WHITE PAPER

Improving Operational Efficiencies and Increasing Revenue Results

Best Practices Using Data Optimization and Enrichment

Executive Summary

State and local governments are facing a severe fiscal crisis. To relieve budgetary stresses many governments are looking to improve operational efficiencies and increase revenue results. As a result, many Tax and Revenue Management entities are faced with the following goals and challenges:

- **Identifying** the complete taxpayer universe, including non-filers, under-filers, and nexus opportunities.

- **Improving** the accuracy of taxpayer and corporate officer data to improve hit rates.

- **Maximizing** collection efforts based on financial capacity and demonstrated payment behaviors.

- **Prioritizing** audit case selection and collection treatment.

- **Understanding** tax offset opportunities for vendors of the state.

Government agencies can significantly increase revenue performance by adopting Data Optimization and Enrichment (DOE) best practices. These practices help agencies prioritize cases to investigate and contact high-priority businesses to bring them into compliance, thus streamlining discovery, audit, and collections processes, as well as increasing revenue.

A number of government revenue agencies have started adopting these innovative practices, adopting the same customer data management techniques that had long-standing success in the private sector. Moreover, recent DOE projects among state and local governments indicate that the return on investment comes quickly.

Improving Collections with Data Optimization and Enrichment Solutions

Tax and Revenue programs leveraging Data Optimization and Enrichment (DOE) solutions have dramatically improved collection for fees, fines, taxes, and other payments owed by businesses and individuals to government. For example, these results were achieved using Dun & Bradstreet's DOE solutions:

- Correction of 3,000 poor-quality addresses representing **$10.9 million** in tax revenue, which enabled a mid-sized state agency to accurately and efficiently contact taxpayers.

How Data Optimization and Enrichment Increases Revenue

- Go beyond traditional address cleansing by linking U.S. Postal Service processes to a unique, persistent key—DUNS Number—and leveraging D&B's global business database and daily maintenance routines;

- Improve debt workflow and collections prioritization with predictive scores and constantly updated information on entity status and activity;

- Provide more accurate and actionable business intelligence about revenue trends across industries, geography, size, and time to enhance revenue forecasting and reporting;

- Improve hit rates against external data sources by leveraging D&B's global business information and matching technology, which provide significant lift over standard SQL, Oracle or Access techniques;

- Roll-up taxes, fees, and fines more cleanly to uncover the extent of debt owed by entities that have many transactions with several agencies.

• Identification of **$15 million** in delinquent revenue from businesses that continued to pay commercial credit obligations in a timely manner, providing an opportunity for a mid-sized agency to re-prioritize its collections efforts based on the likelihood of collection.

• Identification of **$48 million** in delinquent revenue from taxpayers who are more likely to discontinue business operations in the next 12 to 18 months.

• Correction of 35 percent of the information on 200,000 severely delinquent taxpayer records allowing a large state to collect **$1.5 million** from an audit population that was dramatically stagnant because of inaccurate or incomplete contact data.

• Support to the IRS by providing asset location services for use in delinquency investigations.

These revenue programs highlight an important principle: No single department or agency *on its own* can maintain a database that is comprehensive and free from meaningful error. The most complete data file can only be created by using multiple sources, both internal and external. In fact, this is how D&B builds its business database. D&B's global database, the largest business database commercially available, is gathered from 220 million business site locations in over 190 countries and contains over 33 million businesses in the United States. These records are continuously updated and compared against multiple databases to resolve inconsistencies and produce the highest quality match.

Data Optimization and Enrichment solutions enable state and local governments to leverage their information across multiple revenue databases to generate incremental revenue. Simply by collecting more of the monies owed to them, governments can help relieve budget pressures and maintain higher service levels for their citizens.

Best Practices for Generating Incremental Revenue Results

D&B's experience providing state and local governments with business data services reveals two main steps or "best practices" for enhancing the collection of taxes, fees, fines and other revenue: Entity Matching and Prioritization. By utilizing these two steps, revenue agencies will be better positioned to identify their total
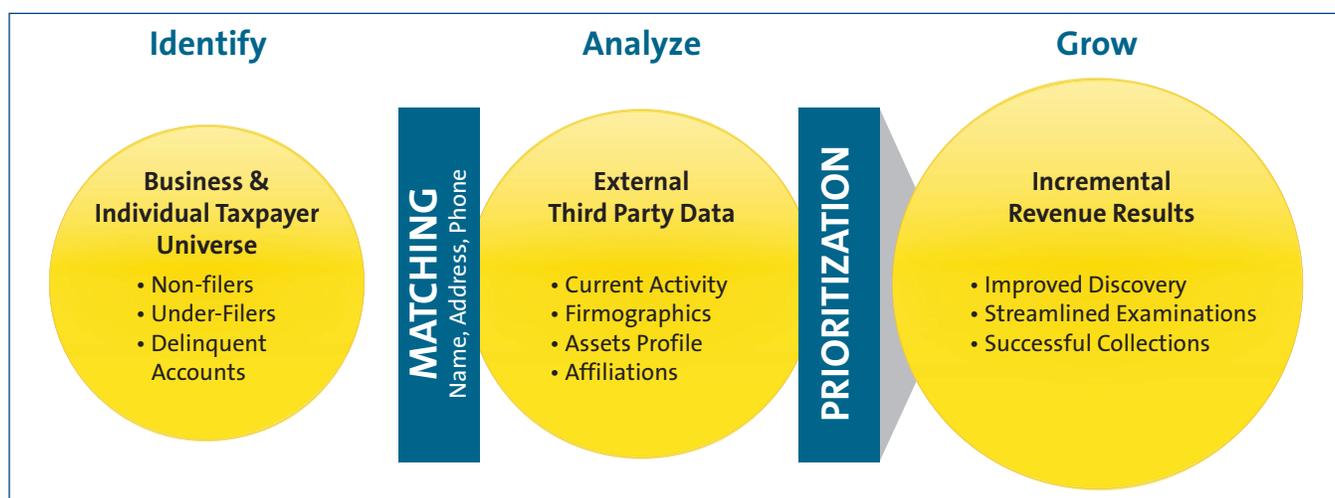

Figure 1: Best Practices for Generating Revenue Results with Data Optimization and Enrichment
Robust entity matching enables government tax and revenue organizations to identify, locate and prioritize high-value business cases for collecting fees, fines, taxes and other payments.
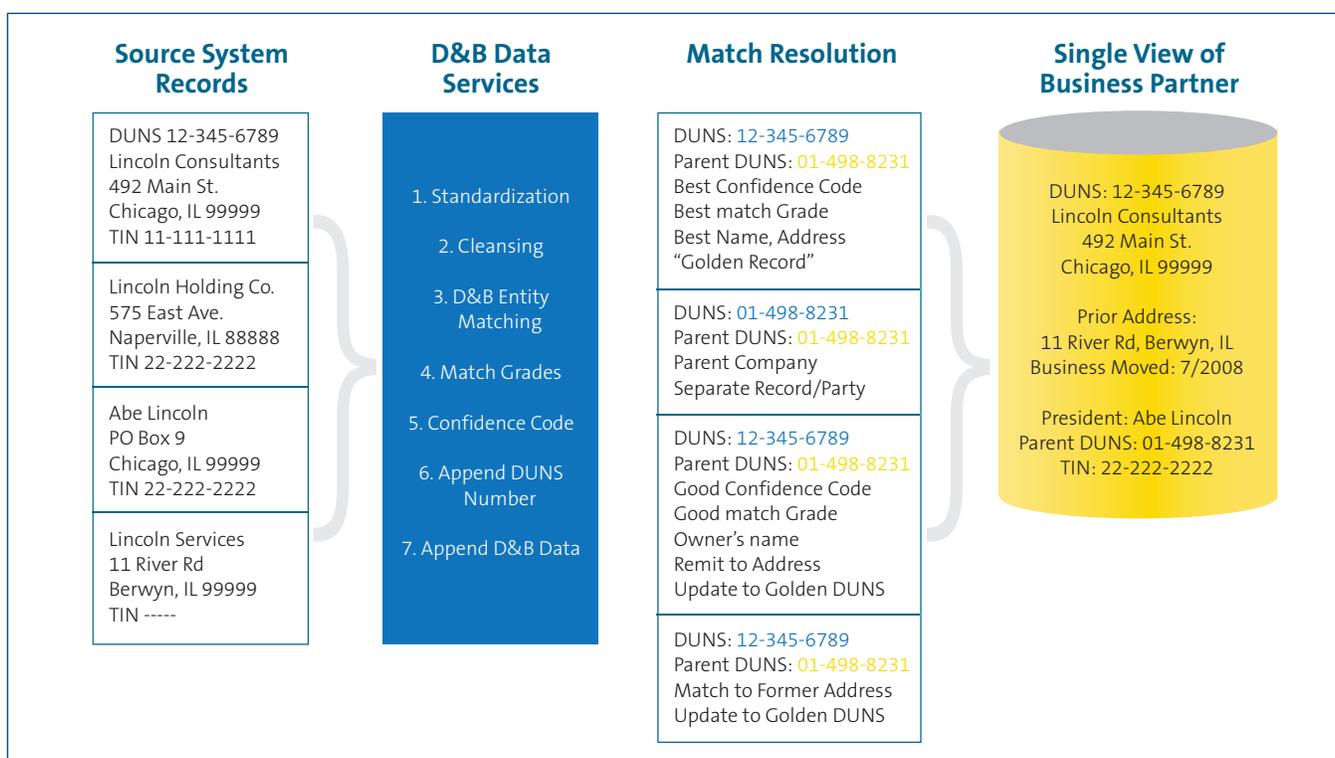
business and individual taxpayer universe, analyze external third party data sources, and grow their incremental revenue results.

Entity Matching. Powerful matching capabilities are essential for effectively using external third-party data. A commercial data service provider offers value by matching its business information with the agency's data to correct and enhance the data. Entity Matching is D&B's patented process for matching an agency's business information against D&B's global business database. Entity Matching has the ability to reach across disparate sets of data that may lack a common numbering system to confidently identify and verify business entities as one and the same across the sources. Matching bridges the divide between data sets and enables agencies to bring together internal and external data points on a business to reveal a *Single 360 Degree View of Your Business Partner*. This process allows for and corrects variations in spelling, formats, trade names and addresses, and other company data from

disparate sources, such as business licenses, fines, tickets, and a state property or business taxes. D&B then rates the level of confidence it has in the matched entities.

For agencies that collect taxes and other revenue, Entity Matching can significantly enhance their business databases by providing in-depth information and intelligence about businesses, such as revenue, profits, number of employees, addresses, corporate officers, linkages to parent companies and subsidiaries, predictive scores for determining the willingness or ability of a business to resolve debt obligations, identification of officer assets for use during delinquency investigations, and other information not contained in the agencies' databases. The DOE programs conducted by state, local, and federal revenue agencies demonstrate the value of this matching capability.

The Single View of the Business Partner is an important aspect of efficient and optimized collections—especially

| Source System Records	D&B Data Services	Match Resolution	Single View of Business Partner
DUNS 12-345-6789 Lincoln Consultants 492 Main St. Chicago, IL 99999 TIN 11-111-1111	1. Standardization 2. Cleansing 3. D&B Entity Matching 4. Match Grades 5. Confidence Code 6. Append DUNS Number 7. Append D&B Data	DUNS: 12-345-6789 Parent DUNS: 01-498-8231 Best Confidence Code Best match Grade Best Name, Address "Golden Record"	DUNS: 12-345-6789 Lincoln Consultants 492 Main St. Chicago, IL 99999
Lincoln Holding Co. 575 East Ave. Naperville, IL 88888 TIN 22-222-2222		DUNS: 01-498-8231 Parent DUNS: 01-498-8231 Parent Company Separate Record/Party	Prior Address: 11 River Rd, Berwyn, IL Business Moved: 7/2008
Abe Lincoln PO Box 9 Chicago, IL 99999 TIN 22-222-2222		DUNS: 12-345-6789 Parent DUNS: 01-498-8231 Good Confidence Code Good match Grade Owner's name Remit to Address Update to Golden DUNS	President: Abe Lincoln Parent DUNS: 01-498-8231 TIN: 22-222-2222
Lincoln Services 11 River Rd Berwyn, IL 99999 TIN -----		DUNS: 12-345-6789 Parent DUNS: 01-498-8231 Match to Former Address Update to Golden DUNS	

when there are multiple databases that may contain data variations of the same business entity. By matching these disparate sources of data and unifying under one unique identifier—the D-U-N-S Number®—revenue agencies have the capability to see the full tax liability picture across the entire enterprise.

Some states are taking an even broader view of this concept and applying it across the state enterprise. By matching across multiple databases—regardless of agency or department—states are capable of having a Single View of the Business Partner and Individual. This allows states to determine appropriate offsets when processing transactions. For example, a state's revenue agency might withhold a refund until an individual's child support payments have been brought up to date. Another example might be holding a Medicaid provider's claims reimbursement until business taxes have been paid.

Prioritization. Tax and revenue agencies can focus scarce resources on cases with the highest probability of tax liability and largest amounts owed by using enhanced business data to identify companies that may owe taxes and then prioritize which cases to pursue. Data-centric prioritization supports and strengthens the entire pipeline of agency activities aimed at reducing the tax gap, resulting in:

• **Improved Discovery**. Maximizes compliance and reduces taxpayer burden by identifying non-filers and under-filers that were not identified in agency
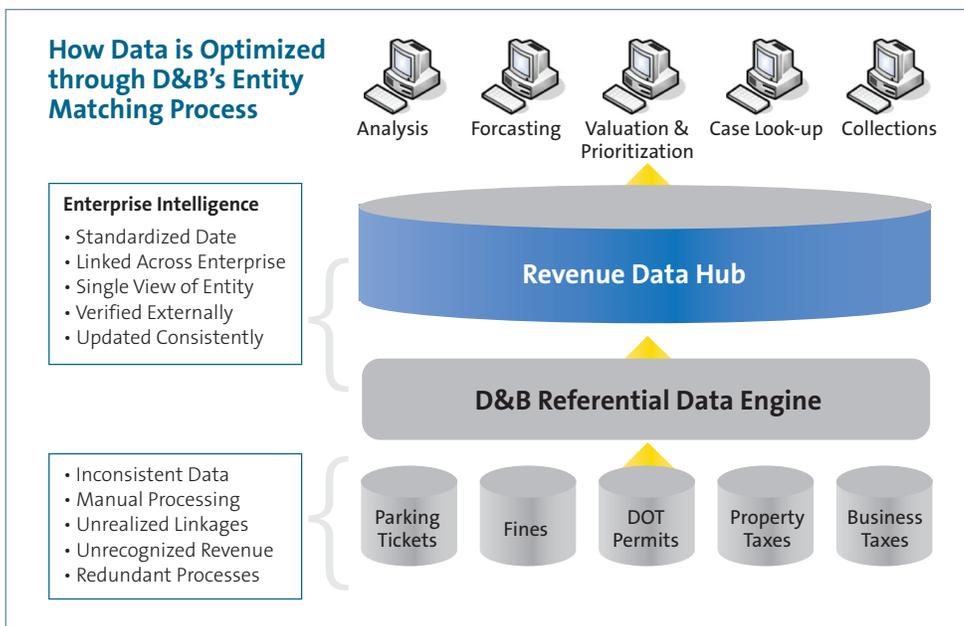
databases as owing money; verifies business credentials and operational status as filings or registration submissions are received; and identifies fraudulent behavior or misrepresentation before refunds are sent.

Each month, 25 percent of an average business database experiences significant changes in name, address or ownership. Data sources that capture data annually are quickly outdated. The tax and revenue impact multiplies quickly.

• **Streamlined Examinations and Audit Selections**. Prioritizes audit and collection cases by building targeting mechanisms and predictive behavior based on historical data to identify highest value case; identifies anomalies by comparing information reported to the tax agency with third-party information; and determines willingness and ability of businesses to resolve debt obligations.

How Data is Optimized through D&B's Entity Matching Process

Analysis Forcasting Valuation & Prioritization Case Look-up Collections

Enterprise Intelligence
• Standardized Date
• Linked Across Enterprise
• Single View of Entity
• Verified Externally
• Updated Consistently

Revenue Data Hub

D&B Referential Data Engine

• Inconsistent Data
• Manual Processing
• Unrealized Linkages
• Unrecognized Revenue
• Redundant Processes

Parking Tickets Fines DOT Permits Property Taxes Business Taxes

	Data Optimization: Address Cleansing & Duplicate Identification	Business Size	Business Activity Indicators	Industry Codes & Geo-codes	Corporate Linkage	Predictive Scores	Contact Information
Discovery	✔	✔	✔	✔	✔	✔	✔
Audit	✔	✔	✔		✔	✔	
Collections	✔	✔	✔		✔	✔	✔
Forecasting	✔	✔		✔			

- **Successful Collections**. Finds businesses that have moved, been renamed or acquired, or ceased operations to generate incremental revenue; identifies business entity relationships, including parent companies, subsidiaries, and branches, through ownership linkage data; uncovers business activity and potential liabilities for taxes and other payments.

- **Forecasting**. Establishes a period-to-period baseline of corporate revenue and tax obligations to accurately forecast expected revenue and tax gap.

D&B's Value-Added Business Intelligence

- Global business data provides significantly deeper content and more timely information on businesses than publicly available external data sources.

- Predictive Scores are a commercial Best Practice for determining a business's willingness and ability to resolve debt obligations.

- Corporate Linkage quickly identifies business entity relationships, including parent companies, subsidiaries, and branches.

- Specific data elements have shown to be reliable indicators of business activity and decisive variables in Decisioning Scorecards.

Robust DOE combines comprehensive global business data with a wide range of Matching and Prioritization capabilities—such as data optimization, business size, business activity indicators, industry and geo codes, ownership linkages, predictive scores, and other capabilities—to enhance tax and revenue collections across the government enterprise.

Conclusion

DOE best practices can be seamlessly integrated into existing revenue management systems, data warehouses, or business intelligence tools to dramatically improve revenue performance. DOE streamlines operations and makes agencies more productive by automating formerly manual and redundant processes. By standardizing data, DOE enables agencies to see linkages across the enterprise and realize previously uncollected revenue. Leveraging private sector data and matching technology will allow agencies to handle larger amounts of data with fewer resources, leading to vastly improved efficiency and revenue results.

For more information, contact us at 1.800.424.2495 or government@dnb.com