

Minnesota Department of Revenue Streamlines State Tax and Revenue Operations with OpenText™ Captiva

The Minnesota Department of Revenue manages the state's revenue system and administers state tax laws. Revenue manages more than 30 different taxes and collects more than \$20.5 billion annually. This money funds education, local government aid, property tax relief, social service programs, highways, economic development incentives and grants for businesses, and other state programs and operations.

Challenge

The Minnesota Department of Revenue (Revenue) has been on the forefront of automated document capture for tax return processing since 2002, when the department began using an earlier version of the Captiva solution to ingest and process individual (personal) tax returns and related correspondence.

In 2006, Revenue upgraded to the next generation of the technology with OpenText partner, Information Capture Solutions (ICS), and provided a solution that includes high-speed scanners and more advanced capture technology capable of automatically classifying thousands of documents and extracting tax data. After implementation, Revenue expected that the transition to the latest release of Captiva would deliver more system efficiencies to the state agency.

Inefficient Processes for Business Tax Returns

Revenue brought business tax returns into the capture workflow process. Unlike individual filings, which average seven pages, Minnesota's business tax returns can be highly complex—often consisting of more than 100 pages and including dozens of forms and schedules.

Since a significant percentage of business tax returns are still filed in paper form, Revenue was spending too much time on manual processes. This included sifting through the returns to classify documents and ensuring the proper forms were included. Revenue

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CHALLENGES

- *Inefficient processes for business tax returns*
- *Need to improve check and voucher processing and move to electronic deposits*

SOLUTIONS

- *OpenText™ Captiva Capture*
- *OpenText™ Captiva Advanced Recognition*

BENEFITS

- *Replaced time-consuming, manual processes and supported complex business tax return processing with automatic classification of more than 800 document types*
- *Enabled same-day deposits for majority of checks*
- *Reduced overall time to deposit checks by at least 40 percent*

RESULTS

- *Reduced voucher processing types from 64 to three*
- *Gained additional savings and supported department policy via system's ability to determine best method for transmitting each deposit*
- *Reduced steps required for check presentment from seven to four*
- *Eliminated need for courier service for paper checks via electronic deposit*

was also hand-keying data from the forms into the department's tax system, introducing a potential for error in the process.

ICS and state developers redesigned the business tax forms to systematically read better. This included adding anchors, bullets, and other forms of identification to help raise the accuracy of classifying the forms. This resulted in getting more accurate results and the agency is now processing more returns than it can open in a day. Any backlogs and bottlenecks related to processing the business tax forms were immediately eliminated.

Improving Check and Voucher Processing

Another area for improvement was Revenue's process for receiving, processing, and depositing tax payments, which come into the department as a separate mailing from the tax returns. The department needed to replace its legacy remittance system for check processing.

With the previous check processing system, Revenue began by scanning all of the checks and vouchers. Every check and many vouchers were manually keyed. Once the transaction balanced, the department scanned each check and voucher again to encode the check. At the end of each day, Revenue used a courier service to hand-carry the paper checks to the bank for depositing, which meant the funds were not posted until at least the next day.

If there were fewer vouchers to choose from, Revenue felt customers would find it easier to choose the right voucher. In 2014, Revenue consolidated its vouchers. Before the consolidation effort, Revenue had 64 vouchers and shortly after, it went down to three. Since implementation, read rates and automated classification have improved significantly and deposit time has been reduced by 60 percent. The consolidation effort also improved Revenue efficiency and accuracy, requiring less work to program and maintain.

Solutions

ICS brought the department online with two IBML high-speed, high-capacity scanners, and migrated all of Revenue's previous Captiva processes to OpenText Captiva Capture. To meet Revenue's requirements for processing all tax returns, including business tax documents and electronic payments, Revenue extended its Captiva document capture environment to use the advanced document classification and data extraction capabilities of OpenText™ Captiva Advanced Recognition.

In order to add business tax returns to the overall Captiva capture process, ICS defined more than 800 document types via Captiva Advanced Recognition that identified the various business tax return documents, as well as required documentation for every kind of business tax scenario. Once the entire return is scanned and intelligently classified, Advanced Recognition takes over and applies the business rules to determine if the return is complete and acceptable. If the return is missing certain documents or other information, Advanced Recognition automatically routes the document set to an appropriate workflow queue for further processing. This implementation resulted in 90 percent accuracy in handling all front-end correspondence associated to customer accounts—a significant improvement.

“We easily surpassed that goal, since we're virtually assured of same-day deposit for most types of checks.”

CYNDI ROWLEY, FORMER REVENUE TAX OPERATIONS DIVISION DIRECTOR

Comprehensive Capture Process Flow for Electronic Check Presentment

ICS integrated a customized Check 21 solution into Captiva that enabled any bank to accept and honor an electronic image of a check that is considered the legal equivalent of the original document. ICS partnered with Tangent Systems to integrate Tangent's Deposit21® solution into Revenue's Captiva capture solution. As a module within Captiva, Deposit21 handles the actual check transmission to the bank according to Check 21 guidelines.

Captiva classifies each document and sends check images off to the Deposit21 module, where the check amount is captured and validated. Captiva verifies that the check amount matches the amount due from the payment voucher; if different, Captiva automatically routes the return to Revenue for further processing. Once Captiva has determined the payment transaction is balanced, it releases the check to Deposit21 for electronic deposit and automatically determines the optimum method for transmitting the check to the bank.

Deposit21 formats, encrypts, and transmits the electronic deposit files per each bank's standards. When each file transmission is completed, the bank sends an acknowledgement file to Deposit21 confirming that the bank accepted the deposit credited to Revenue's account, and automatically creates a short-term archive of all check images to facilitate any adjustments for bank debits and credits such as NSF's.

Greater Efficiencies Yield More Savings

During peak periods, the department processes and deposits up to 75,000 checks a day—and the system ingests more than 50 million pages every year. With the electronic check presentment solution, Revenue has reduced its previous seven-step process to only four steps for 'clean' transactions (with no additional processing by agency staff). Since Deposit21 automates the electronic deposit,

checks only needed to be scanned once. The cost of a courier to hand-carry the paper checks to the bank has been completely eliminated and deposit time has been reduced by 40 percent. A new reporting system was put in place to help provide better reporting metrics. The new reporting system provides more detailed tracking metrics on any keyed-in items to the entire processing system.

“We easily surpassed that goal, since we’re virtually assured of same-day deposit for most types of checks,” says Cyndi Rowley, former Revenue Tax Operations Division Director. “Previously, when the checks were couriered in hard copy form, we had to have them ready to go much earlier in the day in order to ensure timely access to the funds. It paid off—Revenue was able to deposit 75,700 items in a single day. The past one-day record using the old system was 48,400.”

The Captiva solution has been truly transformational for Minnesota Revenue, letting the agency expand its electronic processing of business and personal tax returns, voucher processing, and electronic and check payments.

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INFORMATION CAPTURE SOLUTIONS

Information Capture Solutions (ICS) is a privately-owned Kentucky based company who specializes in systems development and integration of automated processes for content management. ICS provides total business process solutions, as well as BPO services, for information collection and data capture, customized to meet each individual client's needs.

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