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# Audit and Collection Report Explanation of Programs 2016

Maine Revenue Services

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ADMINISTRATIVE & FINANCIAL SERVICES

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MAINE REVENUE SERVICES

JEROME D. GERARD  
EXECUTIVE DIRECTOR

# Memorandum

To: Joint Standing Committee on  
Appropriations and Financial Affairs;  
Joint Standing Committee on Taxation  
From:  Jerome D. Gerard, Executive Director  
Date: August 19, 2016  
Subject: Audit & Collection Report Explanation of Programs

Maine Revenue Services' (MRS) report for contract audit and collection expense for fiscal year 2016, which is required under 36 MRSA §113(1), is attached. Below is a brief explanation of each program listed on the report. If you have questions regarding the report, please contact me.

Transworld Systems, Inc. (TSI) f/k/a NCO Financial Systems, Inc.: TSI collects individual income tax debts for MRS. TSI is required to employ a minimum staff of 35 tax collection personnel. In addition, a minimum of three problem resolution staff are employed to answer inquiries from taxpayers and their representatives as to the status of tax accounts, receive and process correspondence, make adjustments to accounts to correct errors, research account histories, calculate and recalculate tax, interest and penalties, negotiate payment plans and review settlement offers.

Out-of-State Attorneys: Out-of-State attorneys perform collection activities authorized under the laws of the State of Maine for the enforcement of delinquent State taxes pursuant to final assessments for individuals or entities residing outside of the State of Maine.

Treasury Offset Program: The Treasury Offset Program is administered by the U.S. Department of the Treasury, Bureau of Fiscal Services. The program allows MRS to offset a Maine resident's IRS income tax refund(s) against MRS income tax debts owed by the same taxpayer. MRS has participated in this program since 2001.

Financial Institution Data Match: MRS has a contract with Informatix Inc. to perform quarterly data matches with all Maine financial institutions against the taxpayers owing MRS tax debts. The matches provide asset information for potential levy sources in cases where the taxpayer is not making payment.

Revenue Solutions Inc. (RSI) Data Warehouse: RSI provides data warehouse and data mining technology (known as the Data Warehouse Collection Initiative or DWCI) to: (i) increase Maine state revenue through the identification of individual income tax non-filers; (ii) improve detection of fraudulent income tax and other program refunds; and (iii) provide substantial support for revenue estimation and econometric research.

RSI Collection Project: The goal of the RSI Collection Project is to enhance the existing data warehouse. It has improved case management and levy management. It has replaced manual processes, improved address maintenance and return-mail processing, and automated payment agreements. In addition, it has implemented analytical scoring modules, an expanded collections dashboard, new collections reports, and new predictive dialer functions. This is a benefits-based contingency fee contract, with payments to RSI for accepted deliverables contingent on the additional revenue collected.

Lien Costs Imposed by the Registry of Deeds: Tax liens filed in the county registries are used to secure MRS tax debts.

State Indirect Cost Allocation Plan (STACAP or SWCAP): MRS provides un-billed central services to State programs that operate with federal and/or special revenue funds. In order to recover the cost of providing these services, MRS must prepare a STACAP. The plan is used to develop indirect cost rates which are used to allocate the federal and special revenue fund units their "fair share" of the indirect costs. In addition, to recover indirect costs from federal funds, the State Controller's Office must successfully negotiate the STACAP with representatives of the U.S. Department of Health and Human Services, Division of Cost Allocation.

cc: Commissioner Richard W. Rosen

# **Maine Revenue Services** **Annual Report: 36 MRSA §113(1)** **For the year ending June 30, 2016**

Program Description	Cash Collected	Administrative Costs	Net Benefit	Collection Ratio
Transworld Systems Inc. (TSI) Primarily for collection effort when individual debtors are located in Maine	\$36,627,616	(\$6,070,530)	\$30,557,086	6.03 TO 1
Out-of-State Attorneys Debt collection effort outside of Maine	\$388,408	(\$183,590)	\$204,818	2.12 TO 1
Treasury Offset Program MRS offset of Federal Income Tax Refunds	\$2,578,097	(\$75,042)	\$2,503,055	34.36 TO 1
Financial Institution Data Match	\$4,316,627	(\$20,200)	\$4,296,427	213.69 TO 1
Data Warehouse	\$10,735,802	(\$1,254,815)	\$9,480,988	8.56 TO 1
RSI Collections Project	\$14,087,074	(\$3,050,569)	\$11,036,505	4.62 TO 1
Lien Costs imposed by the Registry of Deeds		(\$398,411)	(\$398,411)	-
Stacap Expense		(\$269,618)	(\$269,618)	-
Totals	\$68,733,624	(\$11,322,775)	\$57,410,849	6.07 TO 1