

E00A
Comptroller of Maryland

Operating Budget Data

(\$ in Thousands)

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>	<u>% Change</u> <u>Prior Year</u>
General Fund	\$75,215	\$78,316	\$78,981	\$665	0.8%
Contingent & Back of Bill Reductions	0	0	-102	-102	
Adjusted General Fund	\$75,215	\$78,316	\$78,879	\$562	0.7%
Special Fund	18,109	18,399	20,801	2,402	13.1%
Contingent & Back of Bill Reductions	0	0	-520	-520	
Adjusted Special Fund	\$18,109	\$18,399	\$20,281	\$1,882	10.2%
Reimbursable Fund	19,758	21,793	19,639	-2,155	-9.9%
Adjusted Reimbursable Fund	\$19,758	\$21,793	\$19,639	-\$2,155	-9.9%
Adjusted Grand Total	\$113,083	\$118,509	\$118,799	\$290	0.2%

- The fiscal 2014 allowance increases by \$290,000, or 0.2%, when funds are adjusted for contingent and across-the-board reductions.
- Personnel expenses increase by \$3.0 million, largely due to increases in retirement. This increase is offset by decreases in expenditures related to the Modernized Integrated Tax System (\$1.0 million) and Annapolis Data Center usage (\$1.1 million).
- General funds increase by \$562,000, net of \$102,000 due to an across-the-board reduction in health insurance.
- Special funds increase by \$1.9 million, net of \$520,000 due to a \$20,000 across-the-board reduction in health insurance, and a \$500,000 contingent reduction that lowers funding for the Compliance Division if legislation is enacted altering the Comptroller's abandoned property notification procedure.

Note: Numbers may not sum to total due to rounding.

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Personnel Data

	<u>FY 12</u> <u>Actual</u>	<u>FY 13</u> <u>Working</u>	<u>FY 14</u> <u>Allowance</u>	<u>FY 13-14</u> <u>Change</u>
Regular Positions	1,110.00	1,109.00	1,109.00	0.00
Contractual FTEs	<u>42.60</u>	<u>38.60</u>	<u>38.60</u>	<u>0.00</u>
Total Personnel	1,152.60	1,147.60	1,147.60	0.00

Vacancy Data: Regular Positions

Turnover and Necessary Vacancies, Excluding New Positions	41.48	3.74%
Positions and Percentage Vacant as of 12/31/12	52.00	4.69%

- The fiscal 2014 allowance does not reflect any new positions.
- Turnover is set at 3.74% for fiscal 2014, which is about the same as the 3.89% level in fiscal 2013.

Analysis in Brief

Major Trends

Increase in Active Individual Delinquencies: The number of individual delinquencies increased by 45,492, or 25.7%, between fiscal 2011 and 2012. The number of individual delinquencies has increased by 78,661, or 54.7%, since 2008, when the economy took a downward turn.

Delinquent Tax Collection Revenues Increase: The Comptroller's Office dedicates a significant amount of resources to maximize the collection of overdue taxes. The agency is responsible for notifying all taxpayers of past due amounts and taking steps to ensure collection. The amount of delinquent income taxes collected increased by \$43.8 million between fiscal 2011 and 2012 and by \$123.7 million between fiscal 2008 and 2012. The increase is attributable to the weak economy and the advent of several additional collection methods that have increased the effectiveness of tax collection efforts.

Money Paid to Unclaimed Property Owners Increases: The amount paid to owners of unclaimed property increased by \$10.6 million from fiscal 2011 to 2012. The agency credits this increase to aggressive measures to reunite owners with their unclaimed property by matching addresses through programs such as the Motor Vehicle Administration project and the Child Support and Income Tax system. A new claims processing interface with the Financial Management Information System has also increased speed at which claims can be processed.

Recommended Actions

	<u>Funds</u>
1. Reduce funding for newspaper advertising by \$3,500.	\$ 3,500
2. Increase turnover.	179,455
3. Reduce funding for subscriptions.	6,000
4. Concur with the contingent reduction that reduces funds for abandoned property notifications.	
5. Reduce the funding for overtime by \$6,000.	6,000
Total Reductions	\$ 194,955

Updates

Modernized Integrated Tax System Contract Settled: During the 2006 legislative session, the Comptroller requested and received approval for the replacement of the office’s 20-year-old tax collection system. After examining various options, the agency decided to procure a system that could integrate the accounting and collection functions for all taxes in one database. One element of the system, the data warehouse, became operational in 2008. However, work on the other component – the integrated tax system – was suspended in 2010 as it was determined that this component of the system could not realistically be made viable. A settlement has been reached; the vendor was required to finish installing the data warehouse with no additional compensation beyond what had been paid through December 2010. The software for the integrated tax system has been “parked”, meaning the agency is entitled to all future upgrades to the software at no cost. If in the future, the Comptroller’s Office determines that the software will satisfy tax processing requirements, the office may then contract with an authorized system integrator to replace the current tax processing systems, as originally intended. **The Comptroller’s Office should comment on the settlement with the vendor and on its future plans regarding the acquisition of a new tax system given the failure to replace the current system.**

Data Warehouse a Success; Yields Increased Revenue: The Modernized Integrated Tax System project officially ended on October 31, 2012, but the data warehouse has been operational for several years. According to the Comptroller’s Office, the data warehouse and its related revenue programs have generated \$184 million in tax revenue since its inception in 2008. New programs undertaken include withholding verifications, credit verifications, nonfiler programs, and federal matching programs. The agency is also researching the possibility of identifying address combinations or fraud addresses as another tax collection strategy. As the project continues to be implemented and more sources of data are loaded, new tax collection programs will be developed. There will be an ongoing need for a programmer to create data queries and develop new compliance and collection programs

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that utilize the data in the warehouse. **The Comptroller’s Office should provide additional information regarding the amount of delinquent tax revenue collected, the models through which the data warehouse facilitates collection of unpaid obligations, and any new programs being considered.**

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Operating Budget Analysis

Program Description

The Comptroller of Maryland is charged with the general supervision of the State's fiscal matters, including collecting taxes, distributing revenues, and administering financial accounts. The agency is divided into eight divisions generally falling into the following categories:

Revenue

The Revenue Administration Division (RAD) is responsible for processing and collecting various taxes, including the personal income tax, the corporate income tax, and the sales tax. RAD is also responsible for administering the laws governing the sale, manufacture, storage, transportation, distribution, and promotion of alcohol, tobacco, and motor fuel. The Compliance Division conducts audits and collects delinquent taxes from all revenue sources. The Field Enforcement Division enforces all tax laws by conducting investigations, tests, and inspections.

Administration

The Office of the Comptroller has general supervision over the agency. The General Accounting Division accounts for all State funds received and disbursed and prepares financial reports required by law. This division is also responsible for the Relational Statewide Accounting and Reporting System. The Central Payroll Bureau issues payroll checks and administers the direct deposit transactions for State employees in three separate payroll systems.

Other Divisions

The Bureau of Revenue Estimates provides estimates of State revenues and formulates recommendations to be submitted to the Governor. The Information Technology Division administers the Annapolis Data Center (ADC). The data center is available to all State agencies on a reimbursable basis.

The goals of the Comptroller are to

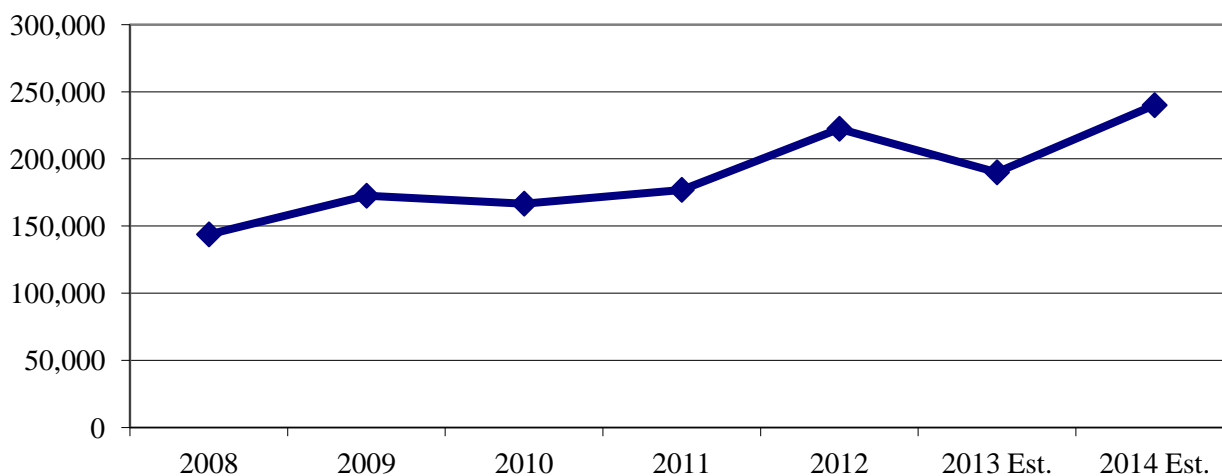
- provide high quality public service;
- fully utilize information technology; and
- vigorously enforce tax laws essential to the fair treatment of all taxpayers.

Performance Analysis: Managing for Results

1. Increase in Active Individual Delinquencies

The number of individual delinquencies increased by 45,492, or 25.7%, between fiscal 2011 and 2012. **Exhibit 1** displays the number of individual tax delinquencies between fiscal 2008 and 2014. The number of individual delinquencies has increased by 78,661, or 54.7%, since 2008, when the economy took a downward turn.

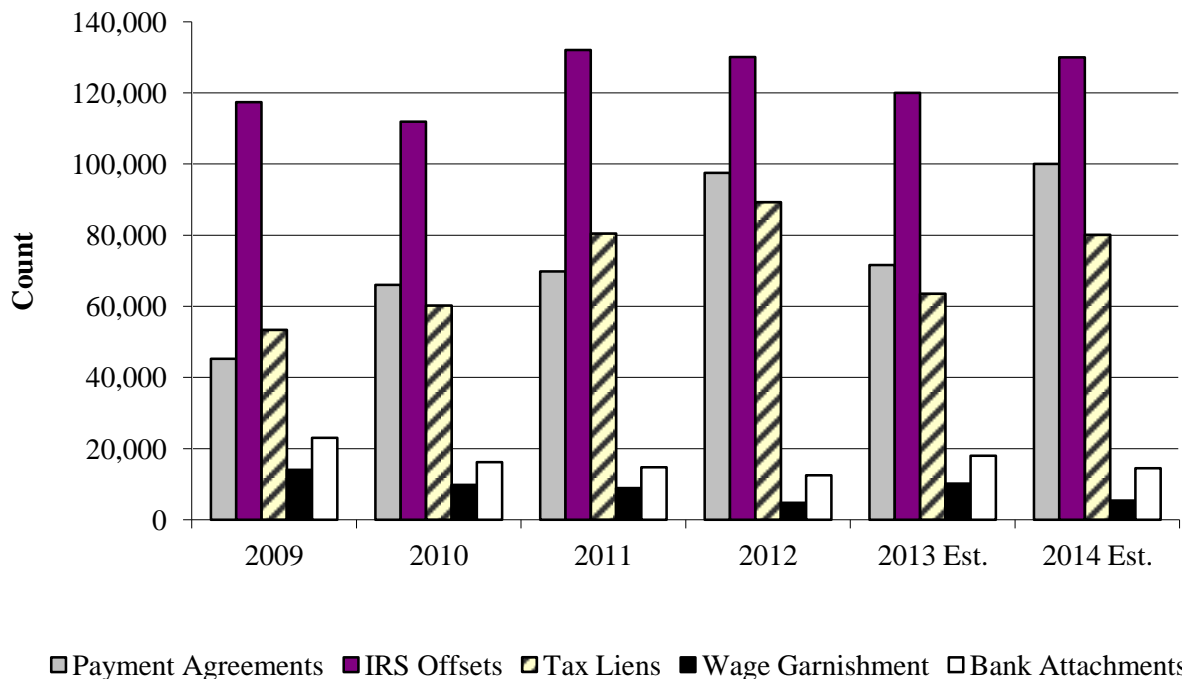
Exhibit 1
Individual Tax Delinquencies
Fiscal 2008-2014



Source: Governor's Budget Books, Fiscal 2011-2014

The Comptroller's goal is to encourage taxpayers to voluntarily comply with tax laws, but many people do not pay their taxes in a timely fashion. The Comptroller uses a variety of tools to recover delinquent taxes. **Exhibit 2** details the utilization of several of the Comptroller's current methods of delinquent tax collection. Internal Revenue Service (IRS) offsets are, by far, the most utilized, despite the 1.5% decrease of this method from fiscal 2011 to 2012. Under this method, the State withholds refunds of those who have federal tax liabilities, and in return, the IRS withholds refunds of those with Maryland tax liabilities. Payment agreements experienced a significant increase of 27,666, or 39.6%, in fiscal 2012, largely due to the driver's license and vehicle registration renewal clearance project. The Motor Vehicle Administration (MVA) assists in this project by holding the driving privileges and/or vehicle registration renewal of customers who have not satisfied their outstanding liabilities.

**Exhibit 2
Collection Method Utilization
Fiscal 2009-2014**



IRS: Internal Revenue Service

Source: Governor’s Budget Books, Fiscal 2011-2014

The number of bank attachments declined by 2,188 (11.0%) while salary garnishments decreased by 4,132 (46.5%) from fiscal 2011 to 2012. The Comptroller’s Office advises that in any given year the agency assigns its staff to collection programs that generate the largest amount of revenue. Bank attachments and salary garnishments are labor intensive and less effective in bad economic times. In addition, staff has focused some of its efforts on new compliance initiatives, such as the driver’s license and vehicle registration renewal clearance project.

2. Delinquent Tax Collection Revenues Increase

The Comptroller’s Office dedicates a significant amount of resources to maximize the collection of overdue taxes. The agency is responsible for notifying all taxpayers of past due amounts and taking steps to assure collection. The amount of delinquent income taxes collected increased by \$43.8 million from fiscal 2011 to 2012, and by \$123.7 million from fiscal 2008 to 2012 (see **Exhibit 3**). The increase is attributable to the weak economy and the advent of several additional collection methods that have increased the effectiveness of tax collection efforts.

Exhibit 3
Delinquent Personal Income Taxes Owed and Collected
Fiscal 2008-2012
(\$ in Millions)

<u>Fiscal Year</u>	<u>Taxes Collected</u>	<u>Taxes Owed</u>	<u>Percent Collected</u>
2008	\$184.3	\$381.4	48%
2009	195.9	463.0	42%
2010	248.3	640.9	39%
2011	264.2	536.7	49%
2012	308.0	668.8	46%

Source: Comptroller of Maryland

The Comptroller’s Office advises that the economic downturn that began in 2008 resulted in an increased amount of delinquent taxes owed to the State; thus, beginning in 2008, there was a higher base of delinquent tax obligations upon which to collect. At the same time, the Comptroller implemented several initiatives that improved the agency’s ability to identify, locate, and compel individuals to remit taxes owed. The data warehouse component of the Modernized Integrated Tax System (MITS) has improved the agency’s ability to analyze data and develop new collection programs. The data warehouse and related revenue generating programs have resulted in the collection of \$184 million in revenue since its inception in 2008. As the agency continues to implement the data warehouse and load more sources of data, new tax collections programs will be developed, and continued growth in the collection of additional delinquent taxes is expected.

3. Money Paid to Unclaimed Property Owners Increases

The amount paid to owners of unclaimed property increased by \$10.6 million from fiscal 2011 to 2012. The agency credits the increase to aggressive measures to reunite owners with their unclaimed property by matching addresses through programs such as the MVA project, and the Child Support and Income Tax system. A new claims processing interface with the Financial Management Information System (FMIS) system has also decreased the time required to process claims.

Fiscal 2013 Action

Section 25 of Chapter 1 of the First Special Session of 2012 (the Budget Reconciliation and Financing Act of 2012) required the Governor to abolish at least 100 vacant positions as of January 1, 2013, saving at least \$6 million in general funds. This agency’s share of the reduction was

1 position and \$185,000 in general funds. The annualized salary savings due to the abolition of these positions is expected to be \$44,000 in general funds.

Proposed Budget

As shown in **Exhibit 4**, the fiscal 2014 allowance increases by \$290,000, or 0.2%, when funds are adjusted for contingent reductions.

Exhibit 4
Proposed Budget
Comptroller of Maryland
(\$ in Thousands)

How Much It Grows:	<u>General</u> <u>Fund</u>	<u>Special</u> <u>Fund</u>	<u>Reimb.</u> <u>Fund</u>	<u>Total</u>
2013 Working Appropriation	\$78,316	\$18,399	\$21,793	\$118,509
2014 Allowance	<u>78,981</u>	<u>20,801</u>	<u>19,639</u>	<u>119,421</u>
Amount Change	\$665	\$2,402	-\$2,155	\$912
Percent Change	0.8%	13.1%	-9.9%	0.8%
Contingent Reductions	-\$102	-\$520	\$0	-\$622
Adjusted Change	\$562	\$1,882	-\$2,155	\$290
Adjusted Percent Change	0.7%	10.2%	-9.9%	0.2%

Where It Goes:

Personnel Expenses

Increments and other compensation.....	-\$96
Employee and retiree health insurance, adjusted for across-the-board reduction.....	667
Employee retirement.....	1,580
Workers' compensation premium assessment.....	244
Annualization of fiscal 2013 cost-of-living adjustments.....	643
Other fringe benefit adjustments.....	-55

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Where It Goes:

Contractual Services

Completion of the MITS project and first year of maintenance	-1,006
Comptroller’s Annapolis Data Center allocation.....	-1,068
State share of the new International Fuel Tax Agreement tax collection system	500
New software required by Internal Revenue Service audit to log access to tax data.....	119
Consulting costs for the Statistics of Income Report.....	74
Unclaimed property inserts	65
Earned income tax credit notices to employers.....	79

Contingent Reduction

Repeal of abandoned property notification procedure	-500
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Other Changes

Salaries for contractual staff	38
Telephone, postage, and other communications	-1,031
Motor vehicle purchases and associated costs	50
Other adjustments	-13

Total **\$290**

MITS: Modernized Integrated Tax System

Note: Numbers may not sum to total due to rounding.

Personnel Changes

The agency’s personnel costs increase by \$3.0 million in fiscal 2014, as shown in Exhibit 4. The annualization of the fiscal 2013 2% cost-of-living adjustment (COLA) contributes \$643,000 to this increase. Health insurance increases by \$667,000, including an across-the-board reduction. Employee retirement increases by \$1.6 million. Contribution rates for the regular employees, teachers, State police, and law enforcement officers’ pension plans increase in fiscal 2014. The rate increases are attributable to underattaining investment returns, adjusting actuarial assumptions, and increasing the reinvestment of savings achieved in the 2011 pension reform. Worker’s compensation increases by \$244,000.

MITS Costs

The fiscal 2014 allowance reflects a decrease of \$1.0 million for the MITS project compared to fiscal 2013. Due to significant problems with the system identified during installation, work on one major component of the project was halted in December 2010, when a Guaranteed Analysis Program outcome of the analysis determined that certain elements of the system could not be implemented without significantly higher costs. Funding for this component of the project was

eliminated in fiscal 2013, and the data warehouse component was completed. The fiscal 2014 allowance includes an increase of \$1.3 million in special funds from local income tax revenue and elimination of \$2.3 million in reimbursable funds received from the Department of Information Technology (DoIT) for MITS. Since the initiation of the project, it has been agreed that the costs for MITS would be shared by DoIT (60%), local income tax revenue (30%) and the Comptroller's special funds (10%). To keep the agreed upon fund split, this is the last payment required from local income tax revenue.

Re-allocation of ADC Usage

The fiscal 2014 allowance shows a significant decrease of \$1.1 million in the Comptroller's portion of ADC usage. In fiscal 2012 and 2013, the State Department of Assessments and Taxation (SDAT) and the Maryland State Retirement and Pension System (MSRPS) expressed interest in decreasing their usage of ADC. Since the usage of these agencies was unknown, a disproportionate share of funding for ADC was placed in the Comptroller's budget until actual usage would be determined. The fiscal 2014 allowance reflects funds for ADC usage being redistributed to these agencies and out of the Comptroller's budget.

New International Fuel Tax Agreement Tax Collection System

In the fiscal 2014 allowance, there is an increase of \$500,000 to cover Maryland's share of the new International Fuel Tax Agreement (IFTA) tax collection system which will be developed by the state of Kentucky. The IFTA authorizes a trucker or company to obtain one fuel tax license, issued by their base jurisdiction, and then allows them to travel in all IFTA member jurisdictions. Currently, the state of New York provides centralized tax collections services for all the participating jurisdictions, but these services will stop December 31, 2013. Kentucky has agreed to take over IFTA functions and develop a tax return processing system for the IFTA. Kentucky will handle the contract issues and will bill all participating states for a share of the costs. The \$500,000 is a one-time expense to cover Maryland's share of the IFTA costs to assist Kentucky in taking on these services.

Abandoned Property Notification Procedure

State law requires the Comptroller's Office to publish notice of abandoned property accounts in local newspapers of general circulation in Maryland. Committee narrative in the 2011 *Joint Chairmen's Report* required the office to submit a report examining how transitioning to a web-based notification procedure would impact the access of the elderly and individuals in rural jurisdictions to abandoned property information.

Annual Expense to Publish Names Exceeds \$600,000 Annually

In fiscal 2012, the Comptroller's Office spent \$523,794 to print 912,721 newspaper supplements containing the names of 75,102 individuals who had unclaimed property turned over to the State in 2011. In addition, the agency spent \$148,631 to have these supplements distributed in

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newspapers throughout Maryland. The agency reunited 54,372 individuals with their abandoned property in fiscal 2012, which is a significant increase from 4,924 individuals in fiscal 2011. The agency credits the increase to aggressive measures to reunite owners with their unclaimed property by matching addresses through programs such as the MVA project and the Child Support and Income Tax system. A new claims processing interface with the FMIS has also increased the speed at which claims can be processed. Only the names of individuals for whom property was received in the preceding calendar year are published in the newspaper supplements. The Comptroller's abandoned property database, which is available on the agency's website, is searchable and contains the name and last known address of all individuals in the database, not just those for whom property was received in the preceding year.

The Comptroller's Office notes that individuals in rural jurisdictions, the elderly, or others who may not own a computer or have access to the Internet, have several options to determine whether or not the Comptroller's Office is in possession of their property. These individuals may (1) call the Comptroller's Office to have a staff member access the database on their behalf; (2) visit one of the 12 locations of the Comptroller's Office throughout Maryland; or (3) obtain assistance in accessing the database at a local library. New address matching programs from the data warehouse, such as the MVA project, have helped identify owners and their addresses; therefore, the Comptroller's Office has been able to increase the number of notices mailed to unclaimed property owners from 48,118 in fiscal 2011, to 85,401 in fiscal 2012.

If statute were amended to repeal the requirement specifying that the Comptroller's Office must publish the names of individuals for whom the agency receives abandoned property in the preceding year, the agency would post advertisements, four times annually, to publicize its abandoned property database. This alternative is a \$500,000 special fund reduction which will result in general fund revenue.

Fiscal 2014 Cost Containment

The fiscal 2014 allowance reflects a \$500,000 reduction in special funds contingent upon the enactment of budget reconciliation and financing legislation repealing the notification procedure for abandoned property. Under current State law, the office is required to publish notice of abandoned property accounts in local newspapers of general circulation. If repealed, the office will be authorized to publish a statement (in newspapers of general circulation) that directs readers to the Comptroller's website for a complete listing of abandoned property accounts. This proposal has been rejected by the General Assembly for the past four years.

Recommended Actions

	<u>Amount Reduction</u>	
1. Reduce funding for newspaper advertising by \$3,500 for Revenue Estimates. This funding is no longer needed to advertise for specific positions that have already been filled. This action reduces the allowance for newspaper advertising by \$3,500.	\$ 3,500	GF
2. Increase turnover to 4.0% to reflect actual turnover in recent years. The reduction increases the turnover rate in the Office of the Comptroller from 3.74 to 4.0%. This is still below the 4.69% turnover rate in the fiscal 2013 working appropriation. The agency has sufficient vacancies to absorb this reduction.	179,455	GF
3. Reduce funding for subscriptions by a total of \$6,000 for the Revenue Administration and the Field Enforcement Division based on fiscal 2012 actual expenditures for subscriptions. This action reduces funding for subscriptions to the Revenue Administration by \$2,000 in general funds and to the Field Enforcement Division by \$4,000 in general funds.	6,000	GF
4. Concur with the following language from the special fund appropriation: <u>. provided that this appropriation shall be reduced by \$500,000 contingent upon the enactment of legislation to repeal the provisions of law related to the current notification procedure for abandoned property including the requirement to advertise abandoned property in local newspapers on an annual basis.</u>		

Explanation: This action would concur with the Governor’s plan to reduce special funds within the Compliance Division contingent upon the enactment of legislation altering the agency’s procedure for abandoned property notifications.

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	<u>Amount</u>	
	<u>Reduction</u>	
5. Reduce funding for overtime for the Field Enforcement Division by \$6,000 to reflect average overtime expenditures for fiscal 2010 and 2011. The Comptroller is authorized to allocate this reduction across the agency. This action reduces the funding for overtime within the Field Enforcement Division of the Comptroller of Maryland by \$6,000. Fiscal 2012 overtime costs were unusually high. Average overtime costs from fiscal 2010 and 2011 more realistically reflect funding needs for overtime.	3,000	GF
	3,000	SF
Total Reductions	\$ 194,955	
Total General Fund Reductions	\$ 191,955	
Total Special Fund Reductions	\$ 3,000	

Updates

1. MITS Contract Settled

During the 2006 legislative session, the Comptroller requested and received approval for the replacement of the office's 20-year-old tax collection system. After examining various options, the agency decided to procure a system that could integrate the accounting and collection functions for all taxes in one database. The MITS project was designed to encompass two modules – an integrated tax system and data warehousing component; the data warehouse became operational in 2008.

In December 2010, the Comptroller's Office informed the MITS contractor that it was exercising its right under the contract to suspend all further work on the integrated tax system component of the project, and no further work has been conducted. The integrated tax system component would have replaced the existing State of Maryland Tax system and existing Computerized Accounting and Collection System with new commercial off-the-shelf software. However, the integrated tax system was deemed fundamentally flawed because of identification by the vendor of hundreds of changes to the software customization that would be needed to satisfy business requirements. Implementation of these changes would have significantly increased the project's cost and time to completion. Given this failure, the agency will continue to use the tax system it has had in place since 1995, which remains viable despite its age.

Revised MITS Costs

The entire MITS project was expected to cost roughly \$79.8 million when work began in 2008. In 2011, the agency revised its cost estimates to reflect the stoppage of the integrated tax system component; the current plan, which reflects expenses for the data warehouse only, assumes the total cost of the project to be \$46.2 million. **Exhibit 5** displays the initial and revised funding estimates for the MITS project. Funding includes costs for independent verification and validation, which is approximately \$270,000. In fiscal 2015, about \$840,000 is provided from the Major Information Technology Department Project Fund (MITDPF), which may be reverted if the agency does not use the funds or uses it for another project. The MITS project was completed October 31, 2012; funding appears in fiscal 2013 and 2014 for ongoing maintenance. Maintenance costs are fully covered in fiscal 2013 and partially covered in fiscal 2014 by DoIT through the MITDPF. From the beginning of the project, it has been agreed that 30% of the cost would be funded from local tax revenue; the \$1.3 million the agency will pay in fiscal 2014 will be the final charge made against the local income tax revenue. Maintenance costs will be covered by the agency in fiscal 2015 and beyond.

Exhibit 5
Original and Current Funding Plans
Prior to Fiscal 2013-2014

	<u>Original Plan</u>	<u>Current Plan</u>	<u>Difference</u>
Prior to 2013	\$69,439,545	\$42,534,802	-\$26,904,743
2013	6,574,712	2,411,805	-4,162,907
2014	2,851,200	1,280,990	-1,570,210
Total	\$78,865,457	\$46,227,597	-\$32,637,860

Source: Comptroller of Maryland

Contract Settlement

A settlement has been reached between the agency and the vendor specifying that the vendor will be required to finish installing the data warehouse for no additional compensation beyond what has been paid through December 2010. The software for the integrated tax system has been “parked”, meaning the agency is entitled to all future upgrades to the software at no cost, despite the software not being used. If in the future, the Comptroller’s Office determines that the software will satisfy tax processing requirements, the agency may then contract with an authorized system integrator to replace the current tax processing systems, as planned.

The Comptroller’s Office should discuss the settlement with the MITS vendor and explain final adjustments to costs and funding. The agency should also discuss future plans regarding the acquisition of a new tax system given the failure to replace the current system, as intended.

2. Data Warehouse a Success; Yields Increased Revenue

The MITS project officially ended on October 31, 2012, but the data warehouse has been operational for several years. According to the Comptroller’s Office, the data warehouse and its related revenue programs have generated \$184 million in tax revenue since its inception in 2008, as shown by **Exhibit 6**. New programs undertaken include withholding verifications, credit verifications, nonfiler programs, and federal matching programs. The agency is researching the possibility of identifying address combinations or fraud addresses as another tax collection strategy. As the project continues to be implemented and more sources of data are loaded, new tax collection programs will be developed. There will be an ongoing need for a programmer to create data queries and develop new compliance and collection programs that utilize the data in the warehouse.

Exhibit 6
Revenues Generated by Data Warehouse
Fiscal 2009-2013

<u>Fiscal Year</u>	<u>Actual Collections</u>
2009	\$9,767,645.77
2010	46,969,836.42
2011	54,971,915.20
2012	57,249,558.99
2013	14,993,488.83
Total	\$183,952,445.21

Source: Comptroller of Maryland

The Comptroller's Office should provide further explanation of the data warehouse component of the MITS project. Specifically, the agency should provide (1) additional information regarding the amount of delinquent tax revenue collected and the models through which the data warehouse facilitates collection of unpaid obligations; and (2) any future programs currently under consideration to further improve tax collection.

Current and Prior Year Budgets

Current and Prior Year Budgets Comptroller of the Treasury (\$ in Thousands)

	<u>General Fund</u>	<u>Special Fund</u>	<u>Federal Fund</u>	<u>Reimb. Fund</u>	<u>Total</u>
Fiscal 2012					
Legislative Appropriation	\$75,557	\$19,342	\$0	\$19,473	\$114,372
Deficiency Appropriation	330	0	0	0	330
Budget Amendments	596	362	0	3,317	4,275
Reversions and Cancellations	-1,268	-1,594	0	-3,032	-5,894
Actual Expenditures	\$75,215	\$18,110	\$0	\$19,758	\$113,083
Fiscal 2013					
Legislative Appropriation	\$78,317	\$17,962	\$0	\$19,506	\$115,785
Budget Amendments	0	436	0	2,287	2,723
Working Appropriation	\$78,317	\$18,398	\$0	\$21,793	\$118,508

Note: Numbers may not sum to total due to rounding.

Fiscal 2012

In fiscal 2012, the total budget for the Comptroller’s Office decreased by \$1.3 million from the legislative appropriation. The general fund appropriation decreased by a net \$342,000 due to a deficiency appropriation, several budget amendments, and general fund reversions. A deficiency appropriation of \$330,000 was granted for additional contractual employees needed for the MVA project. One budget amendment allocated the \$750 bonus (\$723,000), while two budget amendments decreased the general fund by \$127,000 by redistributing ADC funding to match actual costs to State agencies. The bulk of the \$1.3 million reversion (\$1.27 million) was due to a surplus in funding to pay the ADC for mainframe usage. Due to unknown usage at SDAT and MSRPS, a disproportionate share of funding for the ADC was placed in the Comptroller’s budget until actual usage of these other agencies were known.

The special fund appropriation decreased by a net of \$1.2 million from the legislative appropriation due to several budget amendments (\$362,000) and unexpended funds (\$1.6 million). One budget amendment allocated the \$750 bonus (\$112,000). A \$200,000 budget amendment paid commissions for outside collection agencies, and a \$50,000 budget amendment covered salary costs for the employees that charge the garnishment fee. The bulk of the cancellation (\$1.57 million) was due to the cancelled MITS vendor payment.

The reimbursable fund appropriation increased by a net of \$285,000 over the legislative appropriation. The office received approximately \$3.0 million from the MITDPF via budget amendment for the MITS project. Two other budget amendments also transferred \$300,000 from user agencies for postage and other communication expenses. Approximately \$3.0 million in reimbursable funds was cancelled in fiscal 2012; of this total, nearly \$2.5 million was associated with the stoppage of the MITS project. The remaining balance of reverted funds is attributable to difficulty filling vacancies at the ADC and less funds needed to purchase check stock.

Fiscal 2013

The total budget of the Comptroller’s Office increased by \$2.7 million over the legislative appropriation. The increase is due to a reimbursable fund budget amendment from DoIT to cover costs of the MITS project (\$2.3 million) and special fund budget amendments that distributed the 2% COLA.

Audit Findings

Audit Period for Last Audit:	February 2, 2009 – October 11, 2011
Issue Date:	July 2012
Number of Findings:	0
Number of Repeat Findings:	0
% of Repeat Findings:	0%
Rating: (if applicable)	n/a

General Accounting Division

The audit did not disclose any findings.

Major Information Technology Projects

Comptroller of the Treasury Modernized Integrated Tax System

Project Status¹	Implementation.	New/Ongoing Project:	Ongoing.
Project Description:	The implementation of the modernized tax system (MITS) data warehouse and business intelligence.		
Project Business Goals:	The primary goal of the MITS project was to modernize the current tax administration and collection systems and to establish a platform for data warehousing. Further analysis of the requirements resulted in restructuring of the strategy. All requirements for an integrated tax system, including collection functionality, have been removed from the overall scope of the project. The re-scope is focused on the data warehouse and business intelligence. Another component of MITS was to implement a series of “Early Benefit” products designed to bring in revenue before full implementation. Capability to perform analytics and modeling within the data warehouse has already been active.		
Estimated Total Project Cost¹:	\$46,227,597	Estimated Planning Project Cost¹:	n/a
Project Start Date:	February 2006	Projected Completion Date:	October 2012
Schedule Status:	The data warehouse component of the project has been implemented. As of December 2012, approximately \$184 million in additional tax revenue has been collected due to analysis and reporting capability of the data warehouse. For the remainder of the project, the Comptroller’s Office will continue to expand the use of the data warehouse by adding data from other sources. Likewise, further development of the tools used to analyze, access, and report data will continue over the course of the remainder of the project.		
Cost Status:	The estimated cost of the project has declined by approximately \$32.6 million due to a change in the scope of the project.		
Scope Status:	During system testing, the Comptroller’s Office discovered that the design of the pilot business integrated tax system had significant defects. After consulting the vendor, a mutual decision was made to perform a guaranteed analysis program (GAP) analysis to determine issues inherent to the newly designed system. The results of the GAP analysis indicated that an enormous level of effort would be required to fix all of the indentified gaps. Due to the high risk of schedule slippage and cost overruns, the Comptroller’s Office made the decision to discontinue the integrated tax system module. Consequently, the integrated tax system requirements of the project have been removed from the overall project scope. The new scope only includes the data warehouse component.		
Project Management Oversight Status:	\$159,300 was provided in the fiscal 2014 allowance for oversight.		
Identifiable Risks:	None.		
Additional Comments:	Though the MITS project was completed, funding appears in fiscal 2013 and 2014 for ongoing maintenance, which will be supported by the agency and the Department of Information Technology’s Major Information Technology Development Project Fund.		

Fiscal Year Funding (\$ in Thousands)	Prior Years	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	Balance to Complete	Total
Personnel Services	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Professional and Outside Services	44,947	1,281	0.0	0.0	0.0	0.0	0.0	46,228
Other Expenditures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Funding	\$44,947	\$1,281	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$46,228

¹ In calendar 2011, a two-step approval process was adopted. Initially, an agency submits a Project Planning Request. After the requirements analysis has been completed and a project has completed all of the planning required through Phase Four of the Systems Development Lifecycle (Requirements Analysis), including a baseline budget and schedule, the agency may submit a Project Implementation Request and begin designing and developing the project when the request is approved. For planning projects, costs are estimated through planning phases. Implementation projects are required to have total development costs.

**Object/Fund Difference Report
Comptroller of Maryland**

<u>Object/Fund</u>	<u>FY 12 Actual</u>	<u>FY 13 Working Appropriation</u>	<u>FY 14 Allowance</u>	<u>FY 13 - FY 14 Amount Change</u>	<u>Percent Change</u>
Positions					
01 Regular	1,110.00	1,109.00	1,109.00	0.00	0%
02 Contractual	42.60	38.60	38.60	0.00	0%
Total Positions	1,152.60	1,147.60	1,147.60	0.00	0%
Objects					
01 Salaries and Wages	\$ 75,706,760	\$ 78,198,859	\$ 81,304,073	\$ 3,105,214	4.0%
02 Technical and Spec. Fees	1,463,487	1,237,377	1,268,409	31,032	2.5%
03 Communication	8,081,507	9,103,207	8,073,113	-1,030,094	-11.3%
04 Travel	461,974	474,664	525,447	50,783	10.7%
06 Fuel and Utilities	57,352	65,582	61,232	-4,350	-6.6%
07 Motor Vehicles	425,242	223,260	324,100	100,840	45.2%
08 Contractual Services	21,308,049	24,908,531	23,425,190	-1,483,341	-6.0%
09 Supplies and Materials	2,562,986	2,277,001	2,271,767	-5,234	-0.2%
10 Equipment – Replacement	1,508,901	245,828	405,794	159,966	65.1%
11 Equipment – Additional	71,790	396,264	303,100	-93,164	-23.5%
12 Grants, Subsidies, and Contributions	58,474	59,422	59,422	0	0%
13 Fixed Charges	1,258,349	1,318,371	1,398,857	80,486	6.1%
14 Land and Structures	117,926	200	150	-50	-25.0%
Total Objects	\$ 113,082,797	\$ 118,508,566	\$ 119,420,654	\$ 912,088	0.8%
Funds					
01 General Fund	\$ 75,215,275	\$ 78,316,471	\$ 78,981,148	\$ 664,677	0.8%
03 Special Fund	18,109,233	18,398,805	20,800,919	2,402,114	13.1%
09 Reimbursable Fund	19,758,289	21,793,290	19,638,587	-2,154,703	-9.9%
Total Funds	\$ 113,082,797	\$ 118,508,566	\$ 119,420,654	\$ 912,088	0.8%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.

**Fiscal Summary
Comptroller of Maryland**

<u>Program/Unit</u>	<u>FY 12 Actual</u>	<u>FY 13 Wrk Approp</u>	<u>FY 14 Allowance</u>	<u>Change</u>	<u>FY 13 - FY 14 % Change</u>
01 Executive Direction	\$ 3,259,843	\$ 3,783,283	\$ 3,826,338	\$ 43,055	1.1%
02 Financial and Support Services	6,009,870	6,396,876	6,827,862	430,986	6.7%
01 Accounting Control and Reporting	5,101,861	5,136,693	5,278,813	142,120	2.8%
01 Estimating of Revenues	647,808	731,707	847,196	115,489	15.8%
01 Revenue Administration	30,925,254	30,957,678	32,617,707	1,660,029	5.4%
02 Major Information Technology Development Projects	470,049	2,286,805	1,280,990	-1,005,815	-44.0%
01 Compliance Administration	30,659,248	30,643,302	31,890,788	1,247,486	4.1%
01 Field Enforcement Administration	5,035,261	4,945,112	5,366,725	421,613	8.5%
01 Payroll Management	2,442,030	2,678,916	2,711,002	32,086	1.2%
01 Annapolis Data Center Operations	14,758,315	15,140,733	14,984,418	-156,315	-1.0%
02 Comptroller Information Technology Services	13,773,258	15,807,461	13,788,815	-2,018,646	-12.8%
Total Expenditures	\$ 113,082,797	\$ 118,508,566	\$ 119,420,654	\$ 912,088	0.8%
General Fund	\$ 75,215,275	\$ 78,316,471	\$ 78,981,148	\$ 664,677	0.8%
Special Fund	18,109,233	18,398,805	20,800,919	2,402,114	13.1%
Total Appropriations	\$ 93,324,508	\$ 96,715,276	\$ 99,782,067	\$ 3,066,791	3.2%
Reimbursable Fund	\$ 19,758,289	\$ 21,793,290	\$ 19,638,587	-\$ 2,154,703	-9.9%
Total Funds	\$ 113,082,797	\$ 118,508,566	\$ 119,420,654	\$ 912,088	0.8%

Note: The fiscal 2013 appropriation does not include deficiencies. The fiscal 2014 allowance does not include contingent reductions.