

Taxation and Revenue Department

**Status Report of the GenTax Application System
October 14, 2004**



*Report to
The LEGISLATIVE FINANCE COMMITTEE*

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October 14, 2004

Ms. Jan Goodwin, Secretary
Taxation and Revenue Department
1100 S. St. Francis Drive
Joseph Montoya Building
Santa Fe, New Mexico 87503

Dear Secretary Goodwin:

On behalf of the Legislative Finance Committee (Committee), we are pleased to transmit our review of the Gen Tax software application system.

This review encompassed a review of how GenTax calculates state-shared taxes collected for counties and municipalities. This review also provides an update on the GenTax application system project. The contents of this report were discussed with you and your staff during exit conferences held on July 12, and 14, 2004. The report was distributed to the Committee on July 15, 2004, and will be presented to the Revenue Stabilization and Tax Policy Committee on October 14, 2004.

We believe that this report addresses issues the Committee asked us to review and hope that the Taxation and Revenue Department will benefit from our efforts. We appreciate both departments' cooperation and assistance.

Sincerely,

A handwritten signature in cursive script that reads "David Abbey".

David Abbey
Director

DA/EDP/MP:lg

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EXECUTIVE SUMMARY

Executive Summary

The objective of the GenTax audit was to review the implementation of the GenTax computer application system for integrated tax processing to accomplish the following:

- Gain an understanding of how GenTax calculates distributions of state-shared taxes collected for counties and municipalities.
- Determine if GenTax is accurately calculating distributions of state-shared taxes collected for counties, municipalities and the state general fund.
- Determine if controls are in place and operating effectively to ensure all Combined Revenue System (CRS) tax receipts deposited to the bank are processed by GenTax in a timely manner.
- Determine the status of the GenTax application system project implementation.

The GenTax application adequately accounts for all receipts submitted for processing.

Unmatched revenues not distributed to the State General Fund total \$17 million.

Access to electronic records in GenTax is needed to obtain reasonable assurance that all distributions in GenTax are being calculated correctly.

The GenTax application system adequately accounts for all tax receipts submitted for processing. However, a significant volume of transactions with insufficient taxpayer information need to be handled manually in GenTax. The department does not perform daily cash receipts reconciliations between revenue processed in GenTax and cash deposited to the bank. As a result, reasonable assurance cannot be obtained that all bank deposits are processed by GenTax in a timely manner. Distributions to the State General Fund that represent unmatched and unidentified receipts, over 60 days for the period from October 2003 to April 2004 totaled \$17.2 million. This amount was distributed to the State General Fund in July 2004.

Legal counsel for the Taxation and Revenue Department published a determination that the Legislative Finance Committee audit staff shall not have access to electronic records because of concerns that some of the information may contain confidential taxpayer information and violate state statutes. Without access to electronic records within GenTax reasonable assurance cannot be obtained that all distributions in GenTax are being calculated correctly and that all amounts received by the department's taxpayer websites are deposited with the bank and processed by GenTax.

The department needs to identify automated solutions that reduce manual cash receipts processing, help resolve reconciling items in GenTax and automates the reconciliation of cash in the bank to revenue processed by GenTax.

Recommendations:

Receipts processed by GenTax need to be reconciled with bank deposits on a daily basis.

Immediately prepare daily and monthly reconciliations of receipts processed by GenTax with cash deposits to the bank. Identify a solution that automates the reconciliation process. Ensure unmatched items over 60 days are distributed to the State General Fund on a monthly cycle.

Transfer knowledge of GenTax to internal technical support personnel.

Implement additional mail receipts processing procedures to ensure all mail receipts are batched and deposited to the bank on the date received in the mail. Establish a temporary holding account in GenTax with appropriate controls to process receipts with insufficient taxpayer information. Distribute any unmatched items that cannot be tied to a specific taxpayer within 60 days to the general fund as required by law.

Update legislation to hold State General Fund harmless from revenue reversals due to taxpayer error.

Publish validated test results for modifications to GenTax that address tax distributions issues identified by the internal task force. Coordinate with the legislature to amend Section 7-1-6, 15 (C), NMSA 1978 to hold the State General Fund harmless from revenue reversals caused by taxpayer errors.

Complete plans to transfer knowledge of the GenTax application system to internal technology staff. Knowledge transfer will reduce reliance on more expensive vendor support. Develop strategies for recruiting and retaining technical support staff with technical skills vital to supporting emerging technologies.

Complete plans to implement a data warehouse and decision support tools.

Automate fuel tax processing.

Complete plans to automate revenue processing for taxes and fees received through the mail. Update technology to utilize electronically imaged paper documents and automate processes to validate tax returns prior to GenTax processing. Encourage taxpayers to file returns electronically.

Coordinate with the legislature to amend Section 7-1-8, NMSA 1978 to grant the Legislative Finance Committee audit staff access to electronic information in GenTax for audit purposes.

Complete plans to implement Rollout (5) of the GenTax project. Rollout (5) will automate fuel tax and other ancillary tax processing.

REVIEW INFORMATION

BACKGROUND INFORMATION

The New Mexico Taxation and Revenue Department processes revenue receipts for approximately 35 funding sources amounting to over \$5.4 billion annually (per FY 2003 financial statements, including all revenue sources such as motor vehicle and oil and gas taxes). A Taxation and Revenue Department task force was assembled in April 2004 to review a trend identified by internal economists of decreasing distributions to the State General Fund from state-shared taxes collected for counties, municipalities and the State General Fund. A new computer application system, GenTax was implemented in October 2003 to replace the TRIMS application system for processing revenue receipts. Concerns by economists noted that the trend of decreasing distributions to the State General Fund from state-shared taxes began in October 2003 around the time the new GenTax computer application system began processing revenue receipts. The internal task force review of the GenTax application system identified various issues for resolution resulting in enhanced confidence in the distribution process.

Year-to-date revenue growth through June 2004, adjusted for accrued distributions is as follows:

- State General Fund Gross Receipts Tax Distributions increased by 5.83%;
- Local distributions increased by 8.94%
- Total distributions were up 6.06%
- Taxable gross receipts were up 7.16%
- The state's share of total distributions was 61%

Source: Taxation and Revenue Department documents.

Issues identified and resolved by the internal task force are as follows:

- Failure to distribute "unidentified", also known as "unmatched" revenues over 60 days old;
- Error in treatment of "aged" returns with multiple transactions;
- Error in treatment of multiple liabilities per location; and
- Difficulty in processing re-classified, aged returns.

Authority for Review. The Legislative Finance Committee (LFC) has the statutory authority under section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies and institutions of New Mexico and all of its political subdivisions, the effects of laws on the proper functioning of these governmental units and the policies and costs. LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, the LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state law.

Objectives. The objectives of this review are to:

- Gain an understanding of how GenTax calculates distributions of state-shared taxes collected for counties and municipalities.
- Determine if controls are in place and operating effectively to ensure all Combined Revenue System (CRS) tax receipts deposited to the bank are processed by GenTax in a timely manner.
- Determine the status of the GenTax application system project implementation.
- Develop recommendations to effect meaningful change.

Scope. Review procedures over tax receipts deposited to the bank were limited to the period May 1, 2004 to June 10, 2004, for Combined Revenue System (CRS) transactions.

Scope Limitation. Current State statutes prevented the agency from sharing taxpayer data covered under confidentiality statutes with the Legislative Finance Committee staff. Review procedures were significantly limited due to lack of access to electronic records. Without access to electronic records we are unable to gain reasonable assurance that all transactions that were received by the departments taxpayer websites were deposited to the bank and processed by GenTax.

Procedures. Procedures included, but were not limited to:

- Interview of key process personnel relevant to revenue processing and financial reporting.
- Interview of key technical support personnel relevant to the GenTax application.
- Review of revenue processing procedures, focusing on the Combined Reporting System for state-shared taxes collected for counties, municipalities and the state general fund.
- Review of GenTax computer application system requirements documents, including requirements for modules custom developed to meet state regulatory requirements.
- Review the status of the GenTax application system project implementation.
- Summarized observations and management action plans.

Audit Team Members. The audit team members were:

Manu Patel, Deputy Director Performance Audit
Edward Paz, Senior IT Performance Auditor
Dhvani Doshi, Performance Auditor

Exit Conference. The contents of this report were discussed with Jan Goodwin, Secretary, Stephen Dichter, Deputy Secretary, Noemi DeBodisco, CIO, Wanda Helms, ASD Director, Ron Cruz, RPD Director, Beth Barreras, Data Processing Manager, Frank Shaffer, Assistant Bureau Chief, Tax and Compliance Bureau on July 12, 14, and October 1, 2004. The department concurs with the findings in the report and will publish an action plan within 30 days from the date of the report.

Report Distribution. This report is intended for the information of the Office of the Governor, the Taxation and Revenue Department, the Department of Finance and Administration, the Office of the State Auditor, the Revenue Stabilization and Tax Policy Committee and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report which is a matter of public record.

A handwritten signature in black ink that reads "Manu Patel". The signature is written in a cursive, flowing style.

Manu Patel
Deputy Director for Performance Audit

**FINDINGS, RECOMMENDATIONS AND
DEPARTMENT RESPONSES**

FINDINGS and RECOMMENDATIONS

Bank Deposits For Electronic Remittances Under The Combined Revenue System (CRS) Taxpayer Program Cannot Be Reconciled With Deposits Processed By GenTax. Cumulative Reconciling Differences For Electronic Remittances Represent 23% Of The Electronic Remittances And 13% Of The Total Receipts For The CRS Tax Program For The Period Of Review. The Taxation and Revenue Department cannot reconcile bank receipts for electronic transactions processed by the GenTax application against daily bank statements in a timely manner. Bank reconciliation to GenTax is complicated due to the way electronic transactions accepted by department taxpayer websites are processed by the bank, a clearinghouse for credit card transactions and the GenTax application.

Our process included performing a reconciliation of cash deposited with bank to amounts processed by GenTax for the period May 1, 2004 to June 10, 2004. Our review traced all batches processed by GenTax with a bank deposit date back to the daily summaries of bank deposits and the ledger report compiled at the Revenue Processing Division and the Financial Services Bureau. CRS regular mail deposits were processed with a few exceptions. Some of these exceptions were because of timing issues. In summary, we identified a cumulative difference of \$44,617,226.93 between the deposits recorded at the bank and those processed by GenTax. This difference is primarily attributed to electronic remittances received by the bank. Electronic remittances constitute 56% of the total receipts for the CRS tax program for the period of review. Cumulative reconciling differences for electronic remittances represent 23% of the electronic remittances and 13% of the total receipts for the CRS tax program for the period of review.

Without access to department records, we could not perform further investigation into the nature and cause of the reconciling differences. Our reconciliation worksheet was provided to the department to research the reconciling amounts identified to determine their nature, cause and time of occurrence. Some data reports provided to us for reconciliation purpose was incomplete. We had to revise our reconciliation procedure using the additional data provided by the department.

Procedures Performed by the Department: The present system does not allow efficient reconciliation for items associated with electronic fund transfers i.e., credit cards and E-checks. The reconciliation process has consumed an enormous amount of time and effort. The department performed research into the issues identified in our revised reconciliation worksheet. The department committed three staff members for this task. The research entailed going back to the transaction level detail. The department identified bank deposit dates for the month of May 2004 for most of the reconciling items but is yet to match them with dates in GenTax. The department was unable to accomplish a complete reconciliation. We identified many gaps in the information provided to us.

The following describes various methods by which the department receives taxpayer remittances.

Mail Receipts: The department receives taxpayer CRS payments through the mail daily. Mail receipts are processed by the Revenue Processing Division and deposited on a daily basis to the State's fiscal agent, Wells Fargo Bank.

1. CRS Regular (EDCR-CRS). These payments are received via regular mail with regular checks attached to tax returns. Mail receipts are batched by fund type, CRS, PIT, etc. A daily deposit summary details totals by fund. Daily fund totals can be generally traced to General Ledger with a few exceptions.
2. CRS GenTax (Remittance Processing). These represent payments without a tax return, where an assessment has already been established by GenTax. Deposit date used by bank agrees with General Ledger and GenTax without exception.
3. District Direct Deposits. District offices receive cash and checks for taxpayer payments. Cash is deposited to a local bank with details provided to the Santa Fe office. Checks are sent to the Santa Fe office via a courier the same day received and deposited by the Revenue Processing Division along with checks received via the mail.

Electronic Transactions: The department receives taxpayer payments electronically through the State's fiscal agent, Wells Fargo Bank via the Automated Clearing House (ACH) Network. The Wells Fargo Bank utilizes the ACH network to settle the following types of electronic transactions.

1. E-Checks. Taxpayers may submit payment for their tax return electronically through the department's taxpayer website using an E-check that will be charged against their bank. Currently, the department's taxpayer websites allow taxpayers to delay payment by using a future settlement date. E-check deposits are batched by the department by their current and future settlement dates. Transactions with future settlement are warehoused internally. E-check deposit batches, both current and future effective dates are submitted to the Wells Fargo Bank. The bank processes transactions with the current settlement date and warehouses transactions with future settlement dates. Essentially, both the department and the bank are warehousing E-checks with future settlement dates.
2. Credit Cards. Taxpayers may submit payment for their tax return electronically utilizing a credit card. Credit card transactions are transmitted to a national clearinghouse for processing, also known as Link-to-Gov. Link-to-Gov transmits deposits to Wells Fargo Bank two days after these transactions are received by the department's website.
3. Wire Transfers. Taxpayers may submit wire transfers for payment of their tax return. Taxpayers use their own bank to initiate a wire transfer. Wire transfers settlement dates are the same as the date deposited by the bank. Statutory law requires payments over \$25,000 to be made by wire.

Significant Issues: Detailed below are the issues identified by our review procedures and confirmed by the department by its independent research process.

1. Future Settlement Dates. GenTax records E-check deposits on the date received by the taxpayer website. The practice of allowing taxpayers to utilize future settlement dates for E-checks causes a timing difference whereby the bank deposit date and the deposit date stated in GenTax do not match.

2. Warehousing Transactions. Because taxpayers filing electronically choose to delay payment, transactions with future settlement dates must be warehoused. Transactions are warehoused at two places for E-check deposits. First, the department's taxpayer websites (PIT-Net, CRS-Net, etc.) warehouse E-checks with future settlement dates. Second, the Wells Fargo Bank processes the same daily website transactions with a current date, but warehouses transactions with future settlement dates. The GenTax application imports all transactions electronically input by the taxpayers through the department's various taxpayer websites on the date of input and processes it the same date. The effect is, GenTax may process transactions before the amount is deposited to the bank and deposit dates in GenTax do not agree with the bank. Note: This issue has been previously identified for the PIT-Net transactions and the department is only submitting current day's transactions for PIT-Net, but is submitting all transactions for CRS-Net.
3. Credit Card Transactions. Wells Fargo Bank receives credit card transaction batches from a clearinghouse known as Link-to-Gov. Link-to-Gov transmits deposits to Wells Fargo Bank two days after transactions are received by the department's taxpayer websites. GenTax processes credit card transactions the same day these transactions are received by the department's taxpayer websites. Department policies do not provide clear guidance with respect to credit card transactions.
4. Wire Transfers. There exists a timing issue for wire transfers whereby the deposit dates utilized by GenTax and the General Ledger do not agree with the Wells Fargo bank deposit date. Timing differences net out over time.
5. Mail Receipts. Occasional differences were identified for specific batches of regular mail receipts where the GenTax deposit dates were earlier or later than the bank deposit date. Eventually, all bank deposits for the month were input into GenTax. The reconciling differences net out over time. We could not distinctly identify the District Direct Deposits recorded at the bank into GenTax.
6. Internal Processes. For electronic transactions, deposit dates reflected in the General Ledger prepared by the Financial Services Bureau (FSB) do not match deposit dates reported by the bank. The cause of this problem results from FSB utilizing the prepared date listed on a Daily Cash Deposit Report published by the Revenue Processing Division (RPD). RPD dates their report utilizing the date they prepare and transmit the report to FSB. The General Ledger deposit dates are two to five days later than the actual bank deposit date. This makes it difficult to trace deposit transactions in GenTax to the General Ledger.
7. Inconsistency in Account Descriptions. Account descriptions for various types of electronic fund transfers and mail deposits in the GenTax application and the departments financial records do not match. For example, GenTax refers to ACH transactions as wire transfers but the bank and the department refers to ACH transactions as E-checks, credit cards and wire transfers.

8. Reconciliation of Deposits. Fast Enterprises Inc., vendor for GenTax application has made repeated suggestions to the department to reconcile cash on a daily basis. The department has expressed its inability to do so, due to the large number of transactions being processed daily and because the batches for credit cards and E-checks posted in GenTax do not match batches deposited with the bank.

Recommendations: In the short-term the department needs to implement the following modifications to the revenue processing and financial reporting cycles:

1. Document Understanding of Revenue Process Cycle. Publish a comprehensive document detailing the understanding of the revenue processing cycle. All processes need to be matched with the current staff personnel roles and responsibilities to identify gaps in the processes. A separate document should be prepared listing GenTax reports providing details of the purpose and the description of data for each report.
2. Bank Processing Changes. Coordinate with the Wells Fargo Bank and the Link-to-Gov clearinghouse for credit card transactions to ensure the GenTax application receives detail transactions from both the bank and Link-to-Gov on the actual date of deposit as opposed to the current process of receiving these transactions directly from the department's taxpayer websites. The following detailed processing changes should be made to achieve this objective:
 - a. Effective Deposit Date Transmissions to Bank. The department only submits E-check transactions to Wells Fargo bank from the department's various taxpayer websites (PIT-Net, CRS-Net, etc.) for the current date.
 - b. Warehouse Transactions Internally. E-check transactions from the department's various taxpayer websites whose settlement date is in the future should be warehoused by the department's website until the effective date matches the current date. The department should only transmit to the bank transactions whose settlement date match the current date eliminating duplicate warehousing by the bank.
 - c. Transaction Control Number. Department's various taxpayer websites assign a transaction control number to each and every incoming transaction. This control number needs to be carried forward to the clearinghouse, the bank and GenTax to ensure all transactions received by the department's taxpayer website can be traced from its source to distribution.
 - d. Electronic Detailed Reports of Bank Deposits to GenTax and the General Ledger. GenTax needs to receive detailed electronic transaction files of all electronic transactions, such as ACH, E-checks and credit cards electronically from the bank that includes the bank's deposit dates, transaction identification numbers and supports the batch totals recorded by the bank. The department's General Ledger should be updated utilizing the same data source.
3. Internally Utilize Bank Deposit Date Consistently. The Financial Services Bureau needs to work closely with the Revenue Processing Division to ensure deposit dates for electronic fund

transfers in the General Ledger reflect the actual dates when these deposits are recorded at the bank.

4. Internally Classify Transactions Consistently. Resolve the anomaly between the account descriptions for deposit accounts in the GenTax application and those in financial records.
5. Reconcile GenTax to Bank Daily. Start manually reconciling receipts processed by GenTax, the bank and the General Ledger on a daily and monthly basis including occasional differences related to regular mail deposits and district direct deposits.
6. District Direct Deposits. Districts should deposit locally all cash and checks daily. Only copies of checks should be forwarded to Santa Fe office. GenTax reports should be able to categorize district direct deposits by location for reconciliation purposes.

In the long-term, the department needs to accomplish the following initiatives:

1. Automate the Reconciliation Process. Replace manual daily and monthly reconciliation processes with an automated process to reconcile transactions received by the department's various taxpayer websites with deposits recorded by the bank, transactions processed by GenTax and the General Ledger.
2. Update the Current Policy for Electronic Transactions. Update the current policy with respect to electronic transactions to address transactions that do not meet standard processing requirements (remaining reconciling items after bank processing changes are implemented). For example, cutoff times may need to be defined to minimize in-transit credit card transactions. Coordinate with the Well Fargo Bank and the GenTax vendor to identify solutions to enhance controls for identifying and processing reconciling items.

Batch Processing Mail Receipts with Insufficient Taxpayer Information. A process does not exist to log and track the status of mail receipts lacking sufficient taxpayer information. Mail receipts with insufficient taxpayer information are handled separately from automated batch handling procedures to gather sufficient taxpayer information prior to imaging.

Mail receipts are handled by the revenue processing division and placed into batches for electronic imaging and depositing to the bank by the next business day. Mail receipts that do not contain sufficient information, such as taxpayer identification numbers are placed in a basket to be processed manually in order to gather sufficient taxpayer information. A mechanism for logging and tracking mail receipts with insufficient taxpayer information does not exist to ensure these receipts are deposited in a timely manner.

Without a formal process for logging and tracking mail receipts with insufficient taxpayer information reasonable assurance cannot be obtained that all cash deposits to the bank are processed by the GenTax application in a timely manner. Furthermore, reasonable assurance cannot be obtained to ensure unidentified and unmatched items over 60 days are distributed to the State General Fund as required by law. Section 7-1-6, 1, NMSA 1978 requires distribution of revenues over 60 days old that are unidentified and unmatched as to source or disposition.

Recommendation: Implement mail receipts processing procedures to ensure all mail receipts are batched and deposited to the bank on the date received in the mail, including receipts with insufficient taxpayer information. Scan and image all batch receipts prior to any manual processing for identifying taxpayer information to ensure all mail receipts are logged and tracked. Establish a temporary holding account in GenTax to process receipts with insufficient taxpayer information. Establish appropriate controls on the holding account to ensure all transactions are processed accurately and timely. Controls should include, at a minimum, restricting access to the account to authorized personnel and auditing transactions processed through the account to verify transactions are cleared from the account timely and accurately. Distribute any unidentified and unmatched items that cannot be tied to a specific taxpayer within 60 days to the State General Fund as required by law.

Tax Distribution Issues Identified by Internal Task Force. An internal Taxation and Revenue Department task force was assembled in April 2004 to identify concerns with state-shared tax distributions. Economists noted concerns with the rate of growth for State General Funds versus local governments. Three significant issues and one additional difficulty were identified by the task force. The Taxation and Revenue Department has taken steps to resolve the three significant issues and still needs to resolve the one difficulty with the GenTax system.

See Exhibit B for a copy of the letter from The Taxation and Revenue Department with details on the results of their internal task force review. Below is a summary of the findings from this letter.

Failure to distribute “unidentified”, also known as “unmatched” revenues over 60 days old. Section 7-1-6, 1, NMSA 1978 requires distribution of revenues over 60 days old that are unidentified as to source or disposition. The GenTax computer application system was implemented in October 2003. Beginning in November 2003 and continuing until May 2004 the department did not transfer unmatched receipts over 60 days old to the State General Fund. The total amount of distributions for the time period amounts to \$17.2 million. This amount was distributed to the State General Fund in July 2004. A process has been implemented to ensure unmatched revenues over 60 days old are distributed to the general fund on a monthly basis.

Failure to distribute unmatched receipts over 60 days old was due to a misunderstanding by the Taxation and Revenue Department of the reports being produced by the new GenTax application system. The impact of this error was to misstate the growth of revenues by the State General Fund.

Error in Treatment of “Aged” Returns. The department has resolved a processing error in GenTax for corrections to aged transactions. However, statutes need to be amended to avoid penalizing the State General Fund for errors made by taxpayers for distributions over one calendar year old.

Section 7-1-6, 15 (C), NMSA 1978 prohibits the Taxation and Revenue Department from decreasing distributions to local governments to correct erroneous distributions made more than one calendar year prior to the current calendar year. Distributions processed more than one year prior to the current calendar year are also known as “aged” distributions. The revenue accounting model in GenTax failed to recognize certain aged transactions and decreased revenue from the State General Fund for these aged transactions. GenTax misidentified aged transactions as new transactions and created new distributions to local governments.

The impact of new distributions to local governments for aged distributions from November 2003 through May 2004 amount to \$4.8 million. This error was corrected in the June 2004 distribution. A modification to GenTax has been implemented to resolve this processing error. Unless statutes are amended, the State General Fund will continue to be penalized for modification to aged transactions.

Error in Treatment of Multiple Liabilities per Location. The department has resolved a processing error in GenTax where returns include more than one transaction per tax return per location.

The revenue model in GenTax under distributed to the location with multiple transactions and over distributed to other beneficiaries on the same return. The impact to the State General Fund for distributions from November 2003 to April 2004 is an over distribution of \$364 thousand. This error was corrected in the May 2004 distribution. A modification to GenTax has been implemented to resolve this processing error.

Difficulty in Processing Reclassified and Aged Returns. The revenue model in GenTax penalizes the State General Fund for reclassifying a tax return with the same location. Resolution in GenTax still needs to be developed.

Occasionally a tax return must be reclassified such as reassignment from one taxpayer to another taxpayer. Reclassification may be required due to either erroneous information provided by the taxpayer or erroneous processing by the Taxation and Revenue Department. Reclassifying aged returns creates a negative impact on the State General Fund and may create an over distribution to local governments.

The revenue model in GenTax reverses any distribution associated with the original return and processes the correction as a new return. When the return has aged, the original distribution was processed more than one year prior to the current calendar year; the revenue must be reversed from the State General Fund.

When the same location is listed on the original and reclassified return, the GenTax revenue model is reversing money from the State General Fund and processing a double distribution to the local government.

The financial impact of reclassified and aged returns is unknown at the current time. A modification to the revenue model in GenTax still needs to be defined and implemented.

Recommendation: Distribute unmatched revenues over 60 days old to the State General Fund as required by Section 7-1-6, 1, NMSA 1978. Document and publish validated test results for modifications to GenTax that address tax distributions issues identified by the internal task force. Validated test results provide assurance that modifications are in place and operating effectively. Coordinate with the legislature to amend Section 7-1-6, 15 (C), NMSA 1978 to hold the State General Fund harmless from revenue reversals caused by taxpayer errors.

GenTax Maintenance and Support Knowledge Transfer. The maintenance and support model proposed by the vendor of GenTax, FAST Enterprises, Inc. is expensive and relies on full-time vendor support for resolution of all problem incidents. Knowledge of the operations and maintenance of the GenTax application system needs to be transferred from the vendor to internal Taxation and Revenue Department technical support personnel to minimize the cost of supporting this application system on a go forward basis.

The original maintenance and support model proposed by the GenTax vendor, FAST Enterprises, Inc. amounts to over \$900 thousand per year. The proposed support model includes two full-time, on-site technical support personnel who operate and support the GenTax application system on a daily basis at the Taxation and Revenue Department data center.

The Taxation and Revenue Department is negotiating with FAST Enterprises, Inc., to reduce the annual maintenance cost to \$400 thousand and to utilize internal technical support personnel. Annual maintenance fees only include access to new releases of the application. FAST Enterprises, Inc. will continue to provide technical support for implementing annual releases and custom program modifications for an additional fee. New Mexico is among the only states utilizing internal technical support staff for maintenance and support of the GenTax application system.

The Taxation and Revenue Department is in the process of completing a contract for transferring knowledge of the GenTax application to internal technical support staff by FAST Enterprises, Inc. The department continues to experience difficulties with recruiting and retaining technical support staff with technical skills vital to support such applications as GenTax.

Recommendation: Complete plans to educate and transfer knowledge of the GenTax application system from the vendor FAST Enterprises, Inc. to internal information technology staff. The objective of knowledge transfer is to reduce the cost of maintenance and to reduce reliance on more expensive vendor support. Coordinate with the State Personnel Office to develop strategies for recruiting and retaining technical support staff with technical skills vital to supporting emerging technologies.

Decision Support Architecture. The GenTax application provides capabilities for processing tax returns and distributing tax revenues. However, the Taxation and Revenue Department lacks capabilities for analyzing data gathered by GenTax and other databases to enhance audit and collection capabilities.

An integral strategy of the enhanced tax audit and collection initiative is to implement a decision support architecture that includes a data warehouse and decision support tools. A decision support architecture will provide advanced capabilities for analyzing data captured by GenTax along with other databases such as extracts from the federal Internal Revenue Service database.

The impact of a decision support architecture is to enhance capabilities of tax and compliance auditors to more efficiently target taxpayers for audits. The ultimate result is an increase in tax revenues collected by tax auditors. The estimated cost of implementing a decision support architecture is \$2 million. Funding was allocated from a 2003 appropriation of \$5 million for the enhanced tax audit and collection initiative.

Recommendation: Complete plans to enhance audit and compliance capabilities by implementing a decision support architecture that includes a data warehouse and decision support tools.

Enhancing Imaging and Validation Capabilities for Revenue and Tax Return Processing. The Taxation and Revenue Department relies upon aging technology for scanning and imaging mail remittance documents such as checks and payment advice documents. The department also relies on GenTax to validate the accuracy of tax returns and remittances. Building validation routines earlier into tax return and revenue processing reduces the timeframe for processing returns and receipts and creates a more efficient process for resolving reconciling items in GenTax.

The department process up to 10,000 mail receipts on a single day for deposit to the bank within 24 hours. Each receipt contains a check and a remittance advice document. If the payment is past due, then a copy of the envelope is also imaged. Current hardware and software for managing scanned images needs to be upgraded to enable enhanced functionality ultimately leading to more paperless processing. The significant volume of reconciling items that must be cleared in GenTax such as associating taxpayer identification numbers with returns and correcting tax calculations requires more efficient processing capabilities.

The GenTax application system is the primary mechanism for validating the accuracy of tax returns and revenue receipts. A system also known as the pipeline is utilized to aggregate payments from all sources prior to submission into GenTax. The department has expressed plans to build validation routines into the pipeline architecture to speed up tax return processing and error resolution.

Investments in enhanced imaging and validation routines will result in capabilities to process daily mail remittances more accurately and timely and provide more efficient mechanisms to resolve reconciling items in the GenTax system.

Recommendation: Complete plans to automate revenue processing for receipts received through the mail. Update technology to utilize electronically imaged paper documents and automate processes to validate tax returns prior to GenTax processing. Encourage taxpayers to file tax returns electronically.

Access to Confidential Taxpayer Records. Lack of access to electronic records due to confidentiality concerns limits audit procedures for certain transactions within GenTax which ultimately impacts the assurance that can be obtained that all distributions in GenTax are being calculated correctly and all electronic receipts received by department taxpayer websites are deposited to the bank and processed in GenTax.

The Taxation and Revenue Department issued a letter dated May 28, 2004 from Ricky A. Bejarano, CPA, Director, Audit & Compliance Division that states counsel for TRD has determined the department may not provide taxpayer-specific information and data to the LFC for audit purposes without violating Section 7-1-8, NMSA 1978 and subjecting the department to penalties. See Exhibit A for a copy of the letter from Taxation and Revenue Department.

Limiting access to electronic records has limited audit efforts to reconcile transactions in GenTax. Lack of access to electronic tax transactions limits audit procedures for certain transactions within GenTax which ultimately impacts the assurance that can be obtained that all distributions in GenTax are being calculated correctly and that all receipts received by the department's taxpayer websites are deposited with the bank and processed by GenTax.

Recommendation: Coordinate with the legislature to amend Section 7-1-8, NMSA 1978 to grant the Legislative Finance Committee audit staff access to electronic information in GenTax for audit purposes under a confidentiality agreement with the Taxation and Revenue Department.

GenTax Project Status Update. The GenTax application has completed Rollout (1) through (4) at a cost of \$8.9 million. Costs to implement Rollout (5) are estimated at \$1.5 million. Rollout (5) will automate fuel tax processing along with other ancillary tax programs.

Projected through FY05, GenTax project costs are as follows:

Table 2 – GenTax Costs Project-to-Date

	Amount
Sources of Funds:	
TRIMS Fund	\$7,895,515
Operating Budget - General Fund (FY04-FY05)	\$1,100,000
Revenue Enhancement -General Fund (FY04-FY05)	\$3,184,005
Road Tax Fund - FY05	\$1,000,000
Total Project Budget	\$13,179,520
Expenditures as of June 30, 2004	
FAST Enterprises, Inc.	\$8,284,196
Hardware	\$645,324
Total Expended & Encumbered	\$8,929,520
Budget Balance Remaining	\$4,250,000
Planned Initiatives:	
Rollout (5) - FY05	\$1,500,000
Data Warehouse - FY05	\$2,750,000
Total Planned Initiatives	\$4,250,000
Project Deliverables:	
Core GenTax Application	\$9,995,515
Data Warehouse	\$2,750,000
Tape Offset Program	\$172,834
Auto Staging	\$261,171
Total Projected Expenditures	\$13,179,520

Source: Taxation and Revenue Department documents.

GenTax deliverables by Rollout include the following:

Table 3 – GenTax Project Deliverables and Timelines

Rollout	Target Date	Deliverables
Rollout (1)	10/2002 Completed	PIT/CIT
Rollout (2)	3/2002 Completed	Worker's Comp Enhanced 911 Gaming Water Conservation Coal/Uranium
Rollout (3)	10/2003 Completed	CRS
Rollout (4)	8/2004 Completed	Telecommunications relay service Cigarette Tobacco products Liquor excise Local liquor excise Fiduciary Uninsured employer fee Oil & gas proceeds withholding tax Hard minerals severance Hard minerals resources excise Private Railroad Car Company
Rollout (5)	8/2005	Fuel-Related Taxes Gasoline Special Fuel Supplier Alternative Fuel Weight/Distance Special Fuels Petroleum Products Loading

Source: Taxation and Revenue Department documents.

Recommendation: Complete plans to implement Rollout (5) of the GenTax project for fuel tax and other ancillary tax processing.

EXHIBITS

DIVISIONS
Office of the Secretary
(505) 827-0341
Administrative Services
(505) 827-0369
Audit and Compliance
(505) 827-0900
Motor Vehicle
(505) 827-2294
Property Tax
(505) 827-0870
Revenue Processing
(505) 827-0800

STATE OF NEW MEXICO
Taxation and Revenue Department
An Equal Opportunity Employer

Bill Richardson
Governor

Jan Goodwin
Secretary

Ricky A. Bejarano
Director

Audit and Compliance Division
1100 S. St. Francis Drive
Suite 3079
P.O. Box 630
Santa Fe, NM 87504-0630
(505) 827-0900

May 28, 2004

RECEIVED

JUN 1 2004

LEGISLATIVE FINANCE
COMMITTEE

Mr. Manu Patel
Deputy Director of Performance Audit
Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, New Mexico 87501

Re: Confidential Taxpayer Information and Data
LFC Audit of Back-Tax Collection Initiatives/Special Appropriation

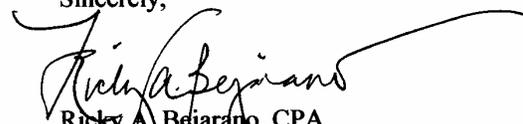
Dear Mr. Patel:

This letter is a follow-up to our May 17, 2004 entrance conference and subsequent audit meeting of May 18, 2004. At both meetings, you and I discussed whether or not Audit & Compliance Division staff could provide taxpayer-specific information and data to LFC for audit purposes without violating §7-1-8, NMSA 1978, and subjecting ourselves to the penalties provided for under §7-1-76, NMSA 1978.

Regrettably, counsel for TRD has determined that we may not. My understanding is that the only exception, outside of those enumerated under paragraphs A through FF of §7-1-8, NMSA 1978, is found in Opinion No. 78-22 (attached) issued by New Mexico Attorney General Tony Anaya on December 8, 1978. The exception created in this opinion applies to the New Mexico State Auditor. I respectfully suggest that LFC may wish to pursue a similar opinion from the Attorney General's Office. Alternatively, LFC might wish to pursue a legislative change to allow LFC access to confidential taxpayer information for audit purposes.

Please accept my apologies for the delay in this correspondence. Please call me if you have further questions.

Sincerely,


Ricky A. Bejarano, CPA
Director, Audit & Compliance Division

Copies to: Jan Goodwin, Cabinet Secretary, TRD
Joseph Lennihan, Chief Counsel, TRD
John Lee, LFC Auditor

Attachment: AG Opinion No. 78-22

Opinion No. 78-22

December 8, 1978

OPINION OF: Toney Anaya, Attorney General

BY: Scott Rutledge, Assistant Attorney General

TO: Alvino E. Castillo, C.P.A., State Auditor, Box 2383 Santa Fe, New Mexico 87503

MUNICIPAL TAX RECORDS; STATE AUDITOR

Section 14-37-8, N.M.S.A. 1953 does not deny the State Auditor access to municipal tax records when examination of such records is required by generally accepted auditing standards.

QUESTIONS

May an employee of the State Auditor, engaged in auditing the financial affairs of Los Alamos County, examine the tax returns and receipts received by the County pursuant to its occupation tax, Sections 14-37-1 through 14-37-13 and 15-36A-1, N.M.S.A. 1953?

CONCLUSIONS

Yes.

ANALYSIS

Section 14-37-8 N.M.S.A. 1953 would seem to indicate that neither the State Auditor nor his personnel may examine such records:

"A. * * *

B. It is unlawful for any municipal official, employee, or agent to reveal to any individual other than another municipal official, employee, or agent engaged in municipal tax administration, or an employee of the revenue division of the taxation and revenue department, any information about a taxpayer acquired as a result of his affiliation or employment with the municipality. No municipal official charged with keeping of such information shall be required to produce the information in any action or proceeding in court except on behalf of:

1. the municipality in any action or proceeding under the provisions of Sections. 14-37-1 through 14-37-13, N.M.S.A. 1953 in which it is a party; or

2. any party to an action or proceeding under the provisions of Sections 14-37-1 through 14-37-13, N.M.S.A. 1953 when the information is directly involved in the action or proceeding. In either event the court may require the production of and may admit in evidence only so much of the information as is pertinent to the action or proceeding.

C. Nothing contained in this section shall be construed to prohibit:

1. delivery to a person or his authorized representative of a copy of any return or report filed in connection with his tax;

2. the publication of statistics prepared so as to prevent the identification of a particular taxpayer's report or return and its contents;

3. inspection by the attorney general or other legal representative of the state, county or municipality of the report or return of any person by or against whom action or proceeding is

contemplated or has been instituted as authorized in Sections 14-37-1 through 14-37-13, N.M.S.A. 1953;

4. the furnishing of the name, address, and type of business of a taxpayer to other municipal employees engaged in administration and enforcement of municipal ordinances; or

5. inspection by the attorney general or an authorized representative of his consumer protection division, of the report or return, or other information on file, of any person, firm, partnership or corporation, by or against whom action, proceeding or investigation is contemplated or has been instituted as authorized in Sections 49-15-1 through 49-15-14, as amended, N.M.S.A. 1953.

D. Any person violating the provisions of this section shall be punished by a fine not exceeding one thousand dollars (\$1,000) or by imprisonment not exceeding one year, or both. If the offender is a municipal officer or employee, he shall be dismissed from office and prohibited from holding any public office in this state for a period of five years."

OPINION

On the other hand, certain sections of the Audit Act, Sections 4-31-1 through 4-31-14, N.M.S.A. 1953, seem to require that the State Auditor be able to examine these documents and any other documents bearing upon the financial affairs of a municipality. In particular Section 4-31-3, *supra*, states:

"A. The financial affairs of every agency shall be thoroughly examined and audited each year by the state auditor, personnel of his office designated by him, or by independent contract auditors approved by him. The audits shall be conducted in accordance with generally accepted auditing standards.

B. In addition to the annual audit, the state auditor may cause the financial affairs and transactions of an agency to be audited in whole or in part."

If in fact the observance of generally accepted auditing standards requires that the auditor of a municipality have available to him the returns prepared and receipts given in connection with a municipal tax levied on business receipts, then a strict interpretation of Section 14-37-8, *supra*, would prevent the State Auditor from fulfilling the duty given him in Section 4-31-3, *supra*. Such a result would be absurd.

Statutes are not to be construed in a manner which will achieve an absurd or unreasonable result. *State v. Nance*, 77 N.M. 39, 419 P.2d 242 (1966), cert. den. 386 U.S. 1039, 87 S. Ct. 1495, 18 L. Ed. 2d 605; *State v. Tapia*, 89 N.M. 221, 549 P.2d 636 (Ct.App. 1976); *State v. Myers*, 88 N.M. 16, 536 P.2d 280 (Ct. App. 1975). Common sense must prevail. *State v. Olive*, 85 N.M. 664, 515 P.2d 668 (Ct. App. 1973), cert. den. 85 N.M. 639, 515 P.2d 643. A court will not be bound by the literal interpretation of the words of a statute if such a strict construction would defeat the intended purpose of the legislature. *State v. Nance*, *supra*.

We think that the legislature manifests a clear intent in Section 4-31-3, *supra*, that the State Auditor have available to him all documents necessary to perform a thorough audit of every governmental entity, in accordance with generally accepted auditing standards. We think that the policy is expressed strongly enough so that Section 4-31-3 must prevail over Section 14-37-8, *supra*, to the extent of any repugnancy between the two provisions. Therefore, we conclude that the State Auditor is authorized to examine tax documents generated pursuant to Sections 14-37-1

through 14-37-13, supra, insofar as such examination is required by generally accepted auditing standards.

ATTORNEY GENERAL
Toney Anaya, Attorney General



Bill Richardson
Governor

Jan Goodwin
Secretary

STATE OF NEW MEXICO
Taxation and Revenue Department

An Equal Opportunity Employer

The Office of the Secretary
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Motor Vehicle
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Revenue Processing
(505) 827-0800

June 9, 2004

The Honorable Luciano "Lucky" Varela
Chairman, Legislative Finance Committee
1709 Callejon Zenaida
Santa Fe, NM 87501

Dear Representative Varela:

This letter is to inform you of the results of a review the Department has recently conducted of distributions from the Combined Revenue System ("CRS") since the conversion to the GenTax system in October 2003. The need for the review was identified by financial analysts inside and outside the Department who track amounts distributed by the CRS system. Analysts had noted that state General Fund revenue from the CRS system (mainly gross receipts tax ("GRT")) was growing at a significantly slower rate than local government distributions of GRT. After reviewing some of the possible reasons for such a divergence, we concluded that a thorough review of the distributions was required. We instituted an internal task force to conduct the review, comprised of staff from our Tax Research Office, Financial Services Bureau, Information Systems Bureau and Audit and Compliance Division. In addition, we requested assistance from the contractors who developed the GenTax system, FAST Enterprises.

Executive Summary

The task force has conducted a thorough review of CRS distributions to identify any potential problems or inconsistencies since the system was converted to GenTax. Conversion was effective beginning with the November 2003 distributions (i.e. October revenue collections). The task force identified three problems that had material impacts on distributions. Solutions to the problems have been identified and will be fully implemented with the June 2004 distributions.

One additional problem has been identified, but the quantitative significance has not been fully determined. This problem is due to difficulty in meeting statutory requirements when processing certain transactions. The task force is continuing to analyze these transactions to see what the quantitative significance of the problem might be, and to identify possible solutions.

This letter provides a brief description of each problem along with the quantitative impacts of the problem on distributions. To put these figures in perspective, a total of \$1,883 million, or \$269 million per month, was distributed from the CRS system in the period November 2003 through May 2004.

Because the review has covered some of the most difficult transactions in the CRS system, we have a very high level of confidence in the accuracy of the distributions currently being processed. We will continue to review the distributions to identify any possible additional issues.

1. Failure to transfer “un-identified” money over 60-days old to the general fund

Section 7-1-6.1 NMSA 1978 requires the Department to transfer to the general fund any balance remaining in the Tax Administration Suspense Fund (“TAS Fund”) after all other distributions required by section 7-1-6 have been completed. An exception to this requirement is provided for “remittances received within the previous sixty days that are unidentified as to source or disposition...” Under these provisions, the Department is required to transfer unidentified money to the general fund once it has been deposited in the TAS Fund for more than 60 days.

In general fund distributions from November 2003 through May 2004, the Department did not include the amount of unidentified money that had been deposited for more than 60 days. The reason for the failure was a lack of understanding of financial reports being produced by the new system. The lack of understanding was caused by inadequate communication between our systems bureau, which prepared the reports, and our financial services bureau, which prepared operating transfers to make the distributions. This is being addressed through ongoing meetings that will insure complete knowledge of all reports, and also development of new reports that facilitate the distribution process.

The task force has identified \$17.2 million of unidentified money over 60 days old that should have been transferred to the general fund over the period November 2003 through May 2004. Since it was not transferred, this amount remains in the TAS Fund. This amount will be transferred to the general fund in the June 2004 distribution. A table in Appendix 2 presents a month-by-month breakout of the \$17.2 million as it accrued over the last six months.

2. Error in treatment of “aged” returns with multiple transactions

Rules for treatment of “aged” returns:

Section 7-1-6.15(C) prohibits the Department from decreasing distributions to local governments to correct erroneous distributions made more than one calendar year prior to the current calendar year (an “aged” return). The Department has interpreted “erroneous” distributions to include all distributions that are revised in subsequent periods. This definition includes, for example, revisions due to amended returns, refund claims, etc.

Such a broad interpretation is warranted because the language of the statute does not limit its application to only errors on the Department's part.

Conditions under which the error occurred:

Three sets of conditions triggered the error: (1) An original return dated from an aged filing period; (2) there was more than one transaction involving the return in the old processing system; and (3) there was additional activity on the return in the new processing system. The activity in the new system triggered a re-evaluation of the entire account, including the aged transactions.

Description of error:

The revenue accounting model contained a double error in processing returns under these conditions. First, it failed to recognize certain aged transactions. The transactions that were not recognized created an apparent imbalance between reported liabilities and revenue distributions. To correct the apparent imbalance, the revenue model reduced current distributions to the general fund and other funds—not to local governments because the return was aged. The second problem was that it treated the aged return as if it were a newly reported liability. Thus, it created new distributions—to both the general fund and to local governments—in the amount of the liability that it had failed to recognize as aged. The net effect of these two transactions was to decrease general fund distributions and to increase local government distributions by the same amount—specifically, the amount due to the local government under the original aged transaction.

Fiscal impacts:

Corrections to the database and revenue accounting model are being implemented in two stages to correct the problem. In the first stage, which was completed before preparing the May 2004 distribution, the correction was implemented for those returns to which only the erroneous adjustment had been made. The following adjustments were made to May 2004 distributions to offset the erroneous distributions due to this problem in the November through April distributions:

- Local distributions were reduced by a total of \$4.2 million; and
- General fund distributions were increased by \$4.2 million.

In the second stage of corrections, to be implemented prior to the June 2004 distributions, corrections will be made to returns that contained multiple adjustments. The net impacts of these adjustments will be a decrease of total local distributions and an increase of general fund and other distributions of \$0.6 million.

Tables in Appendix 2 present a breakout of these amounts by month.

3. Error in treatment of multiple liabilities per location

Conditions under which the error occurred:

A return reported more than one liability for a particular location (e.g. multiple establishments in one city with one owner).

Description of error:

The revenue accounting model failed to recognize more than one transaction per tax return per location. Thus, when distributing the revenue associated with a return, it under-distributed revenue to the location with multiple liabilities and over-distributed to all other beneficiaries on the return. This error affected distributions from November 2003 through April 2004.

Quantitative impacts:

The error was corrected in the distributions made in May 2004. The following adjustments were made to May 2004 distributions to offset the erroneous distributions due to this problem in the November through April distributions:

- General fund distributions were decreased by \$0.4 million;
- Other funds were increased by \$0.4 million; and
- Local distributions were increased by a total of less than \$50 thousand.

Appendix 1 presents a summary of the net impacts of correcting the two problems on each local jurisdiction. Appendix 2 presents a summary of the month-by-month effects of the error.

4. Problem in treatment of re-classified, aged returns*Conditions under which the problem occurs:*

Three conditions precipitate this problem: (1) A return has been attributed to the wrong taxpayer or wrong reporting period for the same taxpayer; (2) both the original return and the new return are reported to the same location; and (3) the original return is from an aged period. The re-classification of the return could be the result of mis-reporting by the taxpayer or mistaken processing by the Department. The revenue accounting model recognizes the corrected tax return and identifies the appropriate distributions. It recognizes the revisions to the original tax return and attempts to revise the distributions accordingly.

Description of the problem:

Because the original return is aged the model cannot pull revenue back from the local government to which it was distributed. Instead, it pulls the money back from the general fund. In the case where the re-classification is between two local jurisdictions, this transaction results in decreased general fund revenue, an increase for the jurisdiction on the new return and no change for the jurisdiction on the original return. In the case where the two returns are within the same local jurisdiction, this transaction results in a decrease of general fund distributions and an increased distribution to the same community that has already received the distribution. In effect, there is a double distribution to the local government.

Fiscal impacts:

Total fiscal impacts are unknown. A preliminary calculation, which we know overstates the extent of the problem, yielded a universe of \$280 thousand in potential general fund adjustments since the system was converted in October 2003. Since the problem has not yet been resolved, it will continue to arise in future processing cycles with an unknown frequency.

Potential solution:

The task force is considering alternative solutions. One approach is to highlight the affected transactions as they are being processed so the revenue adjustments can be made manually. Systems staff is analyzing the extent of the systems revisions that would be required to correct the problem without modifying transaction processing itself.

Conclusions

The tables attached to this letter in Appendices 1 & 2 present additional information on the adjustments to CRS distributions that have been caused by the issues described in this letter. As of the June 2004 distribution, we will have corrected all of the material problems that we have identified to date. We will continue to review the distributions carefully to insure their accuracy. I hope this information is helpful.

If you have any questions, please call me at 827-0341.

Sincerely,



Jan Goodwin
Cabinet Secretary

Cc:: James Jimenez, Cabinet Secretary
N.M. Department of Finance and Administration

William Fulginiti, Executive Director
New Mexico Municipal League

Samuel Montoya, Executive Director
New Mexico Association of Counties

Appendix 1					
May 2004 Adjustment Impact for each Recipient					
Revenue Account	Adjust.	Revenue Account	Adjust.	Revenue Account	Adjust.
ALBUQUERQUE	(1,461,156)	LOS RANCHOSDE ALB	(5,208)	ESTANCIA	(312)
LAS CRUCES	(424,690)	CARLSBAD	(5,034)	MAGDALENA	(275)
SANTA FE	(401,098)	PORTALES	(4,613)	GUADALUPE COUNTY	(263)
FARMINGTON	(343,959)	TUCUMCARI	(4,510)	BOSQUE FARMS	(239)
BERNALILLO COUNTY	(166,927)	T OR C	(4,476)	HATCH	(221)
RIO RANCHO	(158,282)	LOVINGTON	(4,285)	DES MOINES	(213)
ROSWELL	(137,773)	HIDALGO COUNTY	(4,087)	CUBA	(205)
AZTEC	(136,458)	DEXTER	(3,826)	LAKE ARTHUR	(174)
SANTA FE COUNTY	(82,538)	MESILLA	(3,754)	VAUGHN	(163)
SANDOVAL COUNTY	(77,820)	ROOSEVELT COUNTY	(3,049)	COLUMBUS	(161)
SAN JUAN COUNTY	(73,570)	SANTA CLARA	(2,995)	TULAROSA	(161)
DONA ANA COUNTY	(72,008)	RESERVE	(2,919)	LOGAN	(131)
ALAMOGORDO	(70,030)	GRANT COUNTY	(2,603)	CATRON COUNTY	(126)
ESPANOLA	(54,257)	COLFAX COUNTY	(2,570)	SAN YSIDRO	(77)
GRANTS	(32,704)	CLAYTON	(2,518)	SAN JON	(50)
RUIDOSO	(31,830)	QUAY COUNTY	(2,436)	EAGLE NEST	(49)
BERNALILLO	(31,196)	CLOUDCROFT	(2,406)	GRENVILLE	(49)
ARTESIA	(29,714)	CHAMA	(1,959)	TEXICO	(48)
GALLUP	(29,093)	SPRINGER	(1,798)	HARDING COUNTY	(40)
LAS VEGAS	(27,815)	BELEN	(1,503)	GRADY	(36)
CLOVIS	(25,124)	LINCOLN COUNTY	(1,389)	WILLARD	(34)
RATON	(19,609)	LUNA COUNTY	(1,329)	DE BACA COUNTY (ROAD I	(34)
HOBBS	(19,310)	HOUSE	(1,310)	MOSQUERO	(31)
SILVER CITY	(18,552)	RED RIVER	(1,290)	MAXWELL	(29)
TAOS	(17,494)	EDGEWOOD	(1,261)	LOVING	(20)
CHAVES COUNTY	(16,266)	QUESTA	(1,235)	VIRDEN	(17)
BLOOMFIELD	(15,901)	JEMEZ SPRINGS	(1,201)	FLOYD	(16)
LOS LUNAS	(15,239)	HAGERMAN	(1,091)	WILLIAMSBURG	(14)
CIBOLA COUNTY	(15,183)	SIERRA COUNTY	(1,045)	CORONA	(5)
EDDY COUNTY	(15,080)	SOCORRO COUNTY	(999)	ENCINO	(4)
ANGEL FIRE	(14,457)	TORRANCE COUNTY	(991)	HURLEY	(4)
VALENCIA COUNTY	(14,446)	SANTA ROSA	(984)	CAUSEY	(3)
DEMING	(14,143)	JAL	(974)	FOLSOM	(3)
TATUM	(12,383)	TIJERAS	(932)	DORA	(1)
RUIDOSO DOWNS	(11,276)	ELEPHANT BUTTE	(825)	HOPE	(0)
LORDSBURG	(10,025)	ROY	(816)	LAGUNA PUEBLO OF	-
OTERO COUNTY	(9,517)	MORA COUNTY	(699)	PUEBLO OF NAMBE	-
LEA COUNTY	(8,867)	CARRIZOZO	(593)	SANTA CLARA PUEBLO	2
MILAN	(8,283)	MOUNTAINAIR	(558)	TAOS SKI VALLEY	2
SOCORRO	(8,225)	WAGON MOUND	(477)	FT SUMNER	169
SAN MIGUEL COUNTY	(6,472)	BAYARD	(469)	EUNICE	357
RIO ARRIBA COUNTY	(6,190)	UNION COUNTY	(465)	CAPITAN	539
PECOS	(5,608)	ELIDA	(390)	SANDIA PUEBLO	695
TAOS COUNTY	(5,550)	CIMARRON	(386)	CORRALES	957
MORIARTY	(5,348)	MELROSE	(360)	SANTA ANA PUEBLO	1,318
				LOS ALAMOS	5,293
				SUNLAND PARK	6,736
				CURRY COUNTY	11,529
				MCKINLEY COUNTY	18,453
				Total	(4,207,239)