



DEPARTMENT OF  
**REVENUE**  
STATE OF MISSISSIPPI

OFFICE OF THE COMMISSIONER

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March 14, 2011

Stacey E. Pickering, State Auditor  
Office of the State Auditor  
501 North West Street  
Suite 801  
Jackson, MS 39201

RE: Financial Audit Findings

Dear Mr. Pickering:

We have received your Financial Audit Management Report for Fiscal Year 2010. The following deficiencies were noted:

1. Check Receipts Logs Should Be Maintained
2. Ensure Audit Trails Exist For All STARS Work List Activities
3. Controls Should Be Improved for the Processing and Reporting of Individual Income Tax Return
4. Deposit Reconciliation for the Legacy System Should Be Strengthened
5. Controls over Abatement of Sales Tax Penalties Should Be Strengthened
6. Review Procedures over Delinquent Accounts Should Be Strengthened

**Response**

We agree.

While we recognize and agree with your findings, we determined that any effort to upgrade agency legacy computing systems would cost more than any benefit it may provide.

**Corrective Action**

When our current computing systems were built, more than 35 years ago, there were no safeguards developed for protection of data or for reducing the opportunity for criminal activity. You have noted these type weaknesses in your annual review for years, and we concur completely with those findings.

The 2010 session of the Mississippi Legislature granted funding authority for a new tax management system. We have contracted with Fast Enterprises (FAST) to implement their GenTax® software for integrated tax processing. GenTax® is currently used in 23 other taxing districts, 15 of those are states. During the bid process, we contacted most of those states and asked them questions about the system, the company, and the results of their projects. The comments from the other states were superior.

Fast arrived on-site the day the contract was signed. On October 24 of this year, we will go live with our first group of taxes: Corporate, Gaming, Insurance Premium, Finance Privilege, Beer and Tobacco Excise, and Beer and Tobacco Permits. We will implement another group of taxes every year for the following four years. All existing Legacy systems will be replaced with the exception of Petroleum Tax, IFTA, and IRP. (These are currently supported by an excellent application used in multiple jurisdictions for management of fuel taxes.)

We are confident that this system will deliver what is promised because it is working for 15 other states. Additionally, as Fast implements new updates for other states, we will also gain those updates. This promises to keep our technology state-of-the-art for the next 20 years.

It is our belief that this new system will provide solutions to the above stated deficiencies. Besides replacing ancient technology that is at serious risk of complete failure, this new system will eliminate the limitations we currently have with our existing systems. The new technology contains sufficient controls for all updates or changes as well as restricting unauthorized access to the code itself, which we currently do not have. Further safeguards include:

- event monitoring tools that provide full audit trails for all financial changes and account adjustments including the employee(s) who made the adjustment and any messages or notes deemed appropriate;
- ensures that agency users have only the access they need to perform their job, protecting taxpayer's right to privacy;
- reduces the need for manual intervention in processing tax returns and payments, thereby reducing opportunity for human error or fraud;
- abatements or reductions of taxpayer liability over an established threshold amount are automatically work-listed to the appropriate supervisory personnel for review and approval. The approval is documented in the system.

The new technology has the tools and ability to reduce the opportunities for tax evasion and to find unreported tax by sorting through massive amounts of data we don't have the staff to tackle. The information provides us the ability to identify what is out there so that we can track it down and collect more money for this state.

Recently we were pleased to provide a demonstration of this product to your staff. During this demonstration they were able to ask questions of Fast's project manager, Kevin Stump, who has worked on several implementations of the product in other states. Your staff is also very familiar with project director, Jennifer Wentworth, our Accounting Director prior to this assignment. Jennifer possesses a comprehensive knowledge of all state reporting and internal

control requirements. She brings not only those skills, but also abilities to organize and manage all aspects of this endeavor.

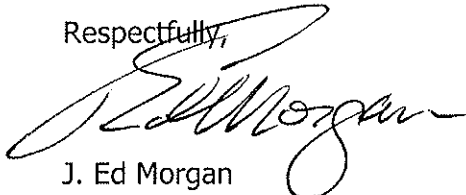
The success of the system will be measured:

- by accuracy of taxpayer data;
- consistent and timely billings or refunds;
- safeguards for protection of sensitive data;
- account event-monitoring reporting for all financial changes;
- additional revenues generated from audit discovery tools.

We will improve service to the taxpayers of this state, reduce our costs of operation through improvements to our technology, and encourage voluntary compliance.

This will result in a more equitable and fair administration of tax laws.

Respectfully,

A handwritten signature in black ink, appearing to read "J. Ed Morgan", written over the printed name.

J. Ed Morgan  
Commissioner of Revenue