributions**

August sales and use tax distributions totaled \$23.96 million to Wisconsin's 58 counties that impose a county sales and use tax and \$3.9 million to the Professional Football Stadium and Baseball Park districts.

### **CGI-AMS Project Status/Progress**

CGI-AMS is a few days ahead in their distribution report audit at this point and foresee no problem in finishing by the planned date at the end of September. They have not discovered any variance from the numbers produced by DOR that can not be attributed to data from work-listed items on past data. A meeting to discuss the results with Department of Revenue Senior Executives is being set up for the end of September.

Work on implementing additional system assurance into ITS is still scheduled to be completed by September 18th. System assurance software for much of the system is ready for production testing which DOR will start as soon as CGI-AMS completes all system testing.

The ITS system has been stable and the number of defects discovered in the past month has continued at a very low rate.

We will continue to update you on a monthly basis as progress continues. Please feel free to contact us if additional information or clarification is needed.

Sincerely,

Laura J. Engan  
Deputy Secretary

Cc: Joint Legislative Audit committee members  
State Auditor Jan Mueller





# State of Wisconsin • DEPARTMENT OF REVENUE

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*Jim Doyle*  
Governor

*Michael L. Morgan*  
Secretary of Revenue

September 29, 2006

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

At the request of your committee, DOR has prepared the following report to assist your efforts in monitoring our progress to correct software defects detected in the state sales and use tax information system.

## **September 2006 County/Stadium District Distributions**

September sales and use tax distributions totaled \$25.3 million to Wisconsin's 58 counties that impose a county sales and use tax and \$3.76 million to the Professional Football Stadium and Baseball districts. Monthly distributions typically demonstrate variances in month to month or year to year collections patterns. September was no exception. Overall, distributions for the period ending September 2006 increased 10.94% compared to distributions for September 2005. Sales tax distributions to counties increased 4.3% between the twelve month period ending in September of 2006 compared to September of 2005.

## **CGI-AMS Project Status/Progress**


CGI-AMS has completed the development and system testing of the new system assurance functions for the system. This is the last commitment that CGI-AMS had under their agreement to retest revenue distribution, fix known performance issues and implement enhanced system assurance. Revenue has asked CGI-AMS for a letter that indicates they have a high level of confidence in the accounting and revenue distribution functions in the system and that the issues that DOR and LAB have found in the past would have been detected by the new system assurance functions.

DOR system staff will be user acceptance testing the new system assurance functions and will move the software into production when the business and system staff are fully familiar with their roles in the process.

LAB has been analyzing the last year of data from ITS and will be reporting results at some point in the future.

We will continue to update you on a monthly basis as progress continues. Please feel free to contact us if additional information or clarification is needed.

Sincerely,

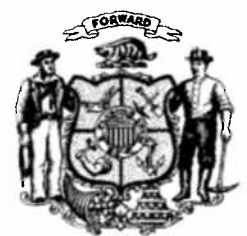
  
Laura J. Engan  
Deputy Secretary

Cc: Joint Legislative Audit committee members  
State Auditor Jan Mueller





# WISCONSIN STATE LEGISLATURE





# State of Wisconsin • DEPARTMENT OF REVENUE

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*Jim Doyle*  
Governor

*Michael L. Morgan*  
Secretary of Revenue

November 1, 2006

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

At the request of your committee, DOR has prepared the following report to assist your efforts in monitoring our progress to correct software defects detected in the state sales and use tax information system.

## **October 2006 County/Stadium District Distributions**

October sales and use tax distributions totaled \$22.4 million to Wisconsin's 59 counties that impose a county sales and use tax and \$3.9 million to the Professional Football Stadium and Baseball districts. Monthly distributions typically demonstrate variances in month to month or year to year collection patterns. Overall, distributions for the period ending October 2006 decreased 2.75% compared to distributions for October 2005. However, sales tax distributions to counties increased 4.9% between the twelve month period ending in October of 2006 compared to October of 2005.

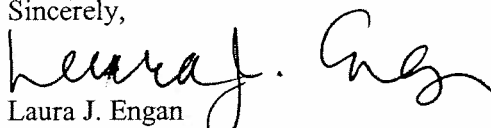
## **CGI-AMS Project Status/Progress**

The ITS Sales and Use Tax system continues to operate reliably. The Department has no new substantive concerns to report. As reported in October, CGI-AMS has completed their analysis and work on the system.

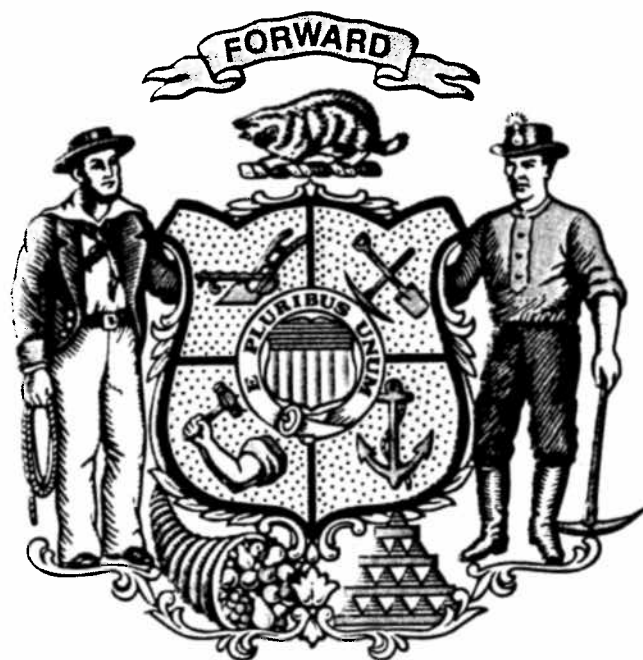
LAB has been analyzing the last year of data from ITS and will be reporting results at some point in the future.

We will continue to update you on a monthly basis as progress continues. Please feel free to contact us if additional information or clarification is needed.

Sincerely,

  
Laura J. Engan  
Deputy Secretary

Cc: Joint Legislative Audit committee members  
State Auditor Jan Mueller





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*Jim Doyle*  
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Secretary of Revenue

December 1, 2006

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

At the request of your committee, DOR has prepared the following report to assist your efforts in monitoring our progress to correct software defects detected in the state sales and use tax information system.

**November 2006 County/Stadium District Distributions**

November sales and use tax distributions totaled \$26.3 million to Wisconsin's 59 counties that impose a county sales and use tax and \$4.3 million to the Professional Football Stadium and Baseball districts. Monthly distributions typically demonstrate variances in month to month or year to year collection patterns. Overall, distributions for the period ending November 2006 increased 10.28% compared to distributions for November 2005. Additionally, sales tax distributions to counties increased 6.0% between the twelve month period ending in November of 2006 compared to November of 2005.

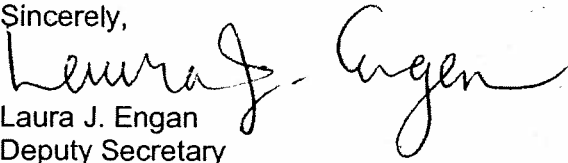
**CGI-AMS Project Status/Progress**

The ITS Sales and Use Tax system continues to operate reliably. Attached is a letter from CGI that summarizes their efforts and provides their assurance in the reliability of the system.

LAB has been analyzing the last year of data from ITS and will be reporting results at some point in the future.

We will continue to update you on a monthly basis as progress continues. Please feel free to contact us if additional information or clarification is needed.

Sincerely,

  
Laura J. Engan  
Deputy Secretary

Attachment

Cc: Joint Legislative Audit committee members  
State Auditor Jan Mueller



December 1, 2006

Laura Engan  
Deputy Secretary  
Wisconsin Department of Revenue  
2135 Rimrock Road MS #624a  
P.O. Box 8933  
Madison, WI 53708-8933

Dear Ms. Engan,

CGI-AMS has completed the agreed upon work. In November, 2005 CGI-AMS and WI DOR came to an agreement on work related to retesting distributions and overall system assurance for ITS. Additionally, in April of 2006 CGI-AMS agreed to audit the processes and available data used to compose the Distribution Reconciliation Report created by WI DOR.

The retesting of the distributions functionality was completed in April of 2006. At the completion of the retesting effort, the distribution functionality of the Revenue Accounting subsystem of ITS was working as designed. A more detailed account of the results of the testing can be found in the attached project summary.

The additional system assurance programs were completed in September of 2006. This development completed a set of programs designed to verify the data as it flowed into ITS and through the subsystems. These system assurance programs verify the data processed each day against the rules for the data, writing out any items not passing the validations. When run consistently in production with the reported items followed up by the ITS maintenance team, these programs identify if situations occur where the data is no longer accurate. These items can then be addressed promptly. For a description of the designed programs, see the attached project summary.

Lastly, CGI-AMS conducted an audit of the processes and data available used to compose the Distribution Reconciliation Report by WI DOR. This audit was completed in September 2006. The team did not find any significant differences or errors within the programs used to compose the report. For a detailed account of the audit, see the attached project summary.

In summary, the distribution functionality was found to be working as designed when tested in April. When run consistently with the additional system assurance programs completed in September 2006 (with any resulting discrepancies resolved by ITS staff), the ITS system should produce accurate and reliable distribution reporting.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rick Schmitz', written over a horizontal line.

Rick Schmitz  
Senior Vice President  
CGI-AMS



## CGI-AMS & Wisconsin Department of Revenue Project Summary

In November of 2005, CGI-AMS and the Wisconsin Department of Revenue (DOR) entered into an agreement for services on the Integrated Tax System (ITS). CGI-AMS agreed to provide services related to the distribution concerns in three areas:

- 1) Expansion of ITS system assurance capabilities.
- 2) System test of distribution functions within ITS.
- 3) Audit of process and tools used on the creation of the Distribution Reconciliation Reports by DOR.

### Expansion of ITS system assurance capabilities:

CGI-AMS, working with DOR, expanded ITS's system assurance functionality. This work increased DOR's controls to verify the data flows correctly through the system from the processing of the payments/returns on the front end to the revenue accounting on the back end. System assurance needs were addressed in the following areas: Batchers & Returns Processing ("RP"), Taxpayer Accounting ("TA"), and Revenue Accounting ("RA").

*Batchers & Returns Processing:* The Batchers & RP areas of the system are responsible for processing the incoming returns and payments. System assurance functionality existed prior to this effort for monitoring the accuracy of payment processing. CGI-AMS developed additional system assurance functionality for the return processing as well as the overall processing of files into and through the Batchers application and into ITS through Returns Processing.

*Taxpayer Accounting:* All customer account activity information within ITS is maintained within the TA component. CGI-AMS developed system assurance processing for all TA data. This assurance functionality enables DOR to know that the stored entries total the various balances within the tax account period as well as ensuring that the sub-entries total their parent entries. 1,997 different validations of account data was created for the new assurance program.

*Revenue Accounting:* The RA part of the system is responsible for the processing of all the accounting entries for the transactions occurring within ITS. CGI-AMS worked with DOR to expand the already extensive assurance utilities in place. These programs were extended to all transaction types, ensuring the flow of data from TA into and through the various stages of RA including the detailed and summary accounting entries, account balances, entity balances, and distribution details and summaries.

### System test of distribution functions within ITS:

CGI-AMS conducted a retest of the distribution functionality within ITS to address identified areas of concern on the accuracy and functionality of the distribution process. CGI-AMS defined and created test scenarios which focused on the following functionality:

- 1) Posting of the distributions into ITS,
- 2) Calculation of the discount,
- 3) Major functions within ITS which impact the distribution data,
- 4) Flow of the above transactions into RA,
- 5) The distributions jobs within RA.



As a result of this testing, no significant problem was discovered. All accounting and distribution functions within the Revenue Accounting subsystem of ITS were working correctly. The testing team did find a couple of items with no distribution impact which were corrected. One item related to the yearly August Income Feed was discovered. The problem was corrected in the code. In discussions with DOR, the impact to distributions was analyzed and determined to be small and a plan was set for handling the adjustments in the following yearly process of the income feed file.

Audit of process and tools used on the creation of the Distribution Reconciliation Reports by DOR:

The audit concluded that the Distribution Reconciliation Report is reasonably accurate as can be determined by currently available data with one item in the discount/rounding correction favoring the counties. There are 5 items included in the Distribution Reconciliation Report, the MV1s, the discount/rounding correction, TA-RA mismatch corrections, abatement mismatch corrections, and corrections to distribution details.

For the MV1s, two sets of numbers are included in the total amounts in the Distribution Reconciliation Report. The first set is the catch-up MV1s. This group consists of a discovered set of MV1s originally designed not to be included in the batches passed to ITS, but later determined that they should be passed to this system. These MV1s were identified and processed into ITS. The numbers of these catch-up MV1s were within the expected difference (due to edit changes) of the audit's independently calculated totals. The second set of numbers included is the MV1s worked off the Returns Processing worklist within the periods reported. These numbers were not part of the audit as they do not represent a 'correction' of missing distributions and are not separately recreatable.

The discount/rounding correction uncovered one item for further research. Analysis of the sampling audit showed that if the county did not have a discount in the original data, the correction programs did not add the county, instead allocating this discount to STATE. This process favors the counties.

The TA-RA and abatement mismatch corrections showed no problems in the test of the programs. Additionally, a re-summarization of the Revenue Accounting created for these corrections showed no differences for abatements and less than a total 0.02% difference for the TA-RA mismatches.

The distribution corrections were independently recalculated. The overall results showed remaining analyzed differences of less than one tenth of one percent overall. Detailed analysis of a sampling of the counties showed that DOR's original calculations were correct.







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*Jim Doyle*  
Governor

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Secretary of Revenue

December 29, 2006

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

At the request of your committee, DOR has prepared the following report to assist your efforts in monitoring county sales tax distribution.

**December 2006 County/Stadium District Distributions**

December sales and use tax distributions totaled \$21.4 million to Wisconsin's 59 counties that impose a county sales and use tax and \$3.6 million to the Professional Football Stadium and Baseball districts. Monthly distributions typically demonstrate variances in month to month or year to year collection patterns. Overall, distributions for the period ending December 2006 decreased 7.68% compared to distributions for December 2005. Additionally, sales tax distributions to counties increased 3.0% between the twelve month period ending in December of 2006 compared to December of 2005. You may recall in December of 2005, the Department distributed money to counties where sales tax had been previously under-remitted. Taking this into account, the actual distribution increased by 5.4% compared to adjusted totals.

Thank you for the opportunity to provide monthly updated reports. In January I will be in touch with you to see if the committee is interested in receiving additional reports.

Sincerely,

Laura J. Engan  
Deputy Secretary

Cc: Joint Legislative Audit committee members  
State Auditor Jan Mueller



Original URL: <http://www.jsonline.com/news/state/dec05/377073.asp>

## Taxing problems at Revenue

### Glitches average 2.5 a day, first review of sales tax system shows

By DON WALKER  
[dwalker@journalsentinel.com](mailto:dwalker@journalsentinel.com)

Posted: Dec. 11, 2005

Over nearly three years, the state Department of Revenue has wrestled with 665 "critical" problems with the computer system designed to track the state's sales tax receipts.

On average, that's one every day and a half. Add in the 2,034 incidents classified as "serious," and glitches rise to an average of 2.5 a day.

This from a system whose cost has more than doubled and whose performance leaves county officials wondering whether the sales tax collections they receive from the state are correct.

"We know it's a significant problem," said Laura Engan, the deputy revenue secretary. "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."

The performance of the computer system is no small matter to the nearly 60 counties in the state that impose a sales tax, or to the Miller Park stadium district and the Green Bay-Brown County football district. Those institutions depend on the sales tax proceeds for property tax relief or, in the case of the sports districts, to pay off bonds used to finance Miller Park and Lambeau Field construction.

Details on the computer malfunctions come from a database created to monitor the system. The database, which contains more than 6,100 separate incidents from Jan. 30, 2003, through Nov. 29 of this year, was obtained by the Journal Sentinel under the state's open records law. This is also the first time the extent of the problems has been documented.

Problems have dogged the system since it was installed in early 2003. The state's intent was to buy and install a single, integrated system that would do the job of as many as 30 or more separate computer systems within the Department of Revenue.

Melanie Fonder, a spokeswoman for Gov. Jim Doyle, said Friday that the governor had told the Department of Revenue that the problem is unacceptable.

"And we want it fixed at the vendor's expense," she said.

State Sen. Robert Cowles (R-Green Bay), who has been a vocal critic of the software problems, said the incident reports were troubling.

"The costs seem to be going up, and there is no accountability," he said. "The administration needs to prioritize this and stem the losses. It's just a waste of money."

### Critical and costly

To be considered "critical," the 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 is that the problem cost the Department of Revenue more than \$5,000.

#### By The Numbers


**7.9%**  
 Average annual increase in Miller Park sales tax receipts from 1997-2002

**0.6%**  
 Average annual decrease for the last three years, coincidentally after the new sales tax computing system was installed.

Source: Mike Duckett, stadium district executive director

#### Archived Coverage



 Section: State politics

Although critical problems were deemed to be the worst, the system also spawned numerous other problems and issues. The database notes, for instance, a total of 2,034 additional incidents classified as serious.

To be deemed "serious," one of the possible criteria is that the problem cost the Department of Revenue more than \$1,000 to address.

Engan said Friday that it would be unfair to say all of the documented problems or issues had a fiscal impact, and she did not provide a number. Some errors or problems were cleared up immediately, even though they were classified as critical, she said.

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

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

She said it was still the agency's goal to provide accurate sales tax collection numbers to affected counties by the end of the year. Some counties have been overpaid, some underpaid. At least 57 of the state's 72 counties impose a sales tax. The proceeds from the tax go first to the Department of Revenue, then are forwarded to the counties.

"When there is clear information that we owe counties money, we will issue a check to them before the end of the year," she said, adding that she did not know how many counties would qualify.

Can the new sales tax distribution numbers be trusted?

"That gets at the heart of what we're trying to do here," she said, adding that employees were working hard to get accurate numbers.

In cases where counties were overpaid, Engan said, her agency would wait for the results of a Legislative Audit Bureau audit now under way before acting.

### **'Weird things happening'**

The database reviewed by the Journal Sentinel makes multiple references to system failures or "process failures." In one incident reported on April 22 of this year, the report makes reference to "Weird things happening to their computers today."

Other references make note of "missing files," or tax payments not being reconciled. In one instance, programmers note that a report on aviation fuel taxes has the "wrong data."

Engan said the aviation fuel mix-up was a software defect.

"Programs are written to assume certain relationships within data (e.g. a car has an owner) or with regard to each other (e.g. one program can invoke a separate program to edit address data)," Engan wrote. "A well-written program verifies that these assumptions are valid before proceeding. When such verification fails, the program issues a 'process failed' message to inform the system user the requested operation can't be completed."

The Miller Park stadium district, which receives the proceeds of a tenth-of-a-cent sales tax from residents in Ozaukee, Waukesha, Washington, Milwaukee and Racine counties, has had a drop in those collections.

Mike Duckett, the district's executive director, said Friday that, from 1997 through 2002, collections went up an average of 7.9%. Since that time, the district has experienced an average decrease of 0.6% a year.

Coincidentally, or not, those decreases began to appear at the same time the state installed the new computer system.

"You can draw your own conclusions," Duckett said.

### **\$2 million under projections**

So far this year, sales tax collections in the five-county district are \$2 million less than projected. In fact, in eight out of the last 11 months, district sales tax collections have dropped below forecasts.

In response, Engan said the drop may be a reflection of reduced economic activity in the five-county district.

The district hopes to retire that tax by 2014, but Duckett said the new numbers - assuming they are correct - might change the sunset year for the tax.

In Walworth County, officials were told in July that sales tax numbers for the county had been incorrectly calculated from November 2002 to the present, according to County Administrator Dave Bretl.

Told of the number of problems reported by the state, Bretl said, "Wow, that's very interesting."

Bretl said he sympathized with state officials trying to iron out the computer system problems.

"It can be challenging, I'm sure," Bretl said. "But that certainly seems like a lot of problems."

Bretl said the Walworth County Board had gone on record seeking an independent audit of the state's computer system.

Ozaukee County Treasurer Karen Makoutz said her board passed a resolution last week that asks the state to give the county accurate numbers on sales tax collections.

"We expect that accuracy," Makoutz said.

Engan agreed. "We have spent a lot of energy and resources to address these errors than we would have liked," she said.

That's what worries Sen. Cowles.

"I'm concerned about the ongoing involvement," he said. "How does the agency pay for this?"

From the Dec. 12, 2005, editions of the Milwaukee Journal Sentinel  
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Original URL: <http://www.jsonline.com/news/state/dec05/379677.asp>

## New sales tax errors crop up

### Latest software glitch includes miscalculation of Milwaukee County's total for November

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A state report released Thursday has uncovered new problems with the \$27.6 million computer system responsible for tracking millions of dollars in sales tax money.

Among the new problems, the Legislative Audit Bureau found that the system seemed unable to properly calculate totals. In one case, the software vendor reported that in November 2005, the Milwaukee County sales tax totaled \$6,194,616. However, the state Department of Revenue reported the total as \$6,206,015, or \$11,399 more.

Despite the findings in the latest audit bureau report, a top Revenue Department official said she believes the worst is over for the troubled Integrated Tax System, first installed in December 2002 to process sales and use taxes and to calculate the counties' share of those taxes.

"We are at a point where we are internally building in data fixes in the system," said Deputy Secretary Laura Engan. "We clearly need additional work by the vendor to fix the defects in the system. We know that the errors that have materialized are unacceptable, and we regret that the errors occurred. The quality of the software we got was unacceptable."

In its report, the audit bureau noted that the computer system, which has cost the state \$27.6 million, has had problems from the beginning. But in uncovering new problems that resulted in some counties being overpaid and some being underpaid, state Auditor Janice Mueller showed no immediate confidence in the system.

#### 'Proceed cautiously'

"We believe it would be prudent to proceed cautiously on any overpayment collections until ITS testing is completed and confidence in the system can be assured," Mueller wrote in the report, adding that the Department of Revenue should submit monthly status reports.

"Secretary Mike Morgan is not happy with how the system has performed and wants it to be fixed at the vendor's expense," added Dan Leistikow, a spokesman for Gov. Doyle. "He believes it's most economical to have the vendor fix the system rather than buy a new system. The governor supports that."

Assembly Speaker John Gard (R-Peshtigo) said the audit report was troubling.


"The audit bureau had exposed serious flaws in the collection and redistribution of taxes that are unacceptable and undermines the people's confidence in their government's competence when it comes to the use of their tax dollars," Gard said.

The audit bureau report noted that when the system was first installed, the Revenue Department and the vendor, now called CGI AMS, did not properly test it.


"Some testing was performed, but many tests were based on simplistic assumptions and scenarios," the report says.

#### Wisconsin Sales Tax


##### The Report

 [Document:](#)  
Legislative Audit Bureau  
report (pdf)

##### Recent Coverage

 [12/11/05:](#) Glitches  
average 2.5 a day, first  
review of sales tax  
system shows

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At stake are millions of dollars in sales-tax money. This year, the Revenue Department expects to distribute more than \$306 million to counties that impose a 0.5% sales tax.

Fifty-eight of the state's 72 counties impose such a tax. Also, the Southeast Wisconsin Professional Baseball Park District, also known as the Miller Park stadium district, imposes a 0.1% sales tax in Milwaukee, Ozaukee, Racine, Washington and Waukesha counties to pay for costs related to the construction of Miller Park.

In Green Bay, the Green Bay/Brown County Professional Football Stadium District imposes a 0.5% tax in Brown County to fund the costs of renovating Lambeau Field.

In Wisconsin, sales and use taxes are collected from retailers by the Revenue Department. In addition, the Transportation and Natural Resources departments collect sales and use tax on new and used vehicles, boats and other recreational vehicles.

All of that money, including the taxes imposed by the sports districts, is sent to Revenue for processing and redistribution.

The audit bureau report says that, because of ongoing and new problems with ITS, 33 counties are owed a total of \$1.8 million. In addition, the Revenue Department told the audit bureau that 25 counties, including Milwaukee County, and the two sports districts have been overpaid a total of \$2.8 million.

Milwaukee County must repay just over \$1 million, while the Miller Park stadium district and the Green Bay football district owe \$364,765 and \$406,147, respectively.

Eileen Murphy, a spokesman for CGI AMS, said the firm "embraced the audit."

"It does align with our work plan with our client, and we are committed to working with the Department of Revenue to resolve the issues that remain with the system," she said.

## Walker doubts figures

Milwaukee County Executive Scott Walker said there was a conflict between what the state agency had already reported to the county and the numbers in the new report.

"Furthermore, it is unreasonable to believe that Milwaukee County only experienced 0.7% growth at a time when the statewide growth rate averaged 3%, and at a time when Milwaukee County's employment and economic activity is booming," he said.

Other officials were circumspect about the accuracy and reliability of the computer system and the new figures that suggest that some counties owe the state money.

"It's frustrating for everyone," said Mark O'Connell, executive director of the Wisconsin Counties Association. ". . . It is essential we have a system that is accurate and timely and performs in the manner it was designed to perform. We are not there yet, but we should get there as soon as possible."

State Sen. Rob Cowles (R-Green Bay), a frequent critic of ITS, said the problem is a non-partisan issue.

"I have no faith in this computer system," he said. "This is embedded bureaucratic stuff. It's the kind of thing that the Legislature and the governor must start paying attention to."

## Many challenges

In the report, auditors at the Legislative Audit Bureau said the state Department of Revenue, which purchased the computer system to track sales-tax collections, "had experienced many challenges related to the implementation of ITS, and concerns have been raised regarding both the accuracy and the timeliness of sales and use tax distributions to the counties and districts."

Problems have dogged the system since it was installed in late 2002. The state's goal at the time was to have a single, integrated system replace as many as 30 separate computer systems within the agency.



In its report, the audit bureau noted discrepancies between what was being reported and overall state sales-tax growth.

For instance, from 2003 to 2004, total distributions of county and district sales and use taxes increased 8.8%. The counties' share increased even more: 9.5%.

However, distributions are expected to increase only 1% this year, the audit bureau reported, and "individual counties' distributions can fluctuate even more widely."

As an example, the audit bureau report says that, in Lafayette County, sales tax distributions increased 25.6% from 2003 to 2004 but declined 10.5% from 2004 to 2005.

Earlier this month, the Journal Sentinel reported that, over a nearly three-year period, the state Department of Revenue dealt with 665 "critical" problems with the computer system.

On average, that's one every day and a half. In addition, 2,034 incidents were classified as serious, meaning state workers were dealing with a total average of 2.5 glitches a day.

In 2003, software problems forced 57 counties to repay the state \$24.5 million after the department overpaid them.

Last summer, another glitch resulted in 23 counties being shorted \$1.3 million and 35 others being overpaid about \$2 million.

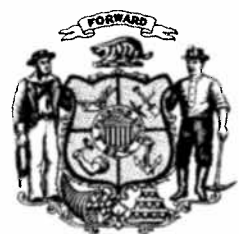
The report says the Revenue Department had negotiated with CGI AMS for additional service at no cost to the state, which includes further testing that should be completed by March 31. In addition, CGI AMS is expected to provide more computer services.

From the Dec. 23, 2005, editions of the Milwaukee Journal Sentinel  
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## Sales tax figures are flawed

State Journal staff, AP  
December 22, 2005

Dane County may have to pay back more than \$291,000 in sales taxes to the state after computer glitches caused the state to overpay, an audit found.

The audit, released Thursday by the nonpartisan Legislative Audit Bureau, found that the state's 3-year-old, \$37.1 million computer system - designed to calculate and distribute sales taxes collected by the state to county governments - remains plagued by programming errors that result in inaccurate and untimely payments.

In all, the Department of Revenue program underpaid 33 counties a total of \$1.8 million and overpaid 25 counties and the state's two professional sports districts by \$2.8 million.

State auditor Janice Mueller said her office found a serious and previously undetected programming error within days of starting its audit. Counties such as Dane, she said, shouldn't be made to return the money until state officials are sure the programming errors are fixed and the overpayment amounts have been double-checked.

"It's a very troubled system," she said.

Mueller also pointed to problems with other state computer contracts, such as a statewide voter database and the state vehicle registration system.

"Why is there this epidemic of computer-system problems? What has gone wrong and why?" she asked, adding that she has no easy answers.

Department of Revenue officials acknowledged the problems with their agency's program are unacceptable and said they will correct the payment errors, which frustrated and confused county officials writing their budgets. The Integrated Tax System was meant to process tax collections and distribute the correct amount - estimated at \$306 million this year - to the counties and districts.

Within the first few months of the program's inception, and again in April, the department corrected millions of dollars in inaccurate payments it had identified. Auditors, in the report Thursday, found a new error as well as previous errors that 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 its December monthly payments and is considering its options to recoup the \$2.5 million in overpayments, according to the report.

Dane County Controller Chuck Hicklin said the \$291,000 overpayment is less than 1 percent of the sales taxes the county collected from the state in 2004. Hicklin said it was too early to say whether the expected loss might lead to cuts in specific county programs.

Sauk County may have to repay \$140,000 to the state.

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 report drew outrage from lawmakers. Across the state, "this dramatic, inconsistent accounting wrecks 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.

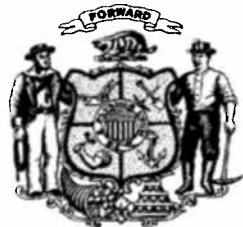
*- State Journal reporter Jason Stein and Associated Press reporter Ryan J. Foley contributed to this story.*

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# WISCONSIN STATE LEGISLATURE



~~Bill~~ #37 Million -  
Account B.

Why can't we get  
a copy of their  
testimony?

On time  
on budget  
on function

Can you fix the Revenue  
System if the RATS isn't fixed  
Delays — doing the report  
also not available to  
public —

2/7/06 Sales & Use Tax Dist - Ltr Rpt

①

LAB - Jan & Brian Knab?

Jan - Need additional testing of the system - original testing was quite limited

- Committee involvement - Monthly reports important to correcting problem

- Recoupment efforts should wait until all problems id'd

- Programming problems -

- Money comes in fine - re-distribution is complex & who

CR? Does the expertise exist to fix this? What is our recourse?

SM  
↳ Testing was too simplistic - was told by DOR that they will get vendor to correct

↳ Knows agencies work hard on contracts, don't know why/how get to this point & I don't know who will pay for this

CR? Did you look @ contract to see what accountability

↳ always some provision - varies from K to K

↳ backlog & mathematical errors not a contract issue

RC? 4 errors pointed out - RATS systems still a problem?

↳ DOR can speak to that better - do believe there are unrelated issues still w/ RATS

RC? Until RATS fixed, can ITS work properly?

↳ will eventually spill over (back-log) - different, but related

MM? IT essential, have you any insights to letting IT contract to ensure success?

↳ did an audit 5-6 yrs ago - recommendation of

best practice --- Since then, you would think improved, but not. CIO, Audits, etc to look at - different problems depending on contract.

DC? Program vs Employees?  
↳ Backlog due to program

DC? Any patterns to over or under payments?  
↳ No

SI? Had a Dept - dissolved - didn't think a good idea - any comment on that?  
↳ some degree of co-ord w/ DOA - is a CIO, --- given volume - cost, complexity

DOR - Laura Engan & Oscar <sup>- CIO</sup> Anderson, Anthony <sup>Fin. Dir.</sup> James?

- Frustrated w/ prob - as are Counties
- Overall, WI DOR has had a long reliability - BT ~~ITS~~ ITS  
- errors absolutely unacceptable - \$9M in revenue  
- .6% error
- Errors went undetected BY LAB came in  
- variations normal  
- Detection - fluke  
- small <sup>individual</sup> errors add up over time  
- reached out to counties - when DOR underpaid - gave back if overpaid - waiting
- Went through follow-up letter  
- DOR has reached agreement w/ CCATS - they w/ b paying - <sup>not</sup> state
- Will keep ~~state~~ committee informed of progress with monthly reports



CR? What assurances do you have that border payments & subsequent payment to countries were accurate  
 ↳ think id all problems, CHIMS will verify through additional testing  
 ↳ RAB related money still being sent

RC? Long term - cost overruns?  
 ↳ reporting of overruns not accurate - \$37M spent for entire system - legis gave \$ for ITS - challenge has spent more to maintain system - reduced "net benefit"

? What kind of costs?  
 ↳ stayed on budget ----  
 - ITS is not just about sales tax  
 ↳ most expensive and problematic

~~Midw. City~~ - Linda Seymeyer & Steve Agostini  
 - no appeal process to verify numbers

ST? What could we do to rectify  
 ↳ Extract info from top sales tax payers - large retailers often pay late - can affect redistribution  
 - how do auto retailers do this?  
 - only baseball district has ability to look at this  
 - appeal process - ability to check/verify accuracy

CR? Suggestions for IT project improvement  
 ↳ Project mgmt - not a high priority  
 ↳ Central IT org.

Del - Laura - Appeals process is by phone - Midw. City does get a detailed report

OK ? Are you only hearing from Midw Cnty?

↳ Some counties spend more time than others looking at data - we are hearing from other counties.

Do get calls & we do best to answer questions

2/7/06 Volunteer FF/EMT Service Award Program (1)

LAB - Jan/Kate Wade

SS - Review FD not participating?

↳ No

LAB - Annual report should include info on Admin. fees info, benefit distribution

DOA - Jim Langdon<sup>-WT</sup> + Bob Seitz<sup>-VT</sup>, Board Chairman - *Written Testimony?*

\* CR? What is LAB/DOA doing to get more FD to join

BY {  
↳ Ahead of LFB estimates in growth  
↳ concern about fiscal <sup>implications, long term</sup> impact of joining  
↳ Bob Seitz - his community not in program - offers board insight as to why some FD don't join

SL {  
↳ Disseminate info about program through a variety of means - various assns, web, etc

CR? Concerned as to what Dept 5/13 administering program, thinks LAB membership 5/13 mostly FD who are part of program  
Board size, financial expertise, ETF involvement in statute

\* ~~SS~~? - FF/EMT &

↳ yes, have so far been able to

? - Rationale for sub committee not have FF on it

↳ didn't have time to serve

? - Why more than one vendor

↳ LAB wrestled with? - feeling that if vendors competing w/each other would be more aggressive in pursuing dept. participation

? Commitment to raise cap when necessary

↳ set by budget - not in jeopardy yet - next 2-3 yrs.

- SS ? If GPR cap~~reached~~ reached, can FD continue to add... less money to FF - pro-rata?

  - ↳ LISA Board would need to determine how that will work
  - ↳ may be why some FD aren't participating future uncertain of GPR commitment
- ? When program designed - ETF didn't want to participate for financial reasons

  - as ↳ Goodwill of ETF - .1 FTE now for LISA from DOA
  - SL ↳ ?
  - as ↳ .1 position comprises info from 182 FD also.
- ? Why info on commissions not in report

  - ↳ Was revealed but LAF said it's B/E easier to find & compare

WSFCA - David Bloom - written testimony  
 ↳ 2/3 of members <sup>plus FD</sup> in program

- CR ? Recommendation for employer side of problem?

  - ↳ tried legislatively to protect FF or EMT...
- CR ? For very small business... have you looked at <sup>tax credit</sup>?

  - ↳ have looked at... w/WMC
- CR ? Any age?

  - ↳ <sup>don't</sup> know
- SS ? Other LISA prog

  - ↳ offered through VFIS - been avail for many years - <sup>no state mt</sup>
- SS ? How many in ?

  - ↳ ?

Larry Plumber - Volunteer FF - WI State FF

- Thank you for audit - knew there wld prob down the road when program first started
- Why not in? - Alot have programs, waiting to see if strong investment
- Agree w/Dave about prob w/employers

↳ avg turnover is 7 years - training is expensive

↳ Liberty of employers to check up on employee

SS ? Enact policy that Fire Chiefs send a letter to employers to send thank you / verification to employers

↳ need a happy ground - too burdensome to do every time

↳ Do send a plaque every 5 yrs to employers

ETF - Bob Conlin - No written testimony

- Review report

- Stand ready to work w/DOA & LOSA Board - resource concern

- Not prepared to discuss what resources at this point

CR ?

↳ Maybe ways to address financial expertise on Board ....